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—The chairman for resources of the Oregon Citizens Against Toxic Sprays group explains the organization's recent lawsuits, successes and failures in trying to stop the contamination of their environment. See **page 2**.

—An English author goes into detail in examining "The Famine Business"—a new book by the science editor of World Medicine—which claims that unconstrained capitalism lies at the bottom of world hunger. See **page 3**.

—How much of a contribution can alcohol fuels make to our energy requirements? See Hal Bernton's analysis on **page 4**.

—Californians from a variety of jobs convened in Santa Barbara recently to see how they could work together to encourage the development of human-scale technology at local levels. A report is on **page 7**.

—Wisconsin has averted the thrust for a Bottle Bill. How and why this happened is explained on **page 7**.

ENVIRONMENTAL BRIEFS: The chief engineer and economist for the Nuclear Regulatory Commission, who for two years headed the NRC's office of planning and analysis, has resigned and sent a letter to the commission's new chairman criticizing the body's domination by Federal agencies backing nuclear power. He was concerned that NRC is "too closely allied with the part of government" that favors nuclear development, said *The New York Times* of Barrett J. Riordan's letter of resignation.

The new "Guide to Alternative Periodicals" is now available for \$3 from Sunspark Press, 2544 Clay St., San Francisco, Calif. 94115. It carries complete descriptions of over 670 magazines and journals.

The only regulation now in effect controlling the movement of nuclear waste, fuel or other materials is a U.S. Department of Transportation directive requiring trucks carrying "hazardous goods" to avoid congested areas as much as they can, says Sen. Gary Hart of Colorado. Hart turned up this information in the wake of a spill of 10,000 pounds of uranium oxide on a Colorado highway Sept. 27. He is calling for more stringent rules.

Leaders of 17 anti-herbicide groups in the Northwest have voted to form a coalition that will pool the resources and coordinate the activities of the member organizations. The new organization, known as the Northwest Coalition for Alternatives to Pesticides, is headquartered at Route 1, Box 12, Deadwood, Oregon 97430.

A beautiful stretch of the Delaware River from Port Jervis, N.Y., to Delaware Water Gap, Pa., has been threatened by the Army Corps of Engineers' Tocks Island Dam project for 14 years. Now H.R. 6403 would put that stretch—which is rich in native peoples' artifacts as well as natural beauty—into the Wild and Scenic River system. The river could use your help.

Fifteen million people are going to die of hunger this year, not for lack of enough food in the world nor lack of good solutions to the problem, but because people still accept hunger and starvation as given. The Hunger Project, Box 789, San Francisco, Calif. 94101, aims to change the mind-set to one where an end to hunger is a necessary characteristic of the world. As within, so without.

This bulletin has co-signed a statement by Environmental Action delivered to the cabinet-level Resource Conservation Committee chaired by Doug Costle of EPA endorsing a national Bottle Bill. The committee will submit recommendations on the proposal to President Carter in mid-November.

The Integral Urban House, 1516 Fifth St., Berkeley, Calif. 94710, is sponsoring an intensive four-week course, taught by Stuart Leiderman, in environmentally-sound living and appropriate technology. The House is part of the Farallones Institute. The full course costs \$250.

So much for NFS preaching
save the environment!

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CATS Is Scoring Expensive Successes

**Oregon anti-spray group stops herbicides in
national forest, but a counterattack is mounted.**

*By Robert Lofft**

For over 20 years the U.S. Forest Service and the Bureau of Land Management (BLM) have been using dioxin-contaminated herbicides as part of their forest and land management programs. Until recently, except for occasional law suits claiming herbicide-related health and property damage, the government's spraying operations have gone unchallenged by any organized effort.

Since June 1976, however, a grassroots movement opposing the use of these dangerous herbicides has been gaining momentum. This year, thanks to a landmark decision by a U.S. district court judge in Portland, Oregon, dioxin-contaminated herbicides were not sprayed on federally managed timberlands in the Pacific Northwest. Their use elsewhere is now being challenged by regional organizations across the country.

The law suit that brought a halt to the government's spraying in the Northwest is interesting from both a human and legal perspective. It began with a few individuals—small farmers and homesteaders recently settled in the valleys of Oregon's scenic Coast Range. These people were, as one of them stated it, "refugees from the city." They had moved to the country to escape air and water pollution, to farm and grow their own organic produce, and to find a better environment for raising their families.

Instead they encountered possibly the worst of all pollutants: TCDD, short for tetrachlorodibenzo-p-dioxin, a deadly contaminant present in herbicides sprayed along roadsides, on timberlands and

watersheds, and released into the air during slash burning operations conducted by the Forest Service. This unwanted contaminant is so lethal that miniscule amounts, measured in parts per trillion, have caused death in laboratory monkeys. Last December scientists at Harvard University found this chemical in milk samples taken from mothers in Oregon and Texas.

But even before the Harvard findings, the people living in the Coast Range of Oregon knew some of the consequences of dioxin contamination. Spraying operations were followed by miscarriages and widespread sickness. Analyses of water supplies found traces of herbicides.

Local meetings were held among residents of the Coast Range where they shared their experiences. Later they enlisted the help of attorneys who specialized in environmental law and formed a citizens action group, calling themselves CATS, Citizens Against Toxic Sprays. For funds they contributed their own money and received the financial help of friends and the Oregon Environmental Foundation.

Then in May 1976, against what CATS members believed were incredible odds, they filed a suit in federal district court seeking to enjoin the Forest Service from using dioxin-contaminated herbicides in the Coast Range mountains and valleys of the Siuslaw National Forest.

The suit, civil case 76-438, was filed under the National Environmental Protection Act and the Federal Act to Protect the Bald and Golden Eagles. Joining CATS as co-plaintiffs were the Hoedads treeplanting cooperative and the Oregon Environmental Council. The plaintiffs contended the Environ-

mental Impact Statement (EIS) prepared by the Forest Service on its spraying operations was inadequate. Not only did the EIS fail to discuss the dangers of dioxin contamination, the plaintiffs charged, but it also failed to explore alternatives to herbicide application.

Two days of hearings were scheduled for June 1976. At the hearings, research by CATS members and their attorneys was augmented by the testimony of physicians, forest workers, biologists and private citizens. Witnesses for the defense included chemical company officials, members of the forestry department at Oregon State University and representatives of the Council on Agricultural Science and Technology, an organization funded by chemical companies.

Almost nine months passed after the hearings before the federal judge handed down his ruling on March 7, 1977. CATS members will never forget that day.

"I had just come into the house after working in the garden," a Coast Range resident recalls. "The radio was on. My wife, who at the time was six months pregnant with our little girl, was in the kitchen fixing lunch. We had been worried the spraying would resume at any time, and if it did we were going to move somewhere else. The radio program was interrupted with a news bulletin. The judge had ruled in CATS favor—there would be no spraying, at least not this year."

The judge's ruling declared the

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*Robert Lofft is chairman for resources of Citizens Against Toxic Sprays, Deadwood, Oregon.

How Can a Community of Interested People Encourage the Development of Appropriate Technology at the Local Level?

By Elizabeth Kemf

The Community Environmental Council (CEC) of Santa Barbara, together with the California state Office of Appropriate Technology (OAT), sponsored a conference on September 10 in which local builders, contractors, solar engineers, legislators, architects, and communicators met with state officials to exchange ideas and models of their work.

According to California state architect, Sym Van der Ryn, meetings such as the Santa Barbara conference are being held around the state in order to get people together. It is the intention of OAT to keep these meetings at a "grass roots" level, while maintaining close contact with the OAT office in Sacramento. "There are differences," he noted, "in priorities and projects between northern and southern California. One of the aims of OAT is to maintain that diversity, while at the same time creating an integration of ideas."

Most participants agreed that one problem they had in common was energy storage. As I see it, the major obstacle we must overcome is "information storage." Throughout Santa Barbara county and the state

(and throughout the United States for that matter) groups and individuals are designing systems, approaches, and tools which can and do "appropriately" satisfy our technological needs. Once you have answered the question of "how to get the people together" the next step is to collect the information and store it in decentralized resource centers and libraries where people can draw upon that data.

When that is established the technical information must be broken down into language which the average citizen can understand. The "New Possibilities Exhibit" is a device which demonstrates practical methods of energy conservation. The exhibit is a traveling trailer which is touring California, stopping at shopping centers, schools, and local and county fairs. Displays include home insulation techniques, water use, composting, recycling, and a solar oven.

By implementing a "hands-on" policy, such as the trailer, it might be possible for groups to put pressure on local government officials to initiate environmental legislation. For instance, California Assemblyman Gary Hart maintains

that the Santa Barbara group, Sunraey, was responsible for his introducing the current solar energy legislation which passed the California legislature last week. The Solar Energy Tax Bill will allow a 55 percent tax credit of up to \$6,000 to people who build or reconvert solar energy into their residences. Non-residence builders would receive a 25 percent tax credit of up to \$6,000.

Objections were raised by some participants that only the rich could afford solar energy. Assemblyman Hart responded that it was hoped that low-interest or interest-free loans could be established to help middle income homeowners. Jim McMenamin of EARTHLAB, a Santa Barbara research organization, agreed saying "We ought to get rid of mortgages and build homes which people can afford." His organization is presently designing models for low-cost shelters.

Mr. McMenamin also stressed the importance of mimicking nature in our efforts to arrive at appropriate technologies. "We don't invent systems; we discover them and the closer you get to nature the easier it is." A few remarks later someone else spoke up, a Mr. Tom Hitchcock, an "inventor" by trade, who is trying to set up a school of inventors, no less. Interest sparked in his direction.

And so the meeting went: a collection of inventors, seekers, all pursuing the creation of a gentle technology. No proposals or long lists of recommendations were drawn up: questions and ideas were raised, models suggested, addresses exchanged, and undoubtedly the participants will meet again.

Wisconsin Legislature Sidesteps Bottle Bill

By Kevin Hagen

Wisconsin's bottle bill has been sidestepped by the state legislature. Despite last minute changes to satisfy its critics, the bill was returned to committee instead of reaching a floor vote.

Matching Senate and Assembly bills were introduced last spring, patterned after Oregon's two-tiered deposit on beer and soft drink bottles and cans. Containers reusable by more than one distributor

would have a two-cent deposit and single-user containers a five-cent deposit—encouraging the use of uniform-sized containers. The bills banned detachable "flip-tops" and were to go into effect July 1, 1980.

The bills were sent to similar committees, and there the similarities ended. The Senate bill, which was expected to pass if it reached a floor vote, died in committee for lack of one vote. The Assembly bill cleared committee easily, but was returned by a 74 to 23 vote—killing the bill for the 1977 session.

Sponsors of the bills blamed their defeat on, of course, intense lobbying by beverage and container manufacturers. Those foes showed their strength last March, when dozens of industry representatives opposed the bills in a nine-hour hearing. They turned in more than 600 registration slips in opposition to the bill—although barely 300 people attended! Most of the slips, the result of passing petitions around bottling plants, were later ruled inadmissible.

After the hearing, the Assembly bill was amended to counter criticism and, as one legislative aide said, "to make it harder to vote against it." The bill then resembled Vermont's law, a uniform five-cent deposit that wouldn't favor returnable bottles and thus "ban the can," as critics alleged. A handling charge kickback to retailers was added and a final amendment required that a

state-wide advisory referendum favor the bill before it could take effect. But even these efforts failed to win votes.

Senator Thomas Harnisch, author of the Senate bill, sent questionnaires to beverage manufacturers last April "to gather data which would prove the basis for their opposition to such legislation." His efforts were mostly ignored—only 13 of the 109 beer brewers and soft drink bottlers responded.

"The beer industry has informed me, through lobbyists," Harnisch said, "that they have the political muscle in the legislature to defeat mandatory deposit legislation and they do not have to prove their case to anyone."

The only brewery which "seriously" replied, he said, reported that no jobs would be lost and that the cost per ounce of packaging beer in returnables was .004 cents, while throwaway cans cost .010 cents. He concluded from his survey that "anyone preaching against mandatory deposits because of job loss, capital investment or other related economic and social costs must be suspect."

Harnisch, who says he's never

seen a public opinion poll where less than 60 percent favored a state-wide bottle bill, said voters must soon relay their support to their legislators. "We need a reversal of the legislature," he said, "three-fourths of the people want this, but three-fourths of the legislators vote against it!"

What the bottle bill needs most, sponsors say, is an effective citizen campaign. Representative Mary Lou Munts, author of the Assembly bill, send a state-wide mailing last summer urging environmentalists to pressure their legislators, but no other lobbying effort could be made before the session ended. Munts explained the problem: "We've never had one 'spark-plug' with a lot of time to be a coordinator and carry this issue state-wide."

Munts will ask environmental groups at this year's Environmental Agenda Conference to make the bottle bill a high priority issue for the spring legislative session.

She remains optimistic: "We took a terrible beating this year," she said, "but at least we know who our enemies are—who is most vulnerable to industry interest groups."

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Reflections on
The Public Interest in Private
Nonindustrial Forest Lands*

Philip M. Raup**

We may begin with a question: Why should the public, meaning in this case government, have any direct interest in how private nonindustrial forest lands are used or managed? One obvious answer is provided by U.S. Forest Service data showing that some 59 percent of the acreage of nominally commercial forest lands is in the hands of private nonindustrial owners. These acres accounted in 1970 for just over half of the total volume of timber removal and 58 percent of the net addition to growing stock in the nation's woodlands. Their present and potential contribution to the national supply of wood is so great that they cannot be ignored.

This leads to a refinement of the initial question: Why can we not assume that the owners of these lands will develop their productive capacity to the maximum levels justified by our need for forest products? What rationale justifies any intrusion by government into this land use problem? Why is benign neglect not the best public policy for private nonindustrial (hereafter abbreviated as PNI) forest lands?

Some impressive evidence can be assembled to support a hands-off policy on the part of government with regard to these lands. In a companion workshop paper, Marion Clawson has shown that on a regional or state basis, the annual growth on these PNI lands is not as far below the levels achieved

*Paper prepared for Workshop on Policy Alternatives for Nonindustrial Private Forests, sponsored by the Society of American Foresters and Resources for the Future, Airlie House, Airlie, Virginia, Aug. 30-Sept. 1, 1977.

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on private industrial forest lands as the national data seemed to indicate. There remains, however, a deeply rooted belief that governmental action is needed to promote a more adequate realization of this segment of our forest potential. It is instructive to examine some of the roots of this belief. The examination that follows will not attempt to present an exhaustive analysis of the many arguments that can be mobilized to support a public interest in private nonindustrial forestry. The discussion instead will be focused on selected issues that pose problems of choice among alternative policies that seem especially susceptible to misinterpretation.

The overriding reason for expression of a public interest in private forest lands is the long time span involved in forest production. Studies of current federal and state programs to provide incentives to private nonindustrial forest land owners point out that forest restocking efforts of the 1970's will have no appreciable impact on timber supply until well after the year 2000. The typical forest land owner can produce grandchildren more quickly than wood in commercial quantities.

This dominance of the time dimension in forest production gives rise to fears that private land owners will lack both the information and the motivation required to make investments with little prospect of reward in their generation.

There is a close parallel between the current interest shown in public policies to promote private nonindustrial forestry and the debate in the 1930's over public assistance to farmers to promote soil and water conservation. In both cases a key argument for public intervention has been the long term, slow pay-out nature of the investment required.

In both cases, the major policy issue concerned the rationale for public aid to private land owners to persuade them to make investments that prudent business judgement should have led them to make without public assistance.

A major difference between the two arguments is that inflation was not a major consideration when public policies toward soil and water conservation were being forged. It is a major consideration in the current reexamination of the need for public policies to promote private nonindustrial forestry.

Many things are produced on forest lands in addition to trees. One of the less obvious "products" is the opportunity they provide private owners to hold an inflation hedge in times of rapidly rising prices. This hedging function is a characteristic of all real estate in inflationary periods, but it is especially attractive in forestry. Unlike agricultural lands, annual increments in forest growth occur without the expense of annual seeding or tillage. And unlike urban or residential real estate, the structures on the land--the trees--appreciate with time, while buildings depreciate. There is thus a strong incentive in times of inflation for private owners to reorder the priorities that motivate them to hold forest land. The "storehouse of value" motive increases, and the "invest to produce income" motive declines. This in turn reduces any incentive to make subtractions from current income to permit investment for long-term rewards.

One motive for public programs to support private nonindustrial forestry is to correct this implicit high rate of discount of the future. This is

but one, although the most important one, of a family of reasons that economists refer to as remedies for market failure. High interest rates are a clear signal that present goods are to be appreciated in value relative to future goods. Expectations of continuing inflation are a clear signal to acquire or retain ownership of land, but to invest as little as possible in its improvement. A major burden of inflation thus falls on forest investment by private owners.

It can be argued that responsibility for inflation in an economy as large as the United States must ultimately rest with government. A corollary is that responsibility for repairing the most serious damage done by inflation must also be assumed by government. Whether correct or not, this is unquestionably a rationale for much of the current support for public programs to provide monetary incentives for forest investment by private nonindustrial forest land owners.

The provision of a long-run timber supply from private lands has also been threatened by a complex sequence of policies generated by the much greater concern for environmental protection that has characterized past decades. The focus of much of the pressure for environmental betterment has fallen on public lands and at the federal level.

Following a survey of the historical development of policies affecting forestry in the United States, Gardner and Zivuska concluded that:

"The thrust of public policy has been to weight environmental effects and other forest uses far more heavily relative to timber output than was the situation in an earlier period. The result, whether intended or not, has been to constrain and reduce the possibilities for wood production."^{1/}

^{1/} B. Delworth Gardner and John A. Zivnuska, "Public Policies Affecting Land Devoted to Agriculture and Forests," paper presented at the annual meeting of the American Association for the Advancement of Science, Denver, Colorado, Feb. 24, 1977, p. 26.

In political terms, the least cost means of implementing environmental protection measures has been to enforce them on the public lands. In this regard, public lands have played a role in the evolution of recent environmental protection policy comparable to the role played by public agencies as employers of last resort in implementing policies for welfare, equal employment opportunities, and human rights.

✓ It is not clear that this politically least-cost solution is also the most desirable approach in social and economic terms. If the enforcement of environmental protection measures on public forest lands reduces their contribution to timber supply, then non-public lands will become the "supplier-of-last resort", and will bear the burden of adjusting supply to demand through operation of the price system.

In technological terms, this task will be made easier on private forest lands if they are in large tracts. In political terms, the outcome may be quite different. It will be easy to mobilize public sentiment against aid to private forestry if only a few owners of large tracts are involved. Support for public aid to private forestry will be much easier to defend if it is clear that the private benefits are distributed over a large number of land owners. At some point these political considerations outweigh the technological inefficiencies of dealing with a large number of private forest land owners, holding relatively small tracts.

Economies or diseconomies of scale in the practice of forestry on private lands must thus be interpreted in several dimensions. The policy conclusions drawn from a strictly technological interpretation of the diseconomies of small-scale forestry may have short-run validity but highly disruptive long run consequences.

These reflections highlight another of the reasons advanced in support of a public interest in private nonindustrial forestry, namely, the small size of ownership tracts involved. The conventional wisdom is that diseconomies of small scale in forestry are great, and are a major handicap for tract sizes up to 500 acres and beyond. Public support in the form of grants to promote restocking, concessionary interest rates, subsidized technical advice in production and marketing, or tax reduction have all been defended as necessary to offset the diseconomies of scale that constrain the majority of PNI forest land owners. This argument calls for a closer examination.

✓ The small size of tracts in private ownership may actually be an advantage. The major cost of forest production is the capital carrying cost. For large tracts this is an important cost. For small tracts it may not be burdensome.

On the average private nonindustrial forest tract of approximately 70 acres, the capital value of the land and the opportunity cost of holding the capital investment in the land might be as follows: Assume a return on forest capital of 3% and a return on alternative investments of 6%.
The differential opportunity cost of capital investment in forestry would be 3%.

For 70 acres of land valued at \$100 per acre this differential would be \$210 per year, at \$200 per acre, \$420, at \$300 per acre, \$630, and at \$500 per acre, \$1050. The small private owner may well ignore this differential opportunity cost, reasoning that he derives annual esthetic and recreational values from his forest land of equivalent or greater value.

The owner of a large tract cannot so easily ignore his foregone opportunity for a return on capital. He is unlikely to obtain equivalent offsetting recreational, esthetic, or other non-monetary rewards from his forest land ownership. The capital costs of holding private nonindustrial forest land in larger tracts may rob forestry on private lands of one of its principal advantages, which has been the diffusion of the burden of carrying the capital cost of the investment.

This problem of technical diseconomies of small scale in forestry poses a dilemma for public policy. In a market economy the major cost of forest production is the opportunity cost of capital. Three policy options are available:

1.) Public ownership of forest lands. This does not avoid the high cost of sunk capital over long time periods but it does bury the cost in public revenue and expenditure accounts where it can be disguised to the point that it becomes politically tolerable.

✓ 2.) Subsidies to private owners of large tracts of forest lands, to cover the difference between their opportunity cost of capital and their real return on forest investments. For industrial forests we have been particularly adept at devising subsidies of this nature, primarily through income tax and property tax policies.

✓✓✓ 3.) Policies to encourage the private ownership of forest land in relatively small tracts, permitting owners to offset the opportunity cost of capital with recreational, esthetic and amenity values that are real to them but relatively costless to the national economy. *They are also tax-exempt income,*

✓ We lack the comparative data necessary to construct careful estimates of these three alternative methods of paying for the cost of waiting, which is the major cost item in forestry. Were the data available, it seems probable that they would show that alternative (3), private ownership in small tracts, would be the most cost-effective method of supporting forest capital investment. The major unknown in these speculations can be phrased as a question. Can small tract owners be provided economically with the

technical information needed to realize the production potentials of their lands, and will the timber products, produced on small tracts be available through market processes when they are ready for harvest?

These policy alternatives provide a base for a better understanding of one of the most promising means of implementing public policy for PNI forest lands: the expanded provision of technical production and marketing services to the smaller private owners. They are absorbing the capital cost of holding forest land. Any other method of meeting those capital costs is virtually certain to be more expensive, or politically disruptive. The most cost-effective way of capturing this private subsidy to the national timber supply would seem to be through an enlarged public investment in forestry extension work.

The rationale for expression of public interest in this manner is strengthened by the highly diverse nature of our national endowment of timber sites and stands. With some limited exceptions, it seems highly unlikely that large tracts suitable for uniform stocking and management could be assembled out of our existing inventory of private nonindustrial forest lands. They are for the most part dispersed among our farm lands in small tracts for reasons that are not capricious but are soundly based on considerations of soil, climate and biology. As a practical matter they must be managed as relatively small tracts or not at all.

The management decisions they require are correspondingly fragmented. The cost of this management would be prohibitive if attempted by large owners, whether public or private. The conclusion seems inescapable that we have no choice but to invest in the education of current owners to make them better managers. Given an economy based on principles of private

property, this is not simply the most cost-effective choice, it is the only choice.

A word of warning is in order at this point. In seeking ways to aid the owners of small forest tracts there have been repeated suggestions that more favorable Federal income tax treatment of cost-sharing payments to encourage replanting by private forest land owners could permit them to write off these costs as current expenses.

✓ This will almost surely lead to unintended advantages for larger owners. The income tax advantage of writing off reforestation investments as current costs is progressively more attractive to those owners with higher incomes. An incentive of this nature would be of primary benefit to wealthy owners of large acreages. It is not "scale-neutral."

Given the existence of a graduated and progressive tax on income, there is no way income tax concessions can be used to favor small owners without granting differentially larger advantages to large owners of forest land. If the promotion of forestry on small tracts is desired, income tax concessions are explicitly not the tool to use. They are instead the principal construction material out of which tax shelters for the wealthy are built.

✓ We are still left with some disquieting reflections. The history of land use shifts in the past four decades in the United States invites comparison with J. H. von Thünen's classic study of principles of land use, first published in 1826. In his "Isolated State" von Thünen envisaged a series of concentric circles or zones of land use, with intensity diminishing with distance from the city due to transport costs. The first zone or circle, nearest the city, would be devoted to intensive market gardening and to

✓✓ milk production. The second zone would be in forest, due to the high demand for fuel wood in the city and the large element that transport costs played in total costs of wood. Field crops and more extensive forms of land use would occupy the third and subsequent zones.

✓ To a surprising degree we are now in the process of reestablishing these forest zones in close proximity to areas of greatest urban concentration, but for quite different reasons than those that von Thünen imagined. The demand for forest land for recreational and residential uses is leading to a re-establishment of forest land uses in proximity to cities. In contrast to the fuel wood demand that von Thünen foresaw, the amenity value of forest land is now predominant in these urban forest zones. The strength of this demand is no less intense than the fuel-wood demand of 150 years ago, but the focus has shifted. The stress today is not on the characteristic of urban forest areas as a "renewable resource" but as a "renewing resource." They furnish re-creation as well as recreation.

In this sense, the demand for private nonindustrial forest land is a derivative of the congestion and frustrations of urban life. A major segment of our resources in forest lands has become an adjunct to our urban life-style.

✓✓ We are forced to regard the owners of many of our private nonindustrial forest lands as consumers, not producers. This is in sharp contrast with conventional approaches in some forestry extension work, which presume private forest land owners to be ill-informed and unskillful producers of forest products.

If we reverse this presumption, and regard these owners as final consumers rather than as intermediate producers, we may gain a better perspective on the motives that condition their holdings. As a first approximation, it is clear that the market for forest land as a consumers good is highly segmented. The slow-growing, more mature and predominantly hardwood forest lands of the northeastern states are held in large volume by urban residents and professional or white collar workers. It is tempting to classify these owners as part-time urban refugees. Their motive in forest land ownership can be thought of as an "urban-push" interest.

In contrast, many of the private nonindustrial forest lands of the southeastern states are still in the hands of farmers, or of heirs only recently removed from a farm environment. Their interest in forest land holding derives less from a desire to escape the city than from a knowledge that possession of some forest land has been a necessary component of farm land ownership, in areas where farm and forest lands are heavily intermixed. They have incorporated the use of these forest tracts into their rural life style. Their motive in forest land ownership can be thought of as a "farm pull" interest.

In both the Northeast and the South, our defective data on the ownership of nonindustrial forest lands point to an initial approach that regards these owners primarily as consumers, not producers. But their motives for holding land as a consumers good may reflect sharply different goals. If this view is supported by better data in the future, it suggests that private forest land owners in the East and in the South might best be approached as consumers in highly segmented markets. If we seek to reach them with

✓✓ forestry extension programs, the appropriate economic tools are those of market analysis rather than production economics, in our search for ways to aid them in pursuit of their goals.

✓✓ The thrust of much current forest policy is to deny that their goals are appropriate and to insist that their primary interest in holding forest land should be the production of wood. In view of the presently defective market outlets and often unattractive stumpage prices for wood, especially in the Northeast and parts of the South, the burden of proof would seem to rest squarely on those who insist that wood production is the proper goal. Price signals in the market place are clearly indicating that privately owned forest land should properly be considered a consumers good in much of the United States today.

✓ The preoccupation with problems of production in most discussions of private nonindustrial forest lands is a reflection of a national tendency to focus on trends in supply, and neglect the changing composition of demand. This has long been a defect in the rationale that supports our agricultural policies. Given the function of this workshop, it must be asked whether or not we are giving adequate attention to the changing structure of demand for the many products of forest land.

✓✓ Over the past four decades the big increases in demand have been for particle-board, plywood, pulp and paper. What will be the future trend in these components of demand? The answer will be decisive in devising a rationale for public policy toward PNI lands. The most buoyant elements in the demand for forest products are for items that can be made from a much greater variety of sizes, shapes and species than was true two decades ago. Chipping and chip-board technology is revolutionizing our concept of

what constitutes commercial timber. The recent sharp increase in lumber prices will unquestionably intensify the search for substitutes for conventional construction lumber. It is by no means clear that we can in good conscience advise a private timberland owner what to plant, even if he is responsive to the profit motive and receptive to advice.

Consider paper and pulp: The supermarket and the packaging revolution greatly increased the forest product component in our food budget. We do not yet eat trees, but a sharply increased fraction of what we spend for food is for the products of trees. Has this trend reached its peak?

✓ Packaging materials from petroleum now provide keen competition for paper. It is the current conventional wisdom that packaging materials from renewable resources should replace those derived from petroleum. World stocks and available exportable surpluses of timber and petroleum make it far from clear that relative prices will shift in favor of fibers from wood in the near future. Per capita consumption of forest-based packaging materials may well decline in coming decades. Per capita consumption of newsprint has already declined. The full impact of a TV culture has yet to be experienced, in terms of reliance on newspapers and printed materials for the transmission of news and information. It seems unlikely that trends in demand for "information paper" will increase in years ahead.

Consider housing: Between 1970 and 1975 an estimated 28 to 35 percent of all housing production utilized manufactured housing processes, with mobile homes accounting for 16 to 20 percent of the total. Of single family units, 40 to 50 percent were modular, panelized or mobile homes over the first half of the 1970's, with mobile homes alone accounting for

25 to 31 percent.^{2/} In 1975, the Manufactured Housing Institute has estimated that approximately one-half of all single-family detached housing units built in the United States were mobile homes.

These developments have been so recent that they have outrun our data reporting system. Realistic estimates of the impact of manufactured housing techniques have not been incorporated into projections of timber demand originating in the housing industry. We do know that the timber component of modular, panelized and mobile homes is much lower than for conventional housing units. More to the point, manufactured units can make use of particle board and other wood products fabricated from dimensions and qualities of wood supplies that were not even considered a part of timber output when existing projections of timber requirements for housing were prepared.

These reflections suggest that a critical area of needed research involves the nature of prospective demand for the products of PNI forest lands. Concern to date about the failure of these lands to achieve their biological potential has implicitly assumed a large measure of stability in the structure of demand for forest products. It is this assumption that should be subjected to a rigorous examination. No viable means of implementing a public interest in private nonindustrial forest lands can be identified until more is known about probable trends in demand for the products of these lands.

^{2/} "Mobile, Modular and Panelized Housing: Preliminary Research Findings," Minnesota Housing Finance Agency, St. Paul, November 1976.

Where income maximization is a primary goal of private nonindustrial forest land owners, we can conclude that uncertainty over markets is the critical variable. We can derive lessons in the respect from efforts to promote agricultural and forest production in developing countries. Repeated studies since 1950 have shown conclusively that production technologies are quickly adopted by producers previously regarded as uninformed or unskillful, when they are presented with realistic market prospects. In the absence of reasonably assured markets, technical aid in production has either failed outright or been of transitory, or even harmful influence. Markets are the key. Where they exist or can be stimulated, technology transfer has been surprisingly rapid.

This points to a conclusion that public support for private nonindustrial forestry will be most cost-effective if it is concentrated on the improvement of markets. Several of the states have already reached this conclusion, and are shifting their emphasis in forest extension work to the organization of producers to achieve the critical volumes needed to attract processors. This would seem to provide the strongest rationale for public investment to promote wood production on private nonindustrial forest lands.

Although paramount, the marketing dimension is not the only one that can reward public involvement. We have noted that small scale will almost surely continue to be a major structural characteristic of PNI forest land ownership units. This is in marked contrast to the major thrust of technological developments in the mechanization of forestry. Virtually all of the technology in mechanized forestry has been introduced by industry, and tailored to large-scale units. There has been a minimal investment of public funds in experiment station or other similar research into the possibilities of miniturizing this technology.

It is probable that no type of crop production in the United States is in more acute need of an appropriate technology than is forest production on private nonindustrial lands. This too would seem to promise highly cost-effective rewards from greater public investment.

At the risk of misinterpretation, it is tempting to conclude with the observation that management decision problems facing private nonindustrial forest land owners are similar to those facing the owners of junkyards. The key decision is when to sell. Market prospects are highly sensitive to the business cycle. Annual increments of growth in inventory are largely outside the control of the manager, in the short run. Total annual growth in the national inventory is relatively insensitive to price. Production is a byproduct of consumption, and an almost linear function of time.

The significance of this observation concerns attitudes and self-images. In the vacuum that until recently has characterized public policy toward private nonindustrial forest lands it has been rational for owners to conclude that they were in fact in charge of junkyards. The most rewarding rationale for public forest policy is the challenge now posed to persuade these owners that they are in truth the stewards of a precious segment of the national treasure.

Field tax doesn't allow for "bad chance" land that is mixed with good.

24 Part I—Wed., Nov. 30, 1977 Los Angeles Times ★

WOODCUTTERS EARN HARD LIVING

Continued from First Page

Falk has an economics degree from Harvard. From economics, he discovered the labor movement. After working awhile in the Maine woods, he discovered forestry, a subject he pursued at Yale for another degree. Now the two fields merge as Falk, perhaps burdened by his own suspicion of overeducation, spends his days with chainsaws and a diesel tractor and his nights in solitary thought in a cabin in St. Regis' First Machias Lake Camp.

In ideal circumstances, Falk and Brown start work at dawn, rattling over the roads in Brown's pickup to their assigned area. Brown cuts and Falk operates the skidder, a heavy diesel tractor with massive wheels and chains on the tires that is used to drag the cut timber through the woods to the roadside. There the tree-length logs are stacked until a truck comes to pick them up.

Falk has learned here what he could not in college. For example, that it is not hard to cut a tree. A chain saw will do the job easily on a 125-year-old hemlock in about 37 seconds. But it is somewhat harder to cut two—or five or six—making sure that they all fall in the same direction so that the skidder can reach them with cables and pull them all in one trip.

In a day, that load (woodcutters call it a "twitch") is multiplied by a dozen or two dozen or more, depending on the weather, the hardness of the ground, the lay of the land. To a

Steep slopes, gullies are a 'bad chance' in logger parlance.

woodcutter, time is money, since he is not paid by the hour but by the amount of wood he accumulates at the side of the road. Speed and efficiency make the difference between a woodcutter who can make a living and one whose \$30,000 skidder will be repossessed by the bank.

Thus every piece of terrain represents a tactical problem. Trees should be felled in this direction, in this order. Steep slopes and woods crossed by gullies are special problems, a "bad chance" in woodcutters' parlance. Most woodcutters doubt that bad chances are handed out by accident.

It is harder, too, to cut the limbs off all those trees before they are dragged off through the woods, starting at the butt and working to the tip, standing on the tree, astraddle it, beside it, climbing over stumps, through the slash, unable to see precisely

what lies beneath the next step, a 24-pound chainsaw yowling past the boot tops at 10,000 revolutions per minute.

Woodcutters multiply that ... five, six trees per twitch and keep on going all day, eyes open, ears sharp, for the things not quite seen or heard but for those which must be instinctively felt—the felled tree that will lurch free and roll towards the saw when a big limb is trimmed from its underside, the log that will spring upward like a three-ton diving board

A woodcutter learns something new every day on the job.

when its top is sawed clear, the loose cable in the brush. As in other dangerous work, it is the invisible energy in things clearly seen that will kill you most quickly.

The skidder could be heard in the distance as Rex Brown sat his chainsaw on a stump and lighted a cigarette. "Damn, this is rough country," he said. That morning Brown had had a conference with the St. Regis woods and personnel managers about the chance he and Falk were working. It was rough, sloping terrain, and Brown hoped to wrangle some concessions.

"They give in on the little things but not on the big one," Brown said. The big one was money. Since the country was so difficult, he had hoped to get a higher price per cord. The company held firm on the money but said that the wood on the other side of the gully could be skidded to a more convenient road. It was like any compromise, not entirely satisfactory, but a help. "They're not completely pig-headed," Brown said. "At least you can talk to them."

Brown leaned against the tree he had just felled and smoked his cigarette. He had been working in the woods for five years now, he said, and he learned something new every day. "It seems simple to cut trees," he said, "but it's not. It's tricky work. You've got to watch what you're doing all the time."

"The first thing you learn is how to fell the trees. That's not so hard. What you have to learn, mainly, is how to stay alive. You have to learn how to handle yourself. You have to learn how to move around without getting hurt. You don't just run and jump. There's always some little thing that can get you."

Most loggers with a few years of experience have forgotten most of the minor nicks, cuts and falls they've taken on the job. Some near-misses

remain sharp memories. Brown remembers one in which a small downed tree, its top somehow caught by a twitch being pulled out of the woods, suddenly lifted in the air and swung in an arc like a 20-foot baseball bat. "It missed me by about a foot," Brown said. "If it had hit me it would have taken my head off."

On other occasions he wasn't so lucky. Once an iron truck stay bucked loose from a load of logs, flipped over the truck bed at the end of a rope and struck Brown's left arm. The indentation of scar tissue, hard as bone, is still there. Once a chain saw kicked on him and twirled the blade into the muscle of his upper forearm. The saw cut a gash three-eighths of an inch wide almost to the bone.

In each case, Brown was back to work within days. Money is not paid for caution.

The piece rates paid for timber come to about \$7.50 per cord. A cord is a stack of logs four feet wide, four feet high and eight feet long, a standard of measurement still used although timber is rarely cut to cord length any more before it reaches the mill. On top of the \$7.50, which is split down the middle with Falk, Brown is paid \$4.75 per cord for the skidder, his own property. As a team Brown and Falk divide another \$1 per cord because they use their own chain saws, as do most loggers.

"If you have four or five days of really good cutting," Brown said, "you can do about 80 cord, and you can make pretty good money. But that's pretty rare. Lately we've been averaging about 30 cord a week." That works out to about \$270 a week for Brown, \$127 a week for Falk.

"Out of that," Brown went on, "you've got to keep your equipment running. You've got to buy gas for the saws and fuel for the skidder. I've got to make payments on the skidder and payments on the pickup truck. Out here, you need a truck every couple of years. They just fall apart. And there's always something going wrong with the skidder."

Something had gone wrong with it that morning. It had been overheating lately and they had to spend an hour flushing out its cooling system, using an old chainsaw motor to pump water from a nearby creek. "You've got to learn how to improvise," Falk said. But improvisation slowed them down, reducing the day's cut to eight cords—\$17 for Falk, \$36 for Brown.

At the end of the day, Brown drove home and Falk returned to his cabin at the camp, one of about 20 one-room cabins set on either side of a wide gravel drive on a hill above the camp machine shop. One building houses community showers and bathroom facilities. Each of the cabins is

equipped with a gas range, refrigerator, heat stove, a sink with running water and iron cots. They are adequate if not necessarily comfortable.

Falk has little contact with the other woodcutters in the camp, all of whom are French-Canadian. When a stranger appears in the camp, they watch warily from the steps of their cabins, saying nothing. Most of them do not speak English and understand it poorly. Falk has never had an extended conversation with any of

them, although he would like to.

For generations, as far back as lumberjacks in Maine can remember, the animosity between French-Canadian and American woodcutters has been as deep as the Maine woods and a great deal more impenetrable.

Isolated by language and custom, the "Francos" who cross the Canadian border to work in Maine have been regarded with suspicion and contempt by the independent-minded American loggers who see them as a threat

to their economic security.

Last summer, threatened by fear of layoffs and reduced quotas in the amount of wood they could cut, a group of American woodcutters armed with axe handles terrorized a crew of French-Canadian loggers and some of their families at this camp. Although no one was hurt, some camp facilities were damaged, and 10 Americans were later charged with aggravated criminal mischief.

Please Turn to Page 25, Col. 1

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FOREST TAXATION SYMPOSIUM

November 30—December 1, 1977
Donaldson Brown Center for Continuing Education
Virginia Polytechnic Institute and State University
Blacksburg, Virginia

Sponsored By

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**Program Purpose**

Taxes perennially concern all classes of forest landowners, industrial and non-industrial, large holdings and small, whether in the North, South, East, or West. As American society increases in complexity, so do forest taxation questions. This complexity, plus recent developments, makes it imperative that persons dealing with tax matters keep well informed. While no one program can provide even a partial solution to all the important questions, this Symposium will provide a first step in that direction.

The Symposium has been organized to present the latest information available on the economic, administrative, political, and resource allocation aspects of forest tax policy. Topics include past developments, present impact, and future trends in federal income, estate, and gift taxation and in state property taxation. The information presented will be useful to anyone concerned with forest tax matters, especially those in middle and upper level positions from industry, academia, trade, and professional associations, consulting firms, state and federal resource management agencies, and state department of revenue.

Harry L. Honey Jr.

An Educational Service of the Virginia Polytechnic Institute and State University, Virginia's Land-Grant University, with U. S. Department of Agriculture and Local Governments Cooperating

Program**Tuesday, November 29, 1977**

7:00 p.m.— Registration, Lobby, Donaldson
9:00 p.m. Brown Center for Continuing Education.

Wednesday, November 30, 1977

8:00 a.m.— Registration
8:20 a.m. Call to Order
8:25 a.m. Welcoming Addresses:
President William E. Lavery, V.P.I.&S.U.
✓ Mr. John Vance, Director, Southeastern Area State and Private Forestry.

SESSION I

Moderator: Zebulon W. White, Forest Consultant, Zebulon White and Co.

8:45 a.m. Keynote Address: An Overview of Forest Taxation. Mason Gaffney, University of California at Riverside.

Panel: Federal Timber Taxation—Past and Present

9:35 a.m.

10:05 a.m.

10:35 a.m.

11:05 a.m.

11:35 a.m.

12:00 noon

1:25 p.m.

1:55 p.m.

2:25 p.m.

2:55 p.m.

3:25 p.m.

3:55 p.m.

4:20 p.m.

5:00 p.m.

6:00 p.m. —

7:30 p.m.

7:30 p.m.

Thursday, December 1, 1977**SESSION III**

Moderator: William A. Duerr, Department of Forestry and Forest Products,

Historical Development of Federal Income Tax Treatment of Timber. William C. Siegel, Southern Forest Experiment Station, U.S. Forest Service, New Orleans.

Coffee Break

Impact of Tax Reform on Timber Taxes. Hemmendinger, Whitaker and Kennedy, Washington.

Administering the Timber Provisions of the Internal Revenue Code: The IRS Viewpoint. Chris Nelson, Senior Forester, Internal Revenue Service.

Questions, Answers, Discussion

Lunch

SESSION II

Moderator: Emmett F. Thompson, Head, Department of Forestry, Auburn University

Panel: The Future of Federal Timber Taxation from Differing Perspectives

The Landowner through a Lawyer's Eyes. William Condrell, General Counsel, Forest Industries Committee on Timber Valuation and Taxation.

The Landowner through a Forester's Eyes. Kelly Niemi, Executive Secretary, Washington Farm Forest Association.

The Carter Administration. Emil Sunley, Deputy Assistant Secretary for Tax Policy, Treasury Department. *Ph.D. Mich., '68*

Coffee Break

The Congress. Paul Oosterhuis, Legislation Counsel, Joint Committee on Internal Revenue Taxation.

Questions, Answers, Discussion

Speaker: Importance of Federal Death Taxes to Forestry. Charles F. Sutherland, Jr., Department of Forest Management, Oregon State University.

End of Session

Social Hour

Dinner, On the Town

u. Mich.

Virginia Polytechnic Institute and State University.

8:30 a.m.

Speaker: The Ad Valorem Tax on Forest Property. Norman R. McDonell, Manager, Property Taxes—Timber, Weyerhaeuser Company.

Panel: *Experience in Moving from Ad Valorem to Modified Assessment Laws*

9:20 a.m.

Georgia. Leon A. Hargreaves, Jr., School of Forest Resources, University of Georgia.

9:45 a.m.

Coffee Break

10:15 a.m.

Florida. Fred Brett, Lands and Timber Administration Manager, Buckeye Cellulose Corporation.

10:40 a.m.

New York. John Stock, Commissioner, Adirondack Park Agency.

11:05 a.m.

Questions, Answers, Discussion

11:25 a.m.

Speaker: Factors Affecting Yield Tax Impacts. W. David Klemperer, Department of Forestry and Forest Products, Virginia Polytechnic Institute and State University.

12:00 noon

Lunch

SESSION IV

Moderator: Richard A. Skok, Dean, School of Forestry, University of Minnesota.

Panel: *Experience in Moving from Ad Valorem to Yield Tax Laws*

1:25 p.m.

Washington. John B. Conklin, Washington Department of Revenue, and Billy Dean Scott, Washington Department of Natural Resources.

1:50 p.m.

California. William McKillop, Department of Forestry, University of California at Berkeley.

2:15 p.m.

Michigan. Henry H. Webster, Chief, Forestry Division, Michigan Department of Natural Resources, and Raleigh Barlowe, Department of Natural Resources, Michigan State University.

2:40 p.m.

Questions, Answers, Discussion

3:00 p.m.

Coffee Break

3:30 p.m.

Speaker: Administration of Forest Property Tax Laws. James K. Wead, Special Assistant, The Council of State Governments.

4:05 p.m.

Speaker: Where Do We Go from Here? Robert Manthy, Department of Forestry, Michigan State University.

4:40 p.m.

Adjourn

FOREST TAXATION SYMPOSIUM
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Information concerning motel accommodations in the Blacksburg area will be furnished on request.

Transportation

The Donaldson Brown Center is accessible by air, rail, and bus transportation and is easily reached by automobile. Roanoke's Woodrum Field, one of Virginia's busiest air terminals, is approximately forty five minutes away. Limousine and taxi services are available at the airport, and three major car rental agencies have offices located there.

Those arriving by automobile will enter Blacksburg on U.S. 460. Route 460 is reached from the east by interstate 81 and U.S. 11 at Christiansburg. From the west, Route 460 connects with the southern end of the West Virginia Turnpike. Route 460 in Blacksburg is Main Street, which borders the Virginia Tech campus. The Center is located two blocks off Main Street at the corner of College Avenue and Otey Street. Convenient guest parking is available for conference participants.

Registration Information

Formal registration will be conducted in the lobby of the Donaldson Brown Center for Continuing Education on November 29, 1977 from 7:00-9:00 p.m. and on November 30, 1977 from 8:00-1:00 p.m.

The symposium will begin at 8:30 a.m. on Wednesday, November 30, 1977 and end at 4:40 p.m. on Thursday, December 1, 1977. Enrollment is open to all interested persons.

The symposium fee of \$50 covers the cost of educational materials, coffee and donut breaks, two luncheons, a social hour, and a copy of the symposium proceedings.

Advanced registration is urged; use the form provided with this program for that purpose. Requests for refund of pre-paid conference enrollments cannot be honored after November 23, 1977. However substitutions may be made at any time.

For additional information on the program content please contact either:

Harry L. Haney, Jr.
Dept. of Forestry and
Forest products
Virginia Polytechnic Institute
and State University
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OR

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May 30, 1977

Dear Dave:

I accept your invitation for November 30. It is far enough away so that it seems easy. Seriously, it is good to keep in touch and hear what others are thinking. Oosterhuis and Sunley will let us know what The Best and the Brightest are scheming on the Potomac. And I may learn to temper my message to what people will accept. I may take some shots at the Canadians, who are safely across the line.

Looking forward to a good conference.

Cordially,

Mason Gaffney

MG:mg

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October 12, 1977

Dear Phil:

Enclosed are what you asked for. I hope your students respond favorably.

I got a lot from your paper on nonindustrial forests, and will make generous use of it Nov. 30 when I have to kick off a meeting on forest management and taxation in Blacksburg. Your familiarity with the psychology and technology of small farmers gives you insights that most academicians are lacking (as poor Prof. Brems discovered at our conference when you punctured his cliches.) What could make better sense, though, than to have forests yielding amenity values at the same time they grow wood; and what could accomplish this better than having large numbers of small owners living in the woodlands?

A lot of this is lost on the big owners, obviously. One of them in Vancouver Island when I worked there preached vehemently against letting "squatters" have "shacks" in "his" forests because they just cause "people problems." (Democracy is still an alien import in Canada.) The NPS can't think of any way to preserve natural beauty jointly with human habitation, so their park preserves are sterile. I prefer, myself, the Vermont landscape, with man and nature cohabiting harmoniously. I gather that Europe is even ahead of Vermont in this. Perhaps the maturity of time and settled living is what is required.

Even in the lake states, those poor raped cutovers seem to have recovered into delightful amenity producers with large carrying capacity.

The NFS with its even flow doctrine is of course ignoring demand shifts totally, making, as you say, the little guys bear the supplier of last resort role. I testified in Portland last month against even flow, and found an otherwise intelligent Oregon Congressman, Weaver, totally sold on the idea -- to stabilize Roseburg, primarily.

We are still fighting the good fight here for small farmers. Unfortunately the church-morality types who should provide the troops for the fray are mostly sold on blaming it all on the profit motive, and lack the rationality to put together an effective program. Frances Moore Lappe, whose book has some really good stuff, is case study no. 1. She sees the problem, but not the solution. How does one turn human material like that into constructive channels?

Cordially,

P.S. Tish just flew to Va. with Laura, 3, and Patty, 1, to visit aged parents. All are well.

Notes for additions to Blacksbury paper.

1. During transition to yield tax, rate sh. be lower
But that's bes. of double taxn., & really not fair.
2. ~~Harvest~~ Tax. tax differs from yield tax in that
harvest costs are explicitly deducted, so hi. grading
at harvest not caused. Cost-padding, sh. be a problem, tho.
See Ak. rpt.
3. ~~Pro yield tax~~ Yield tax has locked-in effect.
Argument pro cap. gains treatment has been ~~that~~ to reduce
locked-in effect. This is an arg. vs. yield tax, and
pro pay-as-you-go.
4. Ind. has not pushed for expensing, fearing it might then
lose cap. gains.
Now, cap. gains in property, value declining, time to
change strategy. In terms of good forestry, exp. is better.
5. There are many profits in peats earning yrs. who invest
in small woodlots in s.e., for expenses & cap. gains.
6. A lot of timber suffers local obs? No, bes. severable.
But basis is cost, and when you buy mature timber, must
allocate. If you allocate little to land, can deduct too much.

- 7 I imagine - you build up a forest and do not cut before death. Then, basis is stepped up for heir. No tax! Some deal. Of course, same for any capl. asset.
- 8 Undervaluation for estate tax may perhaps be accomplished by zoning. You can get forest land and on use basis for estate. In past, this wd. have been unavailing b/c you lose step up for cap. gains. Now, if this is lost anyway, low valuation is good. - it also defers tax on cap. gain at death.
- 9 Bowater rep. defends cap. gain as neeq. to prevent lock-in. But holding unrealized waiting for death is a lock-in.

Blacksburg Talk, 1911, Forest Tax.

Intro

Vance says we're not indoctrinating. ~~John Gunter~~ ~~Attn.~~ sup ask hand gun, set up
Over committed life caught up w. me -- no jokes.
Morning time to be serious anyway. Rt. down to business.

Congrats on getting here. ~~Can tell my grandchildren 100 people once~~
beat their way thru fog & danger for
sole purpose of hearing me speak --
get you out of fog.

2 personal notes

- Fly. burp's
- Glasses

"Who Pays the Property Tax?" - no mention of
four. We have a little world of our own.
Except for E. Sunday

People who ~~can~~ beat their way thru fog will
perhaps be able to penetrate my remarks. ~~& ask embarrassing~~
~~qns.~~

~~Class~~ Forest Taxn., 1977

Begin w. con

1. ~~Shd. forests pay any taxes at all?~~
~~all wd. say yes.~~ How shd. forests be taxed
Ans. is, what kind, base?
2. Arguments pro & con.
 - a. Prop. tax
 - i. On trees

Pro:

✓ ~~Pr.~~ Uniformity. K in trees shd. earn same as other K, $i + t$. Not to tax it wd. be subsidy to a K-int. indy, for being K-int. Low-empl. mult. of this K.

✓ Unrealized inc. is current inc. Haig-Simons.

✓ Owner w. cash-flow problems can borrow, or sell to H. L. Hunt, (like Cucamonga V. wineries) & leaseback. Or normalize ^(Hdg. owners can't) Or use outside cash flow -- solves problem

for those seeking invts. (own) ✓ Non-taxn. wd. help him anyway, wd. create higher L.v. & another kind of cash flow problem (except by giving one-time cap. gain to present owner, but you can argue that in any land use.)

Historical record

✓ Pvt. owners subject to tax have lumped it & practiced more ec. forest mgmt. than exempt USFS & BLM

There are many profits, in peak earning years who seek just such outlets. Their cash flow problem is one of surplus.

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✓ Other invys. are taxed, and also require ~~the~~ store houses which are taxed, too. Trees are out doors.

✓ Saw log-bound thinking insists on long rotms, news to ^{obsolete} ~~obsolete~~ doctrines & dogmas, ignores new patterns of demand. Pulping & chipping. Cite Raup, propensity to ignore whty. let means become the end.

✓ Trees once cut pay tax, in bldgs. (if saw logs)

✓ Provides steady rev. to local govt.

✓ In early yrs, tax base is extremely low, so early burden is extremely low. This refutes ~~from~~ claim that bldgs. are treated better - they pay at front end.

Is deductible, so net burden very low. (So are they all)

✓ Owner rather than govt. has full equity in trees, unlike deferred taxes. Pay as you go. So at harvest time, & ~~for~~ comm. thinning time, no distortion of incentives, (toward high-grading, at least). No locked-in effect, as w. inc. tax.

✓ Fairchild Rpt. has been shot down

✓ Intensive mgn. treated better than extensive, bcs. of shorter cycles there. Ext. mgn. is hi on public costs, shd. be discouraged.

Con:

- ✓ Scorches earth, knocks out forestry. Payments^{cd.} cumulate w. int. to whole value of stumpage, if timber were assd. ad val.
- ✓ Cash-flow squeeze, drives less wealthy out of forestry.
- ✓ Forest premature cut. Fails to recognize deferred-cost nature of tree-farming.
~~Assmt. inaccurate~~

Penalizes good forestry $\equiv$ CMAI.

- ✓ Non-uniform bcs. local
- ✓ Assmt. inaccurate; cruising costly.
- Wholesale discount for slow cutters, knocked out in some jurisdictions.

- ✓ Unrelated to services rec'd - trees don't go to school
- ✓ Pay-as-you-go is no guarantee you won't pay more later.
- ✓ Penalizes full stocking & early stocking

ii. On land, exempting trees

Pro

Some tout as best. Ellis Wms.

✓ No penalty on full stocking & early stocking.

Contrary, exerts leverage to restock quickly after harvest.

restocking. ✓ Puts more pressure on better sites - no pressure on unqual. ones that often shd. remain uncut; & don't repay. Thus acts to curb forestry sprawl, keep ~~cutting~~ road costs down, & hauling costs.

Von Thünen wd. have loved it.

He had forests close to city, bcs. of his haul cost. So wd. Hyde, & Ledyard & Moses, recent writers on location in forestry.

✓ No bias vs. forests in higher t.v. cities near-in. Non-uniformity less of our issue.

✓ Revs. steadier for gov., steady as a rock, are indep. of stocking.

✓ No bias to cut early. In later yrs. are unattractive. Pressure is at the front end, get fast restocking.

✓ No bias vs. K-int. land use. (unless yields low rent)

✓ Is capd. into lower l.v. (as vs. no tax) & ∴ its pressure on owners is offset by lower int. on equity. (Again, except for one-time cap. gain if remove tax.)

Differential capn. helps poorer buyers.

Deductible.



✓ Helps cut out from forest land whose best use is something else, e.g. reentr. Gives advance warning ~~to~~ not to restock hi-alt. land. (✓) Removes pressure on reentr. users ever to cut. Removes bias vs. bldgs, reentr. (If general)

✓ Removes ^{prt.} forest rds. from tax base. Log decks, Logging camps, ~~with~~ portable mills, fences, all that miscellany. hard to assess, now treated non-uniformly

✗ Pay as you go, w back-end bias.

✓ (If general,) removes tax from bldgs. huge demand saw logs.

Con

✓ Front-end loaded

15-25%?

✓ Higher rate needed, to get same rev. $\wedge$ TYPIS figures rate.
Assmt. becomes more critical.

✓ If not general, wd. $\nrightarrow$ draw incl. land into
forestry. $\ddagger$ (This cd. be offset by raising the rate.) Wd.
require classification.

✓ Subjects forest land to valuations based on recur.
& currency demand. (Ramp wd. consider this a plus, bcs. nature of
mkt. has changed.) (This has been precluded in Cal, w. Z-burg Act.
Assmt. based on capd. forest inc. only. (Instld. obsolescence.) $\ddagger$
Also in parts of B.C., Tree Farm Tenures.

This variation poses huge exit problem, recapture.
Solve by reclassifying on initiative of the mkt., not the
owner -- the mkt. speaking thru asser.)

$\ddagger$ Cd. be a big net decline in forest tax load.

b. Yield Tax

Pro

- ✓ Defers tax. Min. cashflow problems
- ✓ By deferring tax, reduces PV, reduces ^{real} _{forced} tax load
- ✓ Firms share price risk, up & down.
- ✓ Back-end loaded

• prop. tax Deductible (altho less advantageous than w.

- ✓ A one-time tax on old-growth wd. have no disinc. effects.
- ✓ Hi-grading effect is small

✓ Hi equiv. rate ... 38% During Transition, rate cd. be lower due to double tax.

Con. ✓ Instability for local govt. Solve by shifting to state.
(Cash flow & risk problems are not solved, but sloughed onto others.) (Reduces owners incentive to stagger or otherwise solve cash flow problem)

✓ Fisc. builds up big equity, distorts incentives badly, later yrs. High-grading results. ~~the~~ (hust. costs deducted, but not TSI etc.) Bias vs. short cycles (whole rotms & later invts.) (over)

✓ Capl. ^{in forest} ~~now~~ can earn lower return than in alt. uses. A neutral (newly) tax here, and non-neutral on other K, means invest to lower margin here.

Knocks out mgt. land, & all mgt. invts. (esply if short-term.)

✓ If capd. into lower l.v., leaves little or no ec. pressure to restock. (Unlike site tax, which replaces one pressure by another)

~~Forest later by hand~~

"Invisible hi-grading" bcs. TSI not deductible.

T4 pin p6

3 faults: (proven mathly.)

- discourage restocking (reduce & defer C)
- lengthen m. Wipe out crickets for stallions
- biased vs. ~~poor~~ sites intensive margin.

Locked-in effect. Argument pro cap. gains tax. Has been
to reduce locked-in effect

Equivalent rate ~~very~~ hi: 38% for 1% ($m=50$)

Bias vs. stocking is stronger than for
prop. tax (TYPIS)

Proportion bias is not ~~modified~~ ^{tempered} by capn. into
lower l.v., as prop. tax is; but fortified.

Lengthening cycles also reduces other taxes,
levied on payoffs at end points.

And of course reduces job coeffs. of K & land in
forestry.

Militates vs. modern trend to shorter cycles.
Protects abundance. Under 30 yrs, effect becomes
fierce.

Hi-grading in harvest, bes. costs deducted ~~in~~ at
scale, not based on indiv. cost of harvest. Bad chances will be
left behind: gullied land, steep slopes.

Gives defend to those who don't need it, as much as
those who do (Fairchild, re staggered forest)

Deductibility less valuable, bes. synched.

Inc Tax

More like yield tax in effects than prop. tax, so
pros & cons similar. v But, differ.
No need to repeat

Pro

Deduct TSI &c. costs, removes worst bite of
bias vs. short inv. cycles, "invisible hi-grading".

Deduct actual invst. costs, avoid hi-grading.

Uniform over whole country

Uniform among diff. indies, min. alloc. bias.

More risk-sharing, b/c costs shared, too.

Con

- 1 Rate very hi, leads to strenuous avoidance - contortions.
~~Deducting Co. of negligible value, long cycles~~
- 2 Padding expenses. gold-plating capl.
- 5a Expens. carryover vs. ordy. vs. deferred c.f.
 on inc., highly preferential. Costs recognized before inc. which they create, inherently pref.
3. Individualized nature of inc. tax means capricious
 diff. treatment of every case.
4. Nat. uniformity fails to reflect local diff.
 in public costs. Local use of inc. tax unlikely (altho
 not precluded approach possible.)
- 5.b. Vent. int. firms shift profits to timber -- if not
 by evading, then by avoiding. Misallocates res; makes
 bus. more K-int.
- c. Vent. intn. firm treated better

If we accept notion of pref. treat. for timber,
~~Could be fairly good tax~~
 wd. be more const. to go for expens' cost of ^{int.} ~~in~~ ^{input}. & TSI.

Pol. judgment. has been made of c.g. easier to get.

Now, c.g. being eroded, expens' & ITC growg. may be time to review pol. judgment.