

10 AM

Reading. Extended preemptively.

Now declining Even Flew

Humph - Renick Act 74

~~At~~ Will use charts

Discuss ACE paper from Athens, Ga

SAT draft is closest to what JW will say.

Act as JW's discussant 20 mins.

9' in anchor mem. can comment on all.

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"Proposition"
How many agree?

1 Camelot + {Vic. is end of road?
No, leader in a new
Round Table nostalgia
boom)
Wx?

What is effect of ~~decrease~~ accelerating harvests
on stock of social capital (available for future
use -- rather than cons.)

Specific, acc. from mai to fuel, rotu.; & from Hau-lik
to invy control.

(1.) As to old growth, doesn't reduce growing
stock or area, but As them. Double gain,
shd. be speeded & given priority --- except maybe
on poor & eroded sites where it is mining.

(2.) As to normalized forests, accq. harvest reduces
invy. of growing stock. Reduces cap. devoted to
growing. Reduces mai per acre. Releases cap.
to other uses -- maybe 50% of it.

(3.) Keynes is dead. No shortage of inv.
outlets, but of K. \$500 b for project indep.
\$60 b. p/yr for deficit. \$80 b/yr. for l in d.u.
plus assoc. infrastructure.

(4.) Stock of social K soaks up more labor
in less K-intensive forms than timber. Just as
shorter rotas use more labor.
Keynes is dead, but unempl. is alive.

Basic problem of org'd ec. life is to
give everyone opp. to work productively, to get
what he wants. Our proful. interests are
subsid., & must be if proful. is to deserve L
receive public support

⑤ In a small way, reducing timber stock
As demand for timber products.

In a larger way, e.g. on public capt.
releases funds needed for housing etc. — so
support UMB.

⑥ Future generations

Long rotms. don't ~~leave~~ leave more to
future than short.

"Discounting future" doesn't mean exploiting
future, but mapping best route to future —
sacrifice lesser future values to get greater ones.
Just like land rent in city — or any price.

i is a conversion factor. Ecs. is simply a matter of conversion factor, so can treat apples & oranges together.

⑦ Existence of prt. forestry shows that forestry can pay a return on capl.

Approp. i to use on N.F. is gross of tax

⑧ $Eff. \equiv \frac{\text{Output}}{\sum \text{inputs}}$

- a. Requires com. factors, ~~no~~ commensurability
- b. Major input is comp. int. Next is land.
- c. Mai assumes only input of value is site.
- 1s eff. on land, ineff. on cap.
- d.

⑨ Forest ecs. must drop its assumption that good forestry is what you do when inputs are free.

~~the~~ Betrayed by attitude toward i.

Begins w. the answer ... "good forestry" - -
then finds cost levels to permit it.

i.e., begin w. solution, then go back &
define the problem.

Re Toby Page

Another pie-in-the-sky philosophy

Has revived all the old fallacies re i.r.

1. Investing in long rotas. ~~then~~ leaves more to future gens. than in short.

No. ~~The~~ Total stock of capt. is what we leave. Shorter rotas. reduce K in forestry, but use it elsewhere.

(10) By ~~Ag. inc.~~ putting K to better use, Δ inc., than Δ sav-
ing, 2 ways:

a. Δ int.

b. Δ ~~supply~~ ~~replacement~~ flow/fund ratio of K, more labor & more output accord. w. K.

c. Thus leave future generations lesson in how to use assets optimally, good social orgn., worth more than stock of K.

Mine is not an argument for depletion of minerals - another issue.

Point is that ~~long rotas are~~ provision of K for future gens. ~~but nothing~~ does not justify long rotas. That is a confusion, basic.

2. Max'g p.v. sacrifice future for present. -- "discounting future".

No, it charts best way to get to the future. Sacrifice lesser future values to get greater ones.

UNITED STATES DEPARTMENT OF AGRICULTURE
FOREST SERVICE
Pacific Northwest Forest and Range Experiment Station
P.O. Box 3141 Portland, Oregon 97208

REPLY TO: 1360 Meetings

April 10, 1975

SUBJECT:



TO: Mr. Mason Gaffney
British Columbia Institute
3771 Haro Rd.
Victoria, B.C. V8N2Y2

We are extremely pleased that you have accepted our invitation to be the discussion leader for the "effect on the stock of social capital" at our meeting on Social Concerns Affecting Federal Timber Policy. Feel free to use or disregard the study prospectus that is enclosed. That represents my initial thinking, but we are in no way committed in that direction.

The format we are suggesting is a 20-minute statement by you to be followed by general discussion or comments by an assigned discussant to get things going. Do you have a strong preference one way or the other?

We have reserved a lodging unit for you and your wife at Bowman's. You will have the option upon arrival of taking the package arrangements for meals or ordering from the menu. If this is not satisfactory let our Excursion Agent know about that, too.

Roger Fight
ROGER FIGHT
Project Leader

Enclosure

ROUGH DRAFT
March 12, 1975

WIRME MEETING

Social Concerns Affecting Federal Timber Policy

Wemme Schedule

<u>Time</u>	<u>Topic</u>	<u>Discussion Leader</u>	<u>Discussants</u>
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Sunday, May 4

7:00 p.m.	Introduction and introductions		
7:30 p.m.	Effect on the short- and long-term cost and economic efficiency of producing timber		
8:30 p.m.	Effect on the quantity, quality, price and social value of wood supplied to consumers (including implications for meeting housing goals)		

Monday, May 5

Breakfast at Bowman's

8:30 a.m.	Effect on the quantity, quality, cost, value, economic efficiency of producing marketable and unmarketed non-timber benefits		
9:30 a.m.	Effect on short- and long-run international trade patterns, "strategic" reserves and self-sufficiency		

10:45 a.m.	Effect on stock of social capital available for future consumption		
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Lunch on the premises

- 1:00 p.m. Effect on the competitive
 structure of the timber industry
- 2:00 p.m. Effect on the agency's ability
 to meet unforeseen changes in
 demand or technology
- 3:15 p.m. A perspective
- 4:00 p.m. Discussion, embellished

Study Prospectus

Effect of Harvest Scheduling Alternatives on the Stock of Social Capital

Problem

Capital, including both natural resources and manmade, is an important determinant of the feasible streams of future consumption of consumer goods and services available to society. Public policies that affect the total stock of social capital and thereby the sets of future consumption are therefore of great concern to society. Our problem is that we do not know what would happen to current consumption and the options for future consumptions as a result of changing the rate of harvest of old-growth timber.

The National Forests of the West are characterized by high volumes of old-growth timber with very low physical growth rates. Value growth rates in real terms are positive because of steady increases in the value of timber. In most cases, however, these real value growth rates are less than the real rates of return to capital in other sectors of the economy. One school of thought holds that the rate of harvest of old-growth timber on the western National Forests should be increased. The standard argument goes that since this capital is earning less than it could earn in another form, it should be liquidated and transformed into a more productive form of investment. One such form of reinvestment often cited is in a new stand of timber on the harvested area. On the other hand, conservationists tend to equate timber harvest with consumption. Normally the harvesting of old-growth timber releases more capital than is reinvested in timber production on the harvested area.

*is the
part.*

The issue is a complex one, however, considerably beyond current analytical capabilities. The liquidation of an additional increment of old-growth timber can affect aggregate investment and consumption through several routes. Portions of the liquidated capital can go to each of the following areas:

- a) Invested back on the land from which the timber was harvested
- b) Invested in the production of timber in other areas
- c) Combined with other resources to produce other investment goods
 - 1) It may be substituted for other exhaustible or renewable resources without changing the amount of capital goods produced
 - 2) It may increase the amount of capital goods produced
- d) Go into current consumption
 - 1) It may be substituted for other exhaustible or renewable resources in the production of consumption goods without changing the amount of consumption goods produced
 - 2) It may increase the amount of consumption goods produced

The relative amounts of liquidated timber capital that go into these areas and the rate of value growth of the amounts going into investment goods determine whether the sets of feasible future consumption are expanded or restricted as a result of harvesting an incremental unit of old-growth timber. The possibility of substitution of wood for other resources in production of both investment and consumer goods, however, means that we cannot simply look at where the incremental wood is used to determine the net effect on the stock of social capital. Furthermore, for those people who are concerned about the use of exhaustible resources as compared to renewable resources, it is yet to be demonstrated that increasing the use of a renewable resource will necessarily imply a reduction of similar magnitude in the use of exhaustible resources.

Study Objectives

One objective of this study is to conceptualize the effect of National Forest harvest scheduling policies on the stock of social capital as a social concern so that policymakers can understand and assess the importance of this issue as a factor to be considered in their policy decisions. Why is it that the stock of social capital is a concern to society?

A second objective of this study is to elaborate the mechanisms involved whereby harvest scheduling policies affect the stock of social capital and thereby the sets of feasible future consumption. Policymakers need to understand these mechanisms in order to evaluate the validity of the study findings and to have a sound basis for explaining and defending their policy choices.

A third objective is to develop criteria by which the effect of changes in harvest scheduling policies on the stock of social capital can be measured. This is necessary in order for decisionmakers and analysts to be sure that they are clearly communicating and talking the same language. It is also needed as a basis for making quantitative assessments of the magnitude of the effects on the sets of feasible future consumption.

The final objective of this study is to use the developed criteria to quantify to the extent feasible the effect of some alternative harvest scheduling policies on this social concern.

Accomplishment and Reporting

The results of this study are to be covered in a written report to the Station by December 31, 1975.

These reports will comprise preliminary research information. They become the property of the Station and will not be released by the author to reviewers or others prior to July 31, 1976 without permission of the Station. After that date, contents of the reports may be released by the author at his own discretion. In fact, their publication is encouraged. The Station also retains the option of incorporating all or parts of these reports in its publications.

Fight
March 12, 1975

SOCIAL CONCERNS RELATED TO FEDERAL TIMBER POLICY

Objectives of Wenme Meeting

1. To inform key researchers about our study of national timber harvest policies
2. To augment or modify the list of social concerns that should be studied
3. To amplify and clarify the areas of concern in order to understand the concern
4. To discuss the mechanisms whereby these social concerns are affected by harvest scheduling policies
5. To discuss measurable criteria that can be used to show the effect of alternative policies on the area of concern

Suggested Questions for Discussion Leaders

1. Is this a relevant social goal against which Federal timber policies should be assessed?
 - Its definition and rationale;
 - Its origin in law, custom, contemporary thought;
 - Its elaboration as sub-goals if appropriate;
 - Arguments for and against its recognition in agency planning.
2. What are the mechanisms whereby harvest scheduling policies affect this area of social concern?
3. What criteria flowing from this concern are appropriate for ordinal ranking or quantifying the effects of alternative timber policies?
4. Is there a social goal in this area that we haven't captured?

Draft
March 19, 1975

PROBLEM ANALYSIS

SOCIAL CONCERNS RELATED TO FEDERAL TIMBER POLICY

The Problem

Four questions about timber harvest scheduling are currently being studied by Forest Service timber management specialists and research economists.^{1/} Other timber planning issues will be addressed. Their analysis involves identification of alternative planning methods and assumptions, quantifying the consequences of each, and arraying them against criteria drawn from various social concerns.

Fifteen social concerns have been hypothesized--elements of the ecologic, social and economic environments, related to timber in which there is significant public interest. In a series of independent studies the social concerns will be decomposed into quantifiable criteria. Each social concern will be the subject of one or more studies. Studies, conducted by Forest Service researchers and university experts, will have as common objectives (a) conceptual treatment of the social concern, (b) elaboration of mechanisms whereby harvest scheduling policies affect the social concern, (c) development of criteria by which effects on the social concern can be measured, and (d) use the criteria to quantify effects of scheduling options on the social concern.

^{1/} Formulations of sustained yield, assumptions used in timber plans about the timing and intensity of future forest management, assumptions about future tree utilization levels, and the geographic size of planning units.

Studies

Studies are identified with social concerns as follows:

1. Effect on the short term (year to year) fluctuations in economic activity of timber dependent communities, states and regions
2. Effect on the long term trend in economic activity and social structure of timber dependent communities, states and regions.
3. Effect on the short- and long-term cost and economic efficiency of producing timber
4. Effect on the quantity, quality, price and social value of wood supplied to consumers (including implications for meeting housing goals)
5. Effect on the cost and economic efficiency of producing marketable and non-marketable non-timber benefits
6. Effect on the quantity, quality, and value of non-timber benefits supplied to consumers
7. Effect on forest ecosystems
8. Financing, man power, and legislative authority required to implement new procedures
9. Effect on international trade patterns
10. Effect on timber inventory and industry capacity to meet strategic (international trade and defense) needs
11. Effect on income distribution among rural-urban, consumer and income groups

12. Effect on consumption of non-wood construction materials
13. Effect on stock of social capital available for future consumption
14. Effect on the competitive structure of the timber industry
15. Effect on the agency's ability to meet unforeseen changes in demand or technology

Effect on stocks of social capital

(available for future cons? -- how about production use?)

(effect of what? of "harvest scheduling," esp. re old growth timber)

0. What is basic problem of org. ec. life? Is giving everyone opp. to work productively to get what he wants. Our proful. ~~org~~ ints. are subsidiary.

1. Growth due to general infln. is not relevant growth. alt. is not money, but other real capt.

2. Demands for other real capt. are very high — \$500b for energy, eg. (\$60b current fed. deficit — not recommended, but will Δi.)

3. 1m d.u. @ \$40,000 = \$40b a year. Plus infrastructure asstd, another \$40b or so. = \$80b

4. Some of this K costs. demand for timber. Thus, in some measure cutting timber creates own demand.

5. Reducing inventory of ~~timber growing~~ ~~old growth~~ need not reduce invy. of growing stock, bec. o.g. is not growing stock, but dead storage.

May increase growing stock, if replaced by ~~growing~~ new stock.

6. Can ~~further~~ reduce inventory by shortening rotus.

7. Scout misconceptions:

a. Apply's fuel, rotus. weakens timber at margins, causes loss of land.

Maybe in some cases, but genly. it reduces m.a.i. and increases need for land. Get less per acre, & more per \$ of K.

2
b. Except in s.r., while reducing inv., will get more net yield from given land.

b. Shorter rotas. mean ~~less~~ depleting future gen.

No, helps them by alloc'g K better. Cutting timber is not destroying K. Harvest $\neq$ cons. Naturally you cannot reinvest it all in ~~timber~~ planting. In even-aged case, only a small % in normalized case, it pays int. on stocks.

c. Past rise of timber prices implies future ones.

8. l.r. --

a. Pvt. forestry is conducted, so inv. can pay int. ... & taxes, too.

b. Forestry lit. begins w. the answer ... we must grow timber ... then goes back & adjusts input prices to get the answer.

That approach must go.

c. The approp. i. to use on nat. forests is gross of tax

9. $Eff. = \frac{\text{Output}}{\Sigma \text{input}}$

Input = o.c. or highest internally gen. resid.

Eff. max = 100%, but usually lower.

10. ~~Conversion factors needed.~~

i. is a ~~conversion factor.~~