

**The original documents are located in Box 3, folder “Timber Policy Study (2)” of
the Norman Ross Files, 1974-75
at the Gerald R. Ford Presidential Library.**

Copyright Notice

The copyright law of the United States (Title 17, United States Code) governs the making of photocopies or other reproductions of copyrighted material. Norman E. Ross, Jr. donated to the United States of America his copyrights in all of his unpublished writings in National Archives collections. Works prepared by U.S. Government employees as part of their official duties are in the public domain. The copyrights to materials written by other individuals or organizations are presumed to remain with them. If you think any of the information displayed in the PDF is subject to a valid copyright claim, please contact the Gerald R. Ford Presidential Library.

THE WHITE HOUSE

WASHINGTON

January 17, 1975

MEMORANDUM FOR: ROBERT LONG (Dept. of Agriculture)
JOHN McGUIRE (Dept. of Agriculture)
GARY SEEVERS (CEA)
DON WEBSTER (White House)
JOHN HILL (OMB)

FROM: NORM ROSS

SUBJECT: Timber Meeting

A meeting to discuss the timber supply and employment in western forest areas is scheduled in my office, Room 218, OEOB on January 21, at 3:30p. m.

Attached is a letter from, Paul F. Ehinger Chairman of the Timber Supply Task Group, for your information.



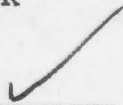
THE WHITE HOUSE
WASHINGTON

1-14-75

TO: *Norm Ross*

FROM: DONALD A. WEBSTER

FOR YOUR INFORMATION

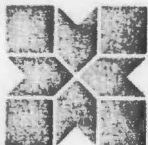


FOR APPROPRIATE ACTION

FOR YOUR COMMENTS

OTHER

1/14



National Forest
Products Association

Forest Industries Building • 1619 Massachusetts Avenue, N.W.
Washington, D.C. 20036 • 202/332-1050

January 10, 1975

Mr. Donald A. Webster
Deputy Director
Office of Public Liaison
The White House
Washington, D.C. 20500

Dear Don:

Thank you very much for the courtesy and arrangements in the meeting we had this morning with you and your associates in the Executive Branch. On behalf of the entire industry and labor, I want you to know how much we appreciate the opportunity to bring to the attention of so many high ranking officials our urgent problems in timber supply and employment in western forest areas.

May I urgently request again that a knowledgeable, impartial investigator be sent by the White House to the National Forest areas in the West to examine carefully, on the scene, the facts with reference to the critique of Forest Service management policies which we outlined at the meeting this morning. We have considered the type of man whom you might send, and three names have occurred to us: John H. Kyl, presently the Assistant Secretary for Congressional and Legislative Affairs, Department of the Interior; Robert Davis, currently an assistant to Mr. Zarb in the Federal Energy Office; and John Larson, a former Under Secretary of Interior and assistant to John Dunlop, presently in law practice in San Francisco.

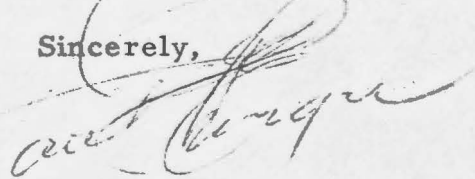
We think it is urgent that someone with the knowledge of the relationship between timber supply and housing, and with an understanding of the management potential in the National Forests, be sent at once to the West to report back to you on the validity of the statements and materials which we presented to you and to your associates this morning. Time is of the essence. He must be a tough-minded person willing to call the shots as he sees them regardless of how this affects the Forest Service or the industry, and his judgment must be such as to be persuasive within the Executive Office.



Mr. Donald A. Webster
Page 2
January 10, 1975

John Hall, on the staff of NFPA, will be sending to your office more materials to supplement those we presented this morning. This will be in response to some of the questions raised during the course of our discussion. Thank you again for your attention and assistance.

Sincerely,



Paul F. Ehinger
Chairman, Timber Supply Task Group

cc: John F. Hall, NFPA





DEPARTMENT OF AGRICULTURE
OFFICE OF THE SECRETARY
WASHINGTON, D. C. 20250

January 29, 1975

Mr. Paul F. Ehinger
Chairman
Timber Supply Task Group
Edward Hines Lumber Company
Westfir, Oregon 97492

Dear Mr. Ehinger:

All of us in the Administration concerned with timber supply appreciate the efforts of you and your group to bring to our attention the serious problems now facing your industry. I'm sorry that I could not attend the January 10 meeting in the White House, but I did attend your meeting with Secretary Butz and I have read your briefing materials.

This Department, along with the White House staff, the Office of Management and Budget, and the Council of Economic Advisors gave serious consideration to the seven recommendations beginning on page 13 of your background statement. We also considered your recommendation that an independent investigator be appointed to review the industry's problems and report his findings to the White House. The idea of an independent investigation is attractive, but we have doubts about the timing. As you may know, since 1968 there have been at least 15 separate studies of the timber supply programs. We have a large number of recommendations before us. Action is needed now, not another study. I hope you and your colleagues will reconsider this recommendation. If you'd like, I will be glad to discuss it further with you.

The first of the recommendations regarding the Forest Service Timber Sale Program, on page 13, calls for an economic analysis of road design standards. The Forest Service tells me that this is being done and that environmental analysis is also required. Nevertheless, I suspect that there are situations where roads are indeed over-designed, and I would like to know if you can suggest some specific examples that we could jointly evaluate. I know that the Forest Service has been trying to cope with this problem for some time. Perhaps we should look for a way of working together to make more rapid progress. I think we should get away from generalities, however, and try to find some particular problems that can promptly be corrected.



2-Mr. Paul F. Ehinger-

Recommendation 2 calls for reevaluation of slash disposal standards. Since this is a rather complex area involving many variables including utilization of residues, regeneration, and fire control, I would be hesitant to undertake a broad study. I would welcome your suggestions as to some specific areas which illustrate the problem in which we could jointly review. Again, I am concerned over broad, time consuming studies.

The third recommendation is one with which all of us can agree. However, training will take time and I would like to see the Forest Service correct deficiencies more promptly. The Clearwater National Forest is one place where controversies over skyline and helicopter requirements have been particularly frequent. Rex Resler and John Sessions will be visiting the Clearwater as soon as the snow is gone to make sure that the program is being conducted properly. If you have suggestions regarding other problem areas, please let me know.

The deficit sale problem worries us also. If you still feel strongly that such a review should be made, let's talk some more about this recommendation. In the meantime, we are looking into the possibility of releasing another \$10 million in obligational authority for road construction in the balance of this fiscal year. It may be that we can give most help to this problem by increasing Federal expenditures for roads.

We agree with the fifth recommendation, but would rather seek improvement then cut off offerings immediately. Your cooperation is needed to insure that the best possible cost data are made available. I would also like to talk some more with you about this subject to see if we can find some specific ways of bringing about prompt improvement.

The Forest Service says it agrees with your recommendation about the transfer of purchaser credit. I would like to see if you and the Forest Service can get together on a proposal that we can take up with OMB. It may take some compromises on both sides, but this is an area where we should be able to reach rather prompt decisions.

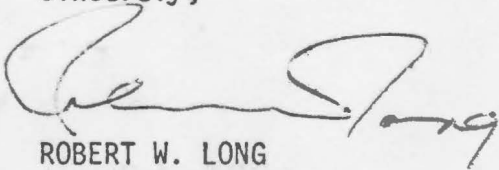
Finally, there is no disagreement with your last recommendation regarding reforestation and more intensive forest management. Rather the problem is one of Federal priorities. As you know, the President has requested recissions in these program areas, but we think that the economic situation may have changed enough to warrant reconsideration. We are willing to undertake that reconsideration.



3-Mr. Paul F. Ehinger-

Again, thank you for an excellent presentation. The Department and the Forest Service join with you in a desire to achieve meaningful progress, and quickly.

Sincerely,



ROBERT W. LONG
Assistant Secretary

cc: Norman Ross
Donald Webster
John Hill
Gary Seevers
John McGuire
Jack Horton



UNITED STATES DEPARTMENT OF AGRICULTURE
FOREST SERVICE
Washington, D.C. 20250

February 3, 1975



Mr. Norman E. Ross, Jr.
Assistant Director
Domestic Council
The White House

Last fall the University of Washington held a Symposium on Sustained Yield Policy with participation as shown on the attached program. Eventually the papers should be published. In the meantime, I thought you might be interested in seeing the notes of one of the audience.

There have been many reports of the Symposium but this particular set of notes is more complete and more independent of established points of view. I do not always agree with Professor Alston's interpretations, but I think that his summary of the Symposium will give you a pretty good idea of many of the complexities of this policy area.

John

JOHN R. MCGUIRE
Chief

Enclosures



2/6

This is the symposium I discussed with
you on the phone the other day



JAMES S. BETHIEL, D.F.

Dean

1000

COLLEGE OF FOREST RESOURCES
UNIVERSITY OF WASHINGTON • SEATTLE, WASHINGTON 98195
107 ANDERSON • PHONE (206) 543-2730

UNIVERSITY OF WASHINGTON
COLLEGE OF FOREST RESOURCES
SEATTLE, WASHINGTON 98195

a symposium

THE ECONOMICS OF SUSTAINED YIELD FORESTRY

Saturday, November 23, 1974

210 Kane Hall

presented by

COLLEGE OF FOREST RESOURCES
UNIVERSITY OF WASHINGTON

Nonprofit Org.
U.S. POSTAGE
PAID
Seattle, Wash.
PERMIT NO. 63

FOREST SERVICE
RECEIVED

NOV 4 1974



THE ECONOMICS OF SUSTAINED YIELD FORESTRY

SYMPOSIUM STATEMENT

For over a century, the principle of sustained yield ("even flow") has been a source of controversy within the forestry profession. The basic issue has been over the use of sustained yield, as opposed to economic criteria, as a guide for planning forest management. The effects of sustained yield management on timber supplies, as well as on efficiency and equity in the use of all forest resources, are questions of both professional and general interest.

The purpose of the present symposium is to evaluate the logic and usefulness of the sustained yield principle and the economic and social goals it is designed to serve. Because these issues are essentially economic, a distinguished panel of economists has been selected to evaluate them. The symposium will be an important contribution to forest policy and the forest sciences.

PANEL

ANTHONY DOWNS is chairman of the Real Estate Research Corporation in Chicago, Illinois. He is the author of *The Economic Theory of Democracy* and *Inside Bureaucracy*, and has published articles on housing and environmental problems.

JACK HIRSHLEIFER is Professor of Economics at UCLA. He is the author of *Investment, Interest, and Capital* and co-author of *Water Supply: Economics, Technology, and Policy*. He also has published numerous articles on various aspects of economics and business.

LEON MOSES is Professor of Economics and Director of the Transportation Center at Northwestern University. He has published in the field of urban and regional economics and has contributed to the *International Encyclopedia of Social Sciences*.

MARC J. ROBERTS is Associate Professor of Economics at Harvard University. He has published

articles on energy, economic growth, and environmental problems. He currently is chairman of the American Academy of Arts and Sciences Committee on Environmental Alteration.

PAUL A. SAMUELSON is Professor of Economics at MIT. He was awarded the Nobel Prize in Economics in 1970. Among his numerous publications is the best-selling *Economics*, now in its ninth edition.

PROGRAM

8:30 a.m.

INTRODUCTORY REMARKS: Dean James S. Bethel

8:40 a.m.

THE PLACE OF SUSTAINED YIELD IN THE EVOLUTION OF ECONOMIC SYSTEMS:
Samuelson

(Introduced by Douglass C. North, Chairman,
Economics Department, University of Washington)

9:45 a.m.

Coffee—Walker-Ames Room

10:00 a.m.

SUSTAINED YIELD AND CAPITAL THEORY:
Hirshleifer

11:00 a.m.

ECONOMICS OF TIMBER HARVEST REGULATION:
Moses

12:00 m.

Lunch—Sherwood Inn

1:30 p.m.

SUSTAINED YIELD AND ECONOMIC GROWTH:
Roberts

2:30 p.m.

SUSTAINED YIELD AND SOCIAL GOALS:
Downs

3:30 p.m.

RESPONSE TO QUESTIONS: Panel Members





WEBER STATE COLLEGE

3750 HARRISON BLVD., OGDEN, UTAH 84403

JOSEPH L. BISHOP, PRESIDENT

OFFICE OF THE DEPARTMENT OF ECONOMICS

December 18, 1974

TO: Director, Intermountain Forest and Range Experiment Station
c/o John H. Wikstrom, Project Director
507 25th Street Forest Service Building
Ogden, Utah 84401

FROM: Dr. Richard M. Alston

Re: Critical technical report on the "Economics of Sustained Yield Forestry" Symposium
held at the University of Washington, November 23, 1974

Enclosed please find summaries and comments on the papers presented at the Symposium on the Economics of Sustained Yield Forestry. This review is submitted in the hope that the Forest Service can better understand the significance of this important symposium. You will find separate summary and critical commentary papers dealing with the presentations of Paul Samuelson, Marc Roberts, and Anthony Downs. The presentations made by Jack Hirschleifer and Leon Moses were not deemed sufficiently informative or important to warrant separate comment and review. The essence of their presentations were more cogently and professionally included in the comments by the other three participants, especially in the excellent presentation of Prof. Samuelson. The best thing that can be said about the Hirschleifer and Moses presentations is that they indicate just how fearfully wrong analysts can get if they bury themselves in assumptions and ignore the real complexities of the issues involved in National Forest management. Their particular approaches to land management would require that a single product goal (i.e., absence of multiple use and multiple values) be specified for the National Forest Service. Although their models could be expanded to include multiple use problems, as was the case in the presentations of Samuelson, Roberts, and Downs, the necessary alterations would yield their specific formulations unrecognizable.

Specific comments appear in the critical reviews. However, it is appropriate here to point out the major things that we learned as a result of this excellent session. The announced issue of the symposium was to treat the question of sustained yield, and more specifically the narrower subset of sustained yield concerned with the question of even flow or non-diminishing flow. The real issue that emerged as the day proceeded, however concerned the role of forestry, and forest economics in particular, in forest land management. In the final analysis it became apparent that the issues go beyond the confines of sustained yield and are concerned with the problems of how to determine a viable (and hopefully efficient, perhaps even equitable) determination of what land will be used for what outputs, products, and uses, over space as well as over time. In discussing this issue, several extremely important points were brought to the foreground and highlighted the meeting. These included:



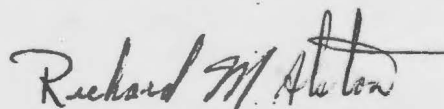
1. There has been, and will likely continue to be, too much emphasis directed to specific allocation models prior to a determination of the more important issues surrounding the reality of social welfare. Before one can, or should, attack or build allocation models, the relationship between means and ends must be clearly understood. Samuelson, Roberts, and Downs all directly faced this issue in their papers, especially as they dealt with what were termed "externalities." In many cases, these might have been more properly viewed as alternative values, resources, or products of the forest. Hirschleifer and Moses both tended to ignore the multi-output nature of the complex forest and thus could assume for themselves goals that are simply not relevant to Forest Service practices, policies, and guidelines. The goals established for and by the agency are established not "for use in a model", but rather to serve public interests. That sustained yield or even-flow policies may not serve as rational policies given a goal of maximizing the rental value of land or the present value of future revenue flows simply ignores the fact that sustained yield may in fact be serving (or failing to serve) other goals.
2. Economics, which after all is the study of choice among alternative and competing ends which inevitably result when dealing with scarce resources, cannot be wished away with notions that the "public interest" is served by other than economic considerations. As every single participant made abundantly clear, whether one likes it or not the ultimate choice among alternatives implies economic choices. *Sustained yield and even flow are not alternatives to economic choices, they are simply alternative economic choices.* Prices, relative values, priorities, and social preferences are essentially economic and it is senseless to suggest that you can get around the difficult choices that must be made by ignoring them.
3. Given some very specific, if not altogether realistic assumptions concerning the state of the world, there exist some relatively simple economic models that suggest that the economically (and socially) optimal allocation of land requires the equalization of economic rent across all land areas used to produce any and/or all outputs available from the forest(s). The specifics of these models were the subject of Samuelson's, Hirschleifer's, and Moses' presentations and needn't be specified here.
4. Unresolved by any of the presentations (especially in Samuelson's view, but also in Downs', Moses', and Hirschleifer's specific formulations) is the question of to what degree, given any "optimal" rotation period, one would allow output or timber harvest to fluctuate. Sustained yield and even flow were severely criticized by the conference participants, but the alternative formulations based on "financial maturity" failed to consider the inventory management problems associated with "fully stocked" stands. In addressing the "how much for how long" question, Samuelson suggested that even financial models might lead to relatively even flow over time, which was in direct contrast to Down's suggestion with respect to relatively large swings in output for countercyclical policy purposes. This critical issue remains unanswered.

U.S. FOREST SERVICE

Alston
Transmittal Letter
P. 3

The conference was sponsored by the University of Washington College of Forest Resources and was organized by Professor Barney Dowdle of the University, a recognized foe of the sustained yield policy, especially as it is interpreted to mean that timber is to be harvested in even amounts each year, and the cut is allowed to increase only when additional timber is being grown to replace the added harvest. Although all of the participants shared Dowdle's concern over the apparent economic nonsense involved in such a practice, it cannot be said that the ultimate conclusion reached was one of immediately replacing the sustained yield principle with some alternative practice. The U.S. Forest Service, and even more importantly the public which they serve and from which are derived through legislation the operative goals which guide the Forest Service, can learn a great deal from the messages presented at this Symposium. Perhaps the most important single lesson to be learned is that the goals which are to be served should be closely analyzed to insure that a) the public interest is actually being furthered by the sustained yield principle; b) the probability of actually accomplishing the desired ends is not extremely low; and c) the information and allocation models in which it is used are directly related to the specified goals. Equally important, the sessions suggested that if it is found that the goals are not being served by adherence to the sustained yield (or more narrowly "even flow") principle, alternative policy guides should be studied extensively, explained to the involved publics, and put to the test of both political and economic market place.

It is hoped that the more specific comments which appear in the attached reviews and comments will be both informative and useful to interested and concerned persons within the U.S. Forest Service. There is considerable work yet to be done, as all will recognize, if the Forest Service is to fulfill its commitment to the high principles which have guided it in the past. It is hoped that the agency can be flexible enough to learn, adjust to, and adopt many of the economic considerations so forcefully presented at this conference.



Dr. Richard M. Alston
Associate Professor of Economics



Summary and Comments on Paul Samuelson's
Presentation "The Place of Sustained
Yield in the Evolution of Economic
Systems"

Prof. Samuelson, describing himself as the "last generalist," completed that description by his entrance into the debate that has raged for centuries between what he called "forestry experts and the public on the one hand and businessmen and economists on the other." As his paper was to show, it is probably wrong to assign the economist to just the one side inasmuch as the economist and his elaborate models must end up serving both sides of the issue. 'This he made very clear, both in the introductory comments as well as his closing statement.

Right at the outset he was very careful to define the issue as he saw it. The foresters' dogma or goal of Maximum Sustained Yield, he was to argue, simply cannot hold up under any reasonable assumption concerning the proper rate of interest or rate of profit required to get profit seeking enterprises to commit long term capital into timber growing operations. In a short story he was to show that in fact it is possible that "at realistic profit rates" it could be argued that "it doesn't pay to keep a forest growing." More importantly, he was to conclude that the optimal rotation age was likely to be very short relative to the 80-100 year rotation period now utilized in many public agency calculations.

Before (and again after) his formal comments, Samuelson was very careful to spell out and emphasize that there is simply no adequate theory that can show that "profit seeking laissez faire enterprise will act in such a manner as to lead to maximum social welfare." This is especially the case, as should be obvious, where there are defects in the market mechanism that result from pervasive and ever present "externalities," to use, as did Samuelson, the currently in vogue economists' jargon. He was careful to point out to his audience that in what followed he would have to make some heroic assumptions about the nature of the forest enterprise in order to make a profit seeking solution at all relevant to the issue at hand. Too often, as Samuelson recognized, these assumptions go unnoticed, or certainly are not carefully remembered in application of the model for policy purposes. It was to this issue that he returned at the conclusion of his presentation, and to which this summary will again refer.

In emphasizing this point, Samuelson discussed the treatments of the "common property" element in fisheries by Crutchfield, Gordon, and Scott, wherein it is shown that free competition even with decentralized and clearly assigned property rights cannot lead to an optimum solution to resource allocation if there exists a common property element in the resource(s) involved. In order to make possible the application of the economists' model to the problem at hand, Samuelson necessarily had to assume that this common property element was not pervasive when it came to timber production. This came in the form of a "deposition" which declared that in the case of timber it is not the "common property" element that is at issue. He carefully informed his audience that this applied only to the case where the forest could be viewed solely as a source of wood and wood fiber, free



of externalities. More precisely, he stated that "the correct application of economic principles assumes away externalities. If Forestry could be assumed to be simply a source of wood saleable in perfectly competitive markets," then his discussion would be relevant. This, as he pointed out, "initially assumes away such externalities as flood control, pollution abatement, species preservation, vacationers' enjoyments, etc." One might add that it assumes away the currently held notion or policy of multiple use and multiple output on public forest land which in addition to timber as a forest product, also deals with fish and wildlife, outdoor recreation, range and forage, environmental amenities, and soil and water considerations.

Having prefaced his remarks with these most important warnings, he went on to show that there does exist a reasonable solution to the problem of determining the optimal steady state (emphasize steady state) rotation period and it is identifiable through correct application of economic principles. This correct application of principles, however, required some very specific assumptions. In Samuelson's words, "if an unambiguous solution to the problem is to be definable, of course certain definite assumptions must be made. If the solution is to be simple, the assumptions must be heroic." The specific assumptions required to make his model applicable were identified as:

1. Knowledge of future lumber prices at which all outputs can be freely sold and knowledge of future prices of all inputs into the production process.
2. Knowledge of future interest rates at which the enterprise can both borrow and lend in indefinite amounts.
3. Knowledge of technical lumber yields that emerge at future dates once certain expenditure inputs are made such as planting, spraying, thinning, etc.
4. Each kind of forest land suitable for timber production can be bought, sold, and rented in arm's length transactions between numerous competitors (i.e., perfect competition); or, if the government owns land, it rents it out at auction to the highest of numerous alternative bidders and conducts any of its own forestry operations so as to earn the same maximum rent attainable at the postulated market rate of interest.
5. For the special steady state model, the future prices and interest rates must be assumed to be known constants. Moreover, Samuelson noted, one must be able to deduce as the unknowns the competitive prices that clear the industry's markets since these are endogenous rather than exogenous variables as would be the case in the much more simple problems of managerial economics.

Since none of these assumptions can reasonably be expected to be met in the real world of forestry management, it will be necessary to utilize probability



functions to guide the decisionmaking process. Having thus established the ground rules for application of the economists' model, Samuelson then proceeded to the model itself. It was specified that the objective function or goal of the government agency as with the private firms, must be to maximize the rental value of the land under consideration. This then led to the question:

"What is the nature of the Optimal Solution for the Rotation Period in forest management, if the proper goal is to be realized?"

A brief true-false test, with justifications of your answer was used to indicate the answer.

Question No. 1 - Does it yield a steady state rotation period as long as that which achieves the foresters' traditional "maximum sustained yield?"

Answer No. 1 - NO! The optimal rotation age to maximize sustained yield is so long that at the postulated positive interest rate and inevitable market rent for land, it will bankrupt any enterprise that endeavors to realize it.

Question No. 2 - Is the optimal rotation that shorter period which maximizes the present discounted value over the first planting cycle of the cash receipts that come from the sale of timber (cut) minus the cash expenses of planting and cutting inputs (excluding from the cash receipts stream (net) any adjustments for inputs and explicit land rent)? NOTE: This approach is ascribed by Samuelson to be that of Irving Fisher and Hotelling, among others.

Answer No. 2 - NO! The rotation age that maximizes present discounted value will be too long to cover land rent. This approach leads to the absurdity that income and initial planting costs will have no effect on the calculated optimal rotation period.

Question No. 3 - Is the optimal rotation period that still shorter rotation period which maximizes Boulding's "internal rate of return" computed as that largest rate of interest which when applied to the net dollar cash receipts over one complete cycle reduces the resulting present discounted value to zero (and, we have noted, ignores land rent in setting up the net algebraic cash receipts!)?

Answer No. 3 - NO! Ignoring land rent and maximizing internal rate of return will give you so short a rotation period that at the postulated interest rate you will not be able to pay yourself the positive land rental set by competition.

Question No. 4 - Alternatively, is the optimum rotation period that which results from maximizing:



- a) the present discounted value of all net cash receipts excluding explicit or implicit land rents, but calculated over the infinite chain of cycles of planting on a given acre of land from now until kingdom comes; or, what may sound like a different criterion, but is essentially the same;
- b) the rotation period that results from maximizing the present discounted value of net algebraic receipts over the first cycle, but with market land rental included in those receipts (it being understood that the land rental that each small enterprise would be confronted with would be the maximum that ruthless Darwinian competition can contrive)?

Answer No. 4 - YES! Possible answers "a" and "b" are equivalent and it should be noted that except in these two formulations, the importance of land rent as a return to land are not given the proper attention it needs. Samuelson was careful to point out that this solution was pre-saged by the 1849 article of Martin Faustmann, so as not to take credit for a concept that has been so important throughout the history of economic theory, in spite of its obvious abuse or ignoring by other economists.

SAMUELSON'S CONCLUSION DESERVES ATTENTION: Commercial use of the forest land will lead to a departure from the goal of maximum sustained yield even greater than realized by the critics and adherents to the "dogma" realized. The higher the effective rate of interest, the greater will be the shortfall of the optimal rotation age decided on in comparison with the age that will maximize the steady state yield. However, as the interest rate goes to zero the economists' correct optimum will then *EXACTLY* reach the limit of the "foresters" target of maximum sustained yield. Only if an explicit land rent charge is introduced into the cash stream will Boulding's maximizing of the internal rate of return avoid an incorrect result.

To quote Samuelson, "a positive rate of interest is the mortal enemy of 100 year old forests." More importantly, the interest rate cannot be ignored if proper utilization of the nation's resources is to be achieved, even though there is still an on-going argument concerning just exactly what interest rate ought to be used. The point is that any positive rate of interest will alter the optimal solution in the rotation period problem.

Having thus shown the correct "Faustmann" solution that maximizes land rent in getting at the solution to the optimal rotation period for commercial use of the forest to produce timber, Samuelson then went on to some very important policy issues that required recalling his original set of assumptions.

If those assumptions were met, the solution for the optimal rotation period applied not only for managerial economics, but also provides the best solution for an endogenously determined general equilibrium. The interest rate, in such a situation, that is used in commercial forestry would be the same as that required by the "ideal planner." That is, *if* there



were not any externalities (or all externalities had been internalized in the decisionmaking processes), and subject to some ethical time preference pattern exhibited in society, then the Adam Smith notion of perfect competition leading to optimal social welfare would be achieved. Not only would it be the way in which the cookie crumbles--it is the way the cookie *OUGHT* to crumble.

As Samuelson notes, however, historically both in Europe and in the United States, virgin stands of timber have been decimated. The logic of the "Faustmann" approach shows that the actual rotation age now being utilized is much greater than the lower rotation age which might be deemed "optimal." Implementation of the "Faustmann-maximum land rent" solution would be a clear and sure prescription for the cutting down the remaining trees held in both private and public ownership. *THE QUESTION OF COURSE IS, "IS THIS GOOD OR BAD?"* There is simply no easy answer to that question. We do not have, nor are we likely to have any clear and knowable set of social welfare functions. We do know if this policy were pursued that as wood becomes ever more scarce, the price of wood would rise (both in a real and a relative sense) enough to keep a viable amount of timber production coming forth. In effect, you would find that a different kind of sustained yield (not maximized sustained yield) would come about. There would always be a sustainable output which would guarantee enough at the going market price. This is the nature of the competitive market mechanism and the structure of market clearing prices. But what of conservation?

It is at this point that Samuelson returns to his original set of assumptions. It must be recognized, as he was to emphasize (although it can be reasonably expected that it fell on many deaf ears) that perfect competition, even in its most abstract theorization, does not lead to maximum social welfare in the event that significant externalities exist or in the event, in this specific case of forest use, that the land in question is or can be utilized to produce multiple values or outputs. When trees are no longer viewed as merely producers of cellulose and fiber, that is when the trees are seen as part and parcel of a multiple output land base, the Faustmann logic becomes subject to severe constraints.

In a pluralistic economic and social system, one can well expect that the electorate will come in when necessary to provide a non-Faustmann solution, utilizing zoning regulations, use and user taxes, and land classification schemes. The economists are not so naive as to ignore the important problems that exist when one tries to compare Pareto efficient solutions with considerations of interpersonal equity. It might be expected that proper calculation of the efficiency solutions would lead to restrictions on that solution for public purposes, although Samuelson doubts that it would result in locking up huge and isolated forest reserves that are inaccessible to the electorate that showed the concern in the first place.

Although Samuelson's contribution to this conference on the economics of sustained yield forestry will perhaps not be as readily remembered and cited as the statements of others who were less careful in their formulations, this writer at least feels that his was the most significant of all.



He was extremely careful in pointing out both the strengths of economic analysis as well as the severe assumptions and constraints that must be made in its application. Samuelson, ever the economist, correctly showed that it might well be expected that the correct application of economic theory to modern forestry problems is just as likely to serve the "foresters" as the businessmen. 

If the United States Forest Service properly understands the implications, both in its specifics and in general, it will no longer (if it indeed ever has--as some of the speakers continued to imply) reject "economics" out of hand as a guide to decisionmaking. As Samuelson's message made abundantly clear, "economics is the science of choice" and it offers a tool of analysis that, when properly used, can serve to clarify issues, direct decisions, and indeed provide more nearly optimal solutions to very complex problems. The agency should not blind itself to this important point as certain special interests attempt to foist on them and the public more narrowly conceived, and inappropriately applied models for determining allowable cut or rotation periods. 

One final point is in order. As brought out in the question and answer session, there must be a distinction between the Samuelson (Faustmann) formulation of determining that rotation period that maximizes land rent, and the perhaps, but not necessarily separable problem of "even flow." It should be recognized that it is one thing to determine the best age to which trees should be grown, but this does not imply an even-flow harvest policy. Moreover, even flow could be practiced for any given "optimal" rotation period. Samuelson responded to this point by suggesting that what you are left with is an inventory management problem, and this is not entirely separable--one solution implies the other. Although he was quite inconclusive on this issue, the point did bring up the critical nature of the business cycle as a problem not addressed in the maximum land rent solution. In the absence of such exogenous disturbances, as would be the case in a steady state situation to which the model applied, Samuelson correctly indicated that the inventory management solution would tend toward a reasonably even flow over time. Whether timber management policies should respond to price fluctuations was not discussed by Samuelson.



Summary and Comments on Marc Robert's
Presentation "Sustained Yield and
Economic Growth"

Prof. Roberts was, without reservation, the highlight of the symposium on the economics of sustained yield forestry. He brought to the meeting an awareness of the broad expanse of the issue as it goes beyond the narrow confines of specific models and at its base involves the essential issue of "how do people want to live, now and in the future." He was to attack, in a most pleasant manner, many of the pre-conceptions brought into current forest management practices. In the process, he brought to the forefront the essence of what is involved in the historical debate surrounding the economics and politics of multi-resource forest management. His presentation more than any of the others was directed at the entire forest and all of its associated products, not the more narrow question of timber outputs that so prevailed other speakers at the symposium.

Dr. Roberts organized his paper around six major issues, which he briefly described and then summarized cogently the arguments lying behind them. These issues are:

1. What are the goals for management of forests and Forest Service policies in a growing economy? As he correctly pointed out, the goal is not to maximize GNP, which is an imperfect measure of social welfare (especially when it is recognized that tastes are affected by experiences). Rather, the goal concerns how people live their lives and how they view things that affect their lives. He emphasized the point that too often "ecologists" take a myopic view that emphasizes non-human species. Too often they imply that people do not count or are somehow "unnatural" in their environment. He was to take what he preferred to call the economist's "Homeocentric" (emphasis on man) attitude as opposed to what he felt was too prevalent in the rest of the symposium [i.e., what he termed a "Silvicentric" (emphasis on trees) position]. The goal of forest land management is or ought to be improving social welfare, viewed in a broad manner.
2. What is the expected impact of economic growth on the demand for forest services? Here, in what might have been the most important statement of the session, Roberts pointed out that growth increases demands for all of the outputs of the forest, both fiber, and non-fiber outputs (i.e., fish and wildlife, outdoor recreation, range and forage, esthetics and environmental amenities, soil and water), and (but not exclusively) timber, with all that that implies for management. Throughout his discussion, Roberts was to return to this essential point. The public and private forests of the nation are multi-output resources and too much emphasis on just one output, timber, would not serve the public interest nor achieve the goals of society.



3. How well does the free market handle the implied adjustment that will be required in a growing economy? If the free market wouldn't or couldn't handle the adjustment in a socially desirable manner, how and why should the government intervene? His conclusion, one that would not surprise those who paid attention to the Samuelson presentation, was that for a number of reasons, the free market won't handle the required adjustment very well, and has never been allowed to try because society recognizes that in order for the theoretical models to work themselves out too many assumptions need be met, the probability of which are close to zero.
4. If the free market won't handle the problem well, then what is the alternative? Roberts' suggestion that it would require a great deal of cooperation between the industrial interests, the government agencies, the economists, and the politicians fell short of providing an implementable model, (in the immediate sense) but nevertheless was probably more near the correct assessment of this complex issue than some of the more simple minded solutions offered by others at the conference. He was to argue that what is required is much more sophisticated analysis on the part of all concerned, especially as it relates to the non-fiber outputs of the forest. He correctly recognized that to leave these essential analysis requirements to the private sector of the economy simply would not suffice.
5. Is sustained yield a satisfactory basis for such intervention? Roberts accepted sustained yield for what it is, a political solution to a very complex problem. Equally correctly, however, he pointed out that sustained yield is too often defended by a simple minded enthusiasm that comes very close to being as naive as the simple minded "free enterprise market" solution. Sustained yield is not an analytical answer to the question of how we should best manage the nation's forest resources.
6. If, then, sustained yield is not a satisfactory basis for solving the complex issues of forest management, how could we go about constructing a successfully more adequate framework? His answer to this question was reflective of just how complex the issue is and will likely continue to be. He called for more complete utilization of the economic analysis which is now on the frontier, including the ability to measure and include for analysis purposes all of the values generated by and available in the forest reserves and commercial forest land. Unlike the others who preceded him, he did not pretend to have a simple minded solution that could solve all of the forester's problems in a quick sweep of the economists' magic wand. The issue is complex and he reminded us of that complexity.

As Roberts proceeded in his discussion, continuing to organize it around the previously described six issues, he was to bring up some very critical points that must be brought to the attention of all that would be interested in getting at the essence of the symposium. Without attempting to spell them all out in detail we should at a minimum note the following:



On Goals: Goals are not exogenously given and fixed as is too often assumed in economic models for resource allocation. It is of course true that personal, given, exogenous tastes and preferences are to be satisfied, but experience affects tastes and preferences over time. It is for this reason that we can not simply base all of our decisions in the management of very long range type resources on the basis of current tastes, which may in fact only represent the lack of alternative experiences on the part of the consuming public. By emphasizing currently held tastes, we may condemn people to take the existing set of economic circumstances and lock themselves into them. One thing is certain, based strongly on empirical evidence. Preferences for outdoor recreation, (especially high quality recreation) rise with rising income. One of the things involved in fulfilling human happiness, by managing forest resources, is to think about the long run and what people might be like or how they might view the situation, as opposed to necessarily how they do view it today. Forest managers would be amiss if they were to take as given and immutable some vector of prices (or as other speakers pointed out, some vector of demands--which is the more appropriate variable) and then base all of their actions on the assumption that these will hold forever more. As Samuelson noted, however, the use of the model that maximizes the rental income of the land requires just such sure and immutable knowledge. If the demand vectors are not known with empirically determined probability coefficients at a minimum, then much of the use of steady state analysis must be thrown out of the window. Roberts, however, while pointing out this essential point, was not to suggest that therefore "economics" itself must also be thrown out. Quite the contrary, it implies all the more reason to develop and utilize economic analysis for decisionmaking purposes.

On the impact of growth: In one of the few quite technical points brought out in Roberts' discussion, he reminded his audience that much of the fiber output of the forest is an investment good that is functionally related to the *rate* of growth of the economy rather than the actual *level* of economic activity. The implication of this subtle point, is that it is not at all clear, as the rate of growth slows down in the future, that the wood using sectors of the economy will continue to grow at rapid rates. On the other hand, there are trends to suggest that increased productivity is being taken out not in increased material outputs, but rather in increased leisure activities. In fact, the evidence suggests that in the future one can readily expect that the rate of growth of leisure activities will outrun the rate of growth of wood consumption. This itself will tend to reduce or slow down the rate of growth of the economy, which will feed back into the economy with even slower rates of consumption growth.

There is every indication that leisure time and non-fiber demands for forest products will increase over time. These changing patterns of human preferences and tastes must be taken into account in any reasonable forest management planning. On the international scene, we find a reversal of the above picture, with the export sector growing relative to the domestic demand for wood and fiber output of the forests, this in response to the growing needs of the underdeveloped countries now breaking through into periods of growth and higher per capita consumption.



The implication of these differing domestic and international prospects is that the forestry profession will have to face the fact that the tension which foresters have faced in the last ten years between the traditional physical management of the forest resource and alternative goals, uses, or services of the forest resource is not going to go away. It will get worse over time and the industry will not be able to wish it away--industry will simply have to learn to live with it. In Roberts' terms, "If the environmentalists discover timber to the extent they have discovered electric utilities, you are in for some exciting years" as the demands from enthusiastic conservationists get translated into meaningful action programs.

On the possibility of free market solutions: The most immediate problem facing the industry, as Roberts saw it, was how to reduce existing inventories now so that future planting would come to make sense in the profit calculus of the industry. The major problem, here, is that the market does not give good information on the relationship between present prices and what can be reasonably expected at some future time. If one assumes that prices are the flaw in the economic solution, we can expect little aid in this regard. We simply do not have perfect market information on which to base decisions. Roberts makes a point that should not be missed. The rational economic models, linear programming or others, require perfect information about the future. However, there is a great deal of market imperfection. Moreover, information and calculations are costly. Because of this fact, Roberts argued convincingly, it is rational to make imperfect decisions. Making perfect decisions is simply too costly. The globally rational decision is an imperfect one, because if you put all of the resources required to obtain a perfect decision, the opportunity cost is simply too severe. In essence, imperfect decisions are better than perfect ones. You cannot expect the market to respond the way a linear programming model would respond (or a land rent maximization model, a la Samuelson), because the world is more complex than a linear programming model. This lack of knowledge suggests that a free market solution will produce severe speculative cycles, the result of unstable speculative behavior, because real decision-makers do not possess the same information that the equations of the model possess. There is the possibility that "contingent claims" markets could be established, but even these would be far too costly.

Because information is imperfect, because our ability to forecast is imperfect, and because our ability to speculate is imperfect, we need contingency claims for a perfect market to operate for all possible "states of nature." Therefore, even on its own terms at the simplest level, the market has a problem in dealing with the type of situation that can be expected in the future.

Finally, there are even more stringent objections to market solutions. Externalities must be recognized as a pervasive element in any natural resource management activity, especially in the case of such a complex resource as the forest. It is simply a fact of life that transaction's costs, imperfections in the bargaining process, and the failure of income distribution and input prices to reflect true social costs, prevent the market from



adequately handling issues of social welfare. The market simply fails to reflect social costs in general.

BUT THIS DOESN'T ALONE JUSTIFY SUSTAINED YIELD. The market by itself will not necessarily take correct account of these forces, but sustained yield as a principle of management doesn't either. This important point, that sustained yield is not the rational choice that would be made by an economic analysis, raises the question, should the government step into a growing economy where we face uncertain demands for fiber outputs, a growing demand for recreation services, and complicated world trade dimensions? The complexity of the issues, and the recognized limitations of the free market solution may imply such action, but Roberts warns against jumping at that solution, at least jumping blindly.

Just as real markets are imperfect, so also are real political arenas (which, after all are not pure Jacksonian democracies) imperfect. The exchange of decisionmaking systems may not be a gain. The question that has to be raised is what are the imperfections in the political arena relative to and in comparison with those in the economic systems? Roberts pointed out at least two that are applicable and relevant for discussions of sustained yield and forest management. The first, what was termed the "threshold effect," recognizes that in the political arena people have to really care about any particular issue to get involved in a significant way. The advocacy process in the United States is most imperfect as it attempts to translate public preferences into meaningful information for decisionmaking. Second, we find that in the electoral process there is what was termed the "swing voter effect." Politicians can often afford to ignore certain groups, even majorities, if they are not committed to a particular issue. In effect, politicians have to pay a great deal of attention to the swing vote, that which represents a significant body of people who will "swing" on a single issue. During the late 1960's and early 1970's this phenomenon was represented by what many term the "environmentalists."

Roberts pointed out that the political system puts a premium on strong economic and strong ideological interests and for this reason it is not obvious that the political process will produce, to use his term, a "terrific" outcome. But on balance some government intervention nevertheless seems desirable. This is because the imperfections of the market are sufficiently serious to require alteration or supplementation. One still must face the question, however, whether sustained yield is an appropriate way of dealing with the problem of government intervention into a growing economy.

On its face, sustained yield is economic nonsense. It is not an economic model. It is not intended to be an economic solution, and except "ex post" and after the fact it is not defended as one. Again, it is not meant to be such a solution. It is defended in terms of a simple moral vision of the good society. It is defended in much the



way that the economists' vision of the good society through the operation of the laws of supply and demand in the market system are defended. Sustained Yield is a paradigm, a notion of the way the world "ought to be." Too often, Roberts was to point out, the literature on the subject attempts to defend sustained yield in terms of some model, when in reality the issue is one of social welfare. This point bears repeating in as much as it was probably the most profound statement in the entire symposium. *THERE IS TOO MUCH THINKING IN TERMS OF THE "MODEL" AND TOO LITTLE EMPHASIS ON THE UNDERLYING REALITY OF SOCIAL WELFARE.*

There is too much of a tendency, according to Roberts (and I agree) to ignore the underlying problem. Quoting Roberts, "Maximizing physical yield of the forest is only of interest to people who want to maximize the physical yield of the forest." What we are really interested in is what it's like to live in the society.

Roberts then went on to point out that the issue of how to manage the forests is basically an economic one. When you allocate resources over time and space, you are dealing with the problem of scarcity. When a decision is made to allocate the resources in one way as opposed to some alternative allocation, you are implicitly making an economic choice--you are putting prices on the vector of outputs whether you like it or not. You are putting prices on the recreation resources by how much you spend or don't spend on the recreation resources, and similarly for the visual and aesthetic impacts. Furthermore, every one of those decisions has an interest rate involved in it, where the interest rate is understood to simply be a "price" placed on the resource tomorrow instead of a resource today. *CONSTANT PHYSICAL OUTPUT IS NOT A WAY OUT OF ECONOMIC DECISIONS, IT IS JUST ANOTHER ECONOMIC DECISION. THOSE IN THE AGENCY WOULD SUGGEST THAT BECAUSE THEY ARE DEALING WITH A PUBLIC TRUST (or whatever other terminology they might use) AND THEREFORE CANNOT USE ECONOMICS AS THE GUIDING METHODOLOGY ARE SIMPLY DELUDING THEMSELVES. PRICES AND VALUES ARE IMPLICIT IN EVERY DECISION AND TRYING TO IGNORE THIS POINT SIMPLY DOESN'T "WASH."*

Marc Roberts made one final point in his presentation that indicated that even though sustained yield may not be an economically rational way to handle timber management decisions, it may nevertheless have a role to play in social welfare considerations. "We need to make a much better effort than we have about assessing the potential growth of recreation and esthetic demands and how we are to put a value on those demands in order to talk about sustained yield." Most resources are not fixed in supply, but one thing assuredly is... land. Land is relatively fixed and everything we know leads to the conclusion that the value of land will go up over time. Here is the notion not of land as a productive input, but rather as an output itself. Simply knowing that a virgin timber is "out there" is itself valuable. The current practice of accounting for the value of such land and associating experiences through "recreation visitor days" does not account



for the "existence" value enough. The willingness to pay principle enters here as can be seen by the amount of time, money, and effort put into fighting the Alaskan pipeline and damming the Colorado River in the Grand Canyon by people who would never actually go there to see the resource in question. One of the most important benefits of a forest preserve is the pleasure people derive from simply knowing that a virgin forest exists even if they don't see it. This is independent of the actual "recreation use" attributable to any particular area, which tends to understate the actual value of the forest resource for non-fiber purposes and uses, according to Roberts. "If you believe in economic analysis, then preferences are preferences, and they have to be taken into account one way or another." As Roberts correctly pointed out, we have on the frontier the possibility of measuring those preferences or willingness to pay--both in economic and political terms--if we will simply quit locking ourselves into narrow models and concerns about the physical management of the forests and turn to the broader and more relevant issues at hand.



Summary and Comments on Anthony Downs'
Presentation "Sustained Yield and
Social Goals"

Anthony Downs discussed the concept of sustained yield as it relates to the numerous goals that may serve to guide the U.S. Forest Service in its management of public forest land. He was to vividly point out that there are multiple goals that are at odds with one another, at least insofar as they relate to the desirable level of timber inventories that should be maintained on the public forests. Although he was to suggest that perhaps there is reason to believe that the current inventories are too large, he based his remarks to that effect on very conjectural relationships between forest management policy practiced by the U.S.F.S. and the expected market price response. He reminded his audience that his comments were not to be taken as fact, but rather should perhaps lead to the tough empirical analysis that would be required to confirm or deny the validity of his assumed relationship. That relationship assumed increased cutting on the national Forest Service lands would lead to a significant price reduction (or holding down of price increases) in the market for timber. Comments on this specific notion will be given at a later point in this review.

Downs was to organize his paper in the following manner. First, he presented some background facts that would highlight the importance of timber cutting in certain specific areas of national concern. Second, he discussed certain social goals relative to operation of the U.S. Forest Service. (It was interesting for this writer to note that virtually no mention of the legislative goals contained in the MU-SY Act, except sustained yield per se, were considered as specific and legitimate.) Third, he addressed the nature of the theory of sustained yield. Fourth, he discussed an alternative approach to sustained yield, what he termed a "price responsive management" scheme. And finally, he presented some tentative conclusions based on his foregoing comments. As a general overview of his discussion, one might suggest that although he was to provide some very significant insights into the problems, his alternative solution lacked a basic awareness of research into the nature of the timber industry and the market for lumber. That, however, should not blind the interested reader from many other important points.

As a background, Downs was to make the important distinction between the price of lumber as a component of construction costs for housing units and the more important item for public policy--the cost of occupying a house. The cost of occupying a house mainly consists of "debt service," estimated to be somewhere in the neighborhood of 50-60% of the total cost. Thus the cost of occupying a house is different than the cost of constructing a house and even more importantly, the price of lumber as a percentage of the cost of occupying a house is falling over time. Only about 37% of the cost of constructing a house is building materials, and if lumber were to be as high as 75% (undoubtedly too high) of the total building materials cost, then lumber alone would be but 28% of the construction costs and only 16.7%



(1/6) of occupying a single family house. Thus it would take a 6% reduction in the price of lumber to reduce the cost of occupying a house by 1%.

This indicates, as pointed out by Downs, that the behavior of the U.S. Forest Service cannot "tremendously" affect the cost of housing under any circumstances. Had he stopped there, he would have been in general agreement with the findings of Ralph Nader's Task Force findings published in The Last Stand. However, he went one to say that if the Forest Service had pursued a policy that resulted in no rise in the price of lumber since 1967, then the price of occupying a house in 1974 would have been 57% lower than it actually was and this would have kept the cost of a house 9.5% lower than actually occurred.

Now it is at this point that a comment has to be made. In that statement, Downs assumes that in fact there was some policy that the Forest Service could have pursued that would have maintained a stable level of lumber prices. This possibility is highly unlikely, as this writer sees it, inasmuch as the actual fiber content of the tree makes up but a portion of the retail or wholesale price of lumber. Transportation costs, milling costs, labor costs, etc. would have been rising independent of the cutting practices on the National Forests and in order to offset these factors the necessary rate of cut would have, presumably, been overwhelming. Moreover, as reported in the national headlines during the Phase I-IV wage and price controls, there existed in the timber industry sufficient market power to hold lumber from the market (at least on paper transactions) to effectively bid the prices upward. The crux of the issue here, then, is the need for an empirical determination of the actual impact of sales from National Forest timber inventories on the price structure for lumber and wood products. That price structure must be recognized to be subject to both national and international economic factors. I don't want to belabor this point, except it plays a crucial role in the alternative to sustained yield presented at a later point in Downs' paper.

The evidence on this point is sketchy, at best. However, in a recent publication appearing in Forest Science (Darius P. Adams, "Forest Products Prices and National Forest Timber Supply in the Douglas Fir Region," Vol. 20, no. 3, 1974) significant questions are raised as to the implied direction and extent of the relationship. Using a quarterly econometric model of Douglas Fir Region forest products markets, Adams' simulation "cast doubt on the effectiveness of National Forest supply policies aimed at controlling prices of secondary products in the Region." Adams' model indicated that "the initial response of prices at all market levels was small. Significant price reductions lagged supply shifts by more than one year. Over the full simulation period, average reductions in lumber and plywood prices was less than one-tenth of the reduction of bid price. Differential price responses arose in part from compensatory reductions in private harvest and from the insensitivity of lumber and plywood prices to price changes at lower market levels."



Now I am not about to suggest that the Adams' model is essentially correct in all of its aspects, but it certainly must be seen to shed "a reasonable shadow of doubt" on any policy prescription that would be based on increasing timber harvests from public forests in order to stabilize or reduce the costs of housing. The essential point is that much more intensive study of the relationship between timber harvests and sales from National Forest land and the price of lumber products will be required before taking the political risks that Downs so correctly points out would accompany any alteration in the existing policy.

Downs turned to a discussion of the major social goals of the nation as they relate to U.S. Forest Service management policy.

Housing: The official national housing goal set forth in the 1968 Housing and Urban Development Act calls for 2.6 million housing units per year for the decade 1968-1978, and also calls for a reduction in the cost of housing for low income households or at least a policy to keep them as low as possible. This goal implies, as Downs sees it, a need for both increased timber production from past levels and an allowance for substantial variability in annual timber production to accommodate variations in housing output--without major increases in lumber prices. This follows, as Downs pointed out, because although housing starts are most likely functionally related to the availability of mortgage financing and the rate of interest, there is reason to believe that by keeping timber prices down, it would make the value of the required mortgage lower and thus allow more people to buy the median priced single family dwelling. (Of course this conclusion again rests on the assumed relationship between timber harvests on the National Forests and the price of lumber for building products, which has been shown to be somewhat questionable, especially as it relates to short term adjustments in the price relationship).

Balance of Payments: A second social goal possibly served by increasing timber production (by implication timber production on public lands) could be improving the balance of payments if more timber could be exported. The implication of this goal, if accepted, would relate to a steady expansion of timber output more than to any policy with respect to yearly fluctuations in harvest levels. Although not mentioned by Downs, this goal has a significant relationship (subject to empirical verification) with the previous goal on housing. Not only does it perhaps conflict with the policy of sustained yield, which was Downs' point, but to the extent that lumber is shipped overseas it may be viewed by the public as contrary to the goal of making lumber available at low cost for domestic purposes. This issue, of course, hinges on the nature of the lumber market--are prices domestically independent of international markets?

Income to the U.S. Treasury: If, as Downs was to assume, the demand for timber products is relatively elastic (i.e., highly responsive to price changes), then it may be possible to expand timber harvests in order to generate revenue to the public treasury so as to offset other federal expenditures. Downs suggested this as a possibility, but did not strongly suggest



that this should be a major criteria in guiding Forest Service policy. Although there is some evidence that Congress relates strongly to this particular goal, it is not at all clear that it should be deemed important enough to offset other considerations. Nevertheless, the implication of this particular goal would be to increase the harvests of old growth timber on the National Forests. It is not clear, without specific evidence on the degree of elasticity of demand however, that this would necessitate a departure from either an "even-flow" policy or the concept of sustained yield that limits annual cut to growth increment. Moreover, if speculation concerning future timber prices is correct, then economic analysis of the present value of timber receipts to the treasury might well prescribe holding timber off the market in anticipation of the rising prices (???).

"Ecological Goals": A fourth national goal concerns a set of objectives that, in Downs' terms, might be considered "ecological" in nature. These considerations involve such items as limiting water and drainage runoff, protecting wildlife, etc. These goals would tend to be served by maintaining limited amounts of timber uncut, not to rapidly increase the cut, or at a minimum to closely manage the methods of timber harvest. However, as Downs points out, it is not clear just how much inventory is needed to serve this goal. There is no a priori reason to believe, according to Downs (but subject to contention by others more committed to this goal) that all the existing inventory must be maintained.

Recreational Goals: This particular goal of national policy involves many tradeoffs between easy accessibility for camper and sightseer use and limitation of accessibility for "higher quality" wilderness experiences. As Downs was to point out, private owners have found that the willingness of people to pay for recreation experiences on their timbered land simply do not pay a rate of return sufficient to allocate much land to this purpose. Profitability is "low" for private firms. This undoubtedly is the result of easily accessible "free" land available on the public lands. There is considerable room for economic analysis on this issue.

Other Goals: Use of the public lands for grazing and other purposes would probably be best served by not increasing the emphasis on timber harvesting. But here again, Downs points out, there is a considerable need to assess through economic analysis the relative shares that might be allocated to alternative uses.

Psychological Goals: Downs briefly discussed the issue raised earlier in the session by Marc Roberts concerning the values associated with maintaining a reasonably large standing inventory to meet unknown contingencies and to provide a sense of well being to those who would get pleasure from just knowing "they are there." There is a value to unused alternatives, although, as Downs pointed out in a quip, it would be possible to serve this goal by simply "making the people believe that they are there." This is a non-trivial goal, especially politically (Samuelson had earlier pointed out the National Defense aspects of this issue), and implies some minimum level



of standing inventory of timber. But once again, the question came down to just what is the desirable level of inventory to serve this purpose.

Political Goal: As author of a book entitled Inside Bureaucracy, written while he served at the Rand Corporation, Downs was to stress what might in the end prove to be the most important goal of all. There exists a desire on the part of the National Forest Service and the Department of Agriculture (and all other government agencies, private corporations, businesses, etc.) to Maximize Political Support by avoiding controversy and by adopting policies that "reduce the difficulty of making policy decisions and appeal to politically important groups." This goal is not necessarily in the national interest of all citizens (although as discussed in a recent paper by R. Alston and D. Freeman entitled "The Natural Resource Decisionmaker as Political and Economic Man: Toward a Synthesis" it is a legitimate and necessary aspect of any agency decisionmaking process), but it is certainly relevant to the real world of forestry." It is not a wrong or an irrational goal--especially when it is recognized that when the agency seeks to find or assess alternatives to sustained yield it is a very difficult task and the cost of information gathering may outweigh the benefits.

Downs' discussion of the nature of the principle of Sustained Yield was not particularly enlightening, but he did make one very important point, echoing the statements made abundantly clear by Moses and Hirschleifer in their previous discussions. "The most striking thing about the sustained yield concept is that it is almost entirely a physical concept based on the axiom that the existing inventory must never be reduced regardless of the economic factors involved. But This Has Its Own Economic Implications, Especially when rapidly increasing demands for timber products push up the price of lumber as they have recently. This implicitly raises the value of the standing inventory and the rate of return for cutting more every year. The social cost of limiting the annual cut to the growth increment has been going up very sharply in recent years. In Downs' opinion, it is economically irrational to hold back the level of timber cutting when the rate of return is very high, even more irrational to respond to that by increasing the investment in even more timber when the social return is very low because we have so much in existing inventories." (This latter point summarizes the point made by Hirschleifer).

Downs also pointed out what he viewed as the specific goals served by sustained yield. While many of these may be subject of concern to agency officials who would deny their relevance, they nevertheless do seem to crop up in discussions of the principle, either explicitly or implicitly. These include: Maximum possible public inventory of forests. This is an end in itself--a psychological goal. Maintenance of stability of people in the wood cutting industry (as well as capital). As Down's correctly points out, however, this stability of people and capital comes at the expense of stability of profits and may even aggravate instability on that point. Others included among the goals of sustained yield mentioned by Downs were maximizing the territory available for recreation use, maximizing the availability of standing timber for other multi-use purposes of the forest including fish and wildlife



habitat, range and forage, environmental amenities, soil and watershed management, etc., and minimizing controversy over forest management policies (this because it is easier to "defend" sustained yield to the "public" than some of the alternative concepts offered up at this symposium).

Addressing himself to the possible alternative schemes or management policies that might guide Forest Service timber practices, Downs limited himself in the presentation to only one--what he termed "*PRICE RESPONSIVE MANAGEMENT*." In essence this policy would call for expanding the allowable cut each year the demand and price of lumber goes up and reduce the allowable cut when prices and demand goes down. In essence, it is an attempt at a counter-cyclical policy that would set as the goal stabilizing the price level for wood or timber. (One is reminded of the long controversy that has raged in the economic literature concerning the management of the money supply by the Federal Reserve System. In their attempts to stabilize fluctuations in the interest rate, it is argued by such reknowned economists as Milton Friedman and the economists at the St. Louis Branch of the Federal, the Federal Reserve system has actually accomplished only the goal of increasing instability in the money markets--this largely due to the lags between policy and impact and a very limited knowledge of just what the exact relationships are. Just as some have argued that the Fed has its eyes on the wrong variable (i.e., interest rates as opposed to the actual money stock), it could be equally convincingly argued that emphasis on timber prices would lose sight of the more important goal of wood and wood fiber stability--i.e., that implied in the sustained yield axiom. What is at issue here is exactly which is the appropriate variable for policy management. The timber industry suggests "prices," the "environmentalists" suggest "trees.")

Downs' "price responsive management scheme" has a lot to suggest it, IF ONLY WE KNEW MORE ABOUT THE RELATIONSHIP BETWEEN NATIONAL FOREST SERVICE HARVESTING PRACTICES AND THE AGGREGATE MARKET SUPPLY AND DEMAND AND PRICE RELATIONSHIPS (as discussed above, p. 2). When it is recognized that there is simply not a clear picture of the lags that exist between timber sales activities and impacts on the market for wood fiber and products, the price responsive model is seen to introduce more uncertainty than it clears up. Nevertheless, his suggestion that perhaps a 10-year experiment would clear up many of these issues should not be discarded arbitrarily. IF WE DID NOT LEARN ANYTHING ELSE FROM THIS SYMPOSIUM ON SUSTAINED YIELD, WE CERTAINLY LEARNED THAT THE INFORMATION REQUIRED TO CORRECTLY ASSESS THE ISSUES IS NOT READILY AVAILABLE. SUCH AN EXPERIMENT MIGHT PROVIDE JUST SUCH INFORMATION FOR RATIONAL FORMULATION OF PUBLIC POLICIES. It seems unnecessary to note, however, that any such experiment would have to be the result of alteration in the legislatively established policy requirements, and this would be a formidable task to say the least. As Downs made clear, the issues involved are very complex and cut across a wide range of public interests and interest groups. AT LEAST WITH SUSTAINED YIELD THE PUBLIC CAN KNOW WHAT THE EVILS ARE. There is reason to question whether the public would be willing to trade these known evils (and economic irrationalities) for unknown (or only known with weak probabilities) alternative "evils."



As Downs was to point out in his conclusions, the principle of sustained yield has a major political advantage and serves to satisfy political elements by establishing known rules that limit the risk of resource management. This of itself, however, suggests that there is need for considerably more research in the formation of political decisions, a subject in which Downs is a noted expert.

Since there is no way to serve all goals without considerably more information than is now available (i.e., what is the rate of return for each piece of land if it were allocated to each of several alternative uses or services available from the forest), there have to be marginal tradeoffs--how much of one goal must be given up in order to achieve an additional unit of some alternative goal?

THIS IS ITSELF THE STRONGEST ARGUMENT FOR INCLUDING ECONOMIC ANALYSIS IN THE DECISIONMAKING PROCESSES OF THE FOREST SERVICE. ECONOMICS IS THE STUDY OF CHOICE. IT IS THE STUDY OF ALLOCATING SCARCE RESOURCES AMONG COMPETING ENDS AND EMPLOYS PRICE SYSTEMS OF VARIOUS KINDS TO ACHIEVE THAT ALLOCATION. IT IS SIMPLY NOT ENOUGH TO RELY ON A "MYSTICAL DOCTRINE OF SUSTAINED YIELD." THROUGH THE USE OF ECONOMIC ANALYSIS, WITH EMPHASIS NOT ON MONETARY CONSIDERATIONS BUT ON SOCIAL VALUES, THE PRINCIPLE OF SUSTAINED YIELD CAN BE MODIFIED, UNDERSTOOD, AND PRACTICED IN A MANNER THAT CAN BETTER SERVE THE PUBLIC INTERESTS THAN IS NOW THE CASE.

It is the likely conclusion, as Downs would undoubtedly recognize, given the political aspects of the controversy surrounding "sustained yield" that the costs in terms of public support for other agency actions and responsibilities of adopting a ten year experiment might well outweigh the benefits to be derived, unless considerably more information is developed to suggest that the assumed relationship between timber harvests on National Forests and lumber prices is in fact valid.



April 3, 1975

MEMORANDUM FOR:

WARREN RUSTAND

FROM:

NORM ROSS

SUBJECT:

National Forest Products Association
Annual Meeting: May 4-6, Washington

I recommend that the President meet with the National Forest Products Association at their annual meeting scheduled for May 4-6.

Ross/p 4-3-75
cc:WH files

filed in schedule proposal



April 8, 1975

Dear Mr. Ewing:

Thank you so much for the kind invitation to attend the 8th Annual Conference of the North West Timber Association.

Unfortunately, my schedule has changed and it is impossible for me to attend your Conference as previously planned. Please accept my apologies; and I certainly wish you success in your Conference.

Please be assured that the Government is cognizant of the Nation's lumber needs for housing and appreciates your help in this important area.

Sincerely,

Norman E. Ross, Jr.
Assistant Director
Domestic Council

Mr. Arnold D. Ewing
Executive Vice President
1355 Oak Street
Post Office Box 5554
Eugene, Oregon 97405

NEROSS/ee





NORTH WEST TIMBER ASSOCIATION

1355 OAK STREET • P.O. BOX 5554 • EUGENE, OREGON 97405
TELEPHONE: (503) 686-9603

March 21, 1975

Mr. Norman Ross
Assistant Director
Domestic Council
The White House
1600 Pennsylvania Avenue
Washington, D. C. 20500

Dear Mr. Ross:

I am pleased that you have accepted our invitation to attend the 8th Annual Conference of North West Timber Association at Mountain Shadows Resort, Scottsdale, Arizona on April 23-26, 1975.

The general meetings are geared for speakers in the mornings, with afternoons open. We find these open afternoons probably the most productive in getting speakers, guests and industry people together informally to just get acquainted and discuss our mutual problems.

I believe this will be especially beneficial to you as it will provide an opportunity to visit with the mill owners directly and get a grass roots feel for industry concerns and attitudes on our probability to fulfill the Nation's wood needs for housing. Our people can perhaps get a feel for the climate we may be working under during this administration.

Please complete and return the enclosed Room Reservation Form to: North West Timber Association, P. O. Box 5554, Eugene. Upon receipt of the Form, we will make your Room Reservation and also transportation arrangements from the Airport.

You and your wife are cordially invited to be our guests at all functions, beginning with the Wednesday evening Cocktail Party and through the Friday night Dinner Dance.

Looking forward to seeing you in Scottsdale. If you desire



Mr. Norman Ross

-2-

March 21, 1975

further information, please don't hesitate to call me.

Sincerely,

NORTH WEST TIMBER ASSOCIATION

Arnold D. Ewing
ARNOLD D. EWING
Executive Vice President

ADE:st

Enclosures



THE WHITE HOUSE
WASHINGTON

April 21, 1975

MEMO TO : NORM ROSS
FROM : JIM CANNON
SUBJECT : National Commission
on Water Quality Mtg.

The attached is forwarded
for

 Your handling

 FYI

 X Other Would you please
~~plan to attend?~~
Thanks.

Attachment



4-22

VICE PRESIDENT NELSON A. ROCKFELLER
CHAIRMAN

SENATOR EDMUND S. MUSKIE
REPRESENTATIVE ROBERT E. JONES
VICE CHAIRMEN

PUBLIC MEMBERS
EDWIN A. GEE
WILLIAM R. GIANELLI
RAYMOND KUDUKIS
S. LADD DAVIES

U. S. SENATORS
JENNINGS RANDOLPH
LLOYD M. BENTSEN
HOWARD H. BAKER, JR.
JAMES L. BUCKLEY

U. S. REPRESENTATIVES
JAMES C. WRIGHT, JR.
HAROLD T. JOHNSON
WILLIAM H. MARSHA
JAMES C. CLEVELAND

FREDERICK J. CLARKE
EXECUTIVE DIRECTOR
TELEPHONE
202 234-7806

National Commission on Water Quality

1111 18TH STREET, N.W.
P. O. Box 19266
WASHINGTON, D. C. 20036

April 18, 1975

NOTICE OF MEETINGS

Vice President Rockefeller has asked that you be notified of the following meetings:

1. April 29, 1975. 9 A.M.-5 P.M.

Commission staff briefing, at the above address.

Subject: Industrial technologies. Water Quality projections

2. May 8, 1975 2 P.M.

Commission meeting. Room 207 Capitol

The Commission staff will brief the Commission on its study of municipal technologies and costs.

Since Commission meetings are subject to last-minute changes, I would suggest you confirm the time and place prior to the May 8 meeting. The telephone contact is Mrs. Rosalie Miller, 254-7806.

You are cordially invited to attend.

Donna R. Mitchell

Donna R. Mitchell
Assistant to the Chairman



Departmental/agency designees, invited to attend April 29 and May 8
meetings

Council on Environmental Quality

Mr. Toby Clark, Senior staff member

Environmental Protection Agency

Mr. James L. Agee
Assistant Administrator

Department of the Interior

Mr. Nathaniel P. Reed, Assistant Secretary

Mr. Douglas P. Wheeler, Deputy Assistant Secretary

Mr. Donald G. Waldon, Deputy Assistant Secretary

Department of Commerce

Dr. Sidney R. Galler
Deputy Assistant Secretary for Environmental Affairs

Department of Agriculture

Mr. Glen H. Loomis, Director, Environmental Services Divn.
Soil Conservation Service
U. S. Department of Agriculture
South Agriculture Building, Room 6105
Washington, D. C. 20250

Mr. Jesse A. Lunin, Agriculture Research Service
Beltsville, Maryland



Preliminary Agenda
White House Meeting
April 29, 1975

10:30 a.m. to 11:45 a.m.

- I. Discussion of the Economy, general expectations, current experience and particular forecasts with respect to forest products industries.
- II. Discussion of Housing, its significance to forest products, prospects for homebuilding and mortgage finance and Government's role in assisting both.
- III. Discussion of Timber Supply and Related Matters
 - A. Current situation with respect to stumpage prices, sales, availability and future planning
 - B. Constraints on timber supply, causes, industry efforts to seek solutions and present status
 - C. Impact of timber supply constraints on housing, employment and the economy generally
 - D. Recommendations for Administration actions to resolve these increasingly serious problems before a crisis stage is reached

11:45 a.m. to 12:15 p.m.

- IV. Discussion of Environmental Problems, including litigation, regulatory impacts, industry efforts to comply and cooperate, and problems ahead.

12:30 p.m. to 2:00 p.m.

Luncheon at the White House

Speaker: OMB Director James T. Lynn, who will respond to questions

* * * * *



GOVERNMENT PARTICIPANTS:

Mr. William J. Baroody, Jr.
Assistant to the President
for Public Liaison

The Honorable Earl Butz
Secretary of Agriculture

Mr. Evan Hale
Administrative Assistant to the Secretary
Department of Agriculture

The Honorable Carla Hills
Secretary of Housing and Urban Development

Mr. James T. Lynn
Director
Office of Management and Budget

Mr. John McGuire
Chief, Forest Service
Department of Agriculture

Mr. Albert Rees
Director
Council on Wage and Price Stability

Mr. Eric Robinson
Chief, Agriculture Branch
Office of Management and Budget

Mr. Norman Ross
Assistant Director
Domestic Council, The White House

Mr. L. William Seidman
Assistant to the President
for Economic Affairs

Mr. Russell Train
Administrator
Environmental Protection Agency

Mr. Paul Vander Myde
Deputy Assistant Secretary
Department of Agriculture

Mr. George von Furstenberg
Council of Economic Advisers

Mr. Donald A. Webster
Deputy Director
Office of Public Liaison, The White House



162
May 1, 1975

Dear Mr. Rose:

Thank you very much for your letter of March 31, sending a copy of your resolution on timber supply. You may know that we had a major meeting in the White House on April 29 between leaders of the forest products industry and top Administration officials, including Secretary Hills and Secretary Butz. The issue of timber supply was, of course, one of the major items on the agenda.

I will see to it that copies of your resolution are sent to those in the White House with responsibility in this area.

With appreciation for your views,

Sincerely,

181
Donald A. Webster
Deputy Director
Office of Public Liaison

Mr. Russell B. Rose
President
Oregon Logging Conference
Route 3
Box 11A
Springfield, Oregon 97477

cc: To Norm Ross w/copy of resolution - FYI✓



5-5

RUSSELL B. ROSE
President
The Willamette Valley Co.
P. O. Box 2280
Eugene, Oregon 97402

REX ALLISON
Vice-President
Weyerhaeuser Co.
P. O. Box 389
North Bend, Oregon 97459

OREGON LOGGING CONFERENCE

L. JAMES BAGLEY
Treasurer
U. S. Plywood-Cham
Papers Inc.
P. O. Box 547
Lebanon, Oregon 97

686-9191 • 1530 Willamette St. • P. O. Box 10669 • Eugene, Oregon 97401

JIM CROSS, Secretary
P. O. Box 10669
1530 Willamette Str
Eugene, Oregon 974

March 31, 1975

Mr. Donald Webster
Office of Public Liason
Executive Office Bldg.
Washington, D.C. 20506

Dear Mr. Webster;

The Oregon Logging Conference, representing 1700 loggers foresters and land managers in the State of Oregon, recently concluded sessions in Eugene, Oregon on February 20-22, 1975.

The issue of timber supply being foremost in our minds, prompted our Resolutions Committee to concentrate their efforts on this single issue.

A copy of this resolution is enclosed along with a copy of its introduction, both of which were read to, and approved by the entire membership.

We urge you to read this resolution and consider the impact that timber supply has upon each citizen of the State of Oregon and of the Nation.

Sincerely,

OREGON LOGGING CONFERENCE

Russell B. Rose
Russell B. Rose, President

*Rt 3 Box 11A
Springfield, Oregon 97477*

RBR:rh
encl:



RUSSELL B. ROSE
President
The Willamette Valley Co.
P. O. Box 2280
Eugene, Oregon 97402

REX ALLISON
Vice-President
Weyerhaeuser Co.
P. O. Box 389
North Bend, Oregon 97459

OREGON LOGGING CONFERENCE

686-9191 • 1530 Willamette St. • P. O. Box 10669 • Eugene, Oregon 97401

L. JAMES BAGLEY
Treasurer
U. S. Plywood-Charr
Papers Inc.
P. O. Box 547
Lebanon, Oregon 97

JIM CROSS, Secretary
P. O. Box 10669
1530 Willamette St.
Eugene, Oregon 974

INTRODUCTION TO RESOLUTION

The most critical issue facing our industry today is that of timber supply. Continued reductions in each year's annual cut from our Federal lands is slowly, but steadily crippling our industry. These reductions in available timber are causing unprecedented (and almost unbelievable) timber bid prices, which can only work against the government efforts to control inflation.

THESE high raw material costs also contribute heavily to the mill closures we have seen in recent months. This, of course, leads to widespread unemployment which our government is also battling.

YOUR resolutions committee has, therefore, this year drafted one resolution only aimed squarely at timber supply.



RUSSELL B. ROSE
President
The Willamette Valley Co.
P. O. Box 2280
Eugene, Oregon 97402

REX ALLISON
Vice-President
Weyerhaeuser Co.
P. O. Box 389
North Bend, Oregon 97459

OREGON LOGGING CONFERENCE

686-9191 • 1530 Willamette St. • P. O. Box 10669 • Eugene, Oregon 97401

L. JAMES BAGLEY
Treasurer
U. S. Plywood-Cham
Papers Inc.
P. O. Box 547
Lebanon, Oregon 97

JIM CROSS, Secretary
P. O. Box 10669
1530 Willamette Str
Eugene, Oregon 974

RESOLUTION

TIMBER SUPPLY

WHEREAS, the entire future of the timber industry in the State of Oregon and the Nation is dependent on a continuous supply of raw material, the majority of which is derived from our Federal lands;

WHEREAS, our Federal agencies are charged with the responsibility of managing these lands and the related resources in a professional manner, under the multiple-use concept, and attendant to environmental considerations, and

WHEREAS, in Federal agencies there is an apparent weakened commitment to defend their own professional judgement in forest resource management, resulting in a diminishing productive forest land base and timber supply,

THEREFORE BE IT RESOLVED, that the 37th Annual Oregon Logging Conference strongly urge the Forest Service and the Bureau of Land Management to take positive, corrective action as follows:

1. Strive to regain the professionalism that was at one time dominant at all levels of responsibility.

We, as taxpayers should demand from Federal employees, a level of productivity and competence comparable to that which any employer demands of his employees. Incentive and pride of accomplishment too often seem to be lacking.

37th Annual Session — February 20, 21, 22, 1975

Eugene, Oregon



RUSSELL B. ROSE
President
The Willamette Valley Co.
P. O. Box 2280
Eugene, Oregon 97402

REX ALLISON
Vice-President
Weyerhaeuser Co.
P. O. Box 389
North Bend, Oregon 97459

OREGON LOGGING CONFERENCE

L. JAMES BAGLEY
Treasurer
U. S. Plywood-Cham
Papers Inc.
P. O. Box 547
Lebanon, Oregon 97

686-9191 • 1530 Willamette St. • P. O. Box 10669 • Eugene, Oregon 97401

JIM CROSS, Secretary
P. O. Box 10669
1530 Willamette Str
Eugene, Oregon 974

cont., pg. 2

2. Ask for, and insist upon, adequate funding from Congress in order to carry forward a program of intensive forest management, so that we can fully utilize our resources, thereby providing employment, battling inflation, meeting our nations housing needs and maintaining a viable Forest Industry.

It is imperative, however, that all those involved, do the best they can, with whatever funding they have, regardless how inadequate that funding may be. Do not let inadequate funding be an excuse for non-performance!

3. Re-assess the priorities of our Nation as they are related to land use.

The total acreage presently set aside and proposed for set aside as special or single use is disproportionate to the number of people who may derive benefit from it. Our Federal agencies, as professional resource managers, must objectively examine the motives of the emotional preservationists and self-professed land use "experts". We must now allow a valuable and renewable resource such as timber to be wasted by ineffective management. In fact, we know that the annual cut from our National Forests can be increased by as much as 50% through the application of intensified forest management.



RUSSELL B. ROSE
President
The Willamette Valley Co.
P. O. Box 2280
Eugene, Oregon 97402

REX ALLISON
Vice-President
Weyerhaeuser Co.
P. O. Box 389
North Bend, Oregon 97459

OREGON LOGGING CONFERENCE

686-9191 • 1530 Willamette St. • P. O. Box 10669 • Eugene, Oregon 97401

L. JAMES BAGLEY
Treasurer
U. S. Plywood-Cham
Papers Inc.
P. O. Box 547
Lebanon, Oregon 9

JIM CROSS, Secretary
P. O. Box 10669
1530 Willamette St.
Eugene, Oregon 97

cont., pg. 3

4. Spend less man-power and money on Environmental Impact Statements.

We realize that Environmental Impact Statements are required whenever there is a proposed action which may have an effect on our environment. These statements have doubtful value in many cases; particularly in non-sensitive areas, and are costing the Government (and the Taxpayers) in excess of twenty million dollars per year. The cost-benefit ratio is certainly subject to question.

At least a portion of this man-power and money would be more justifiably spent on forest management.

5. Accelerate the salvage of dead and dying timber.

Millions of Board feet of timber are still being lost yearly due to the inability of our government agencies to expedite salvage sales. Efforts to modify salvage sale regulations and to expand ability to utilize mortality should be continued and intensified in all public forest area.

