

File with B.C. Forest Policy

MG: Invitations to conferences, etc.
AND NOTES for SPEECHES

WEMME Ore. '74

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Wenatchee, Apr. 30

Being neither a Canadian nor a forester, I am peculiarly ill-qualified. Name from
Mans approach. Think goodness, people always wonder how do I look to others?
A new look at B.C. Forest Policy.

Report on a Conf. held Apr. 4-6.

Prof. Emeritus. Ecst. is a man you meet, you're going broke - & he helps you.

Ecst. - man who can't balance his own checkbook, so he works for govt.

"Grit" - ecsts. are full of it.

Dismal science. Senior, distressed at death of 1 m. Irish, but was not

nearly enough. Criticized relief efforts - too much, too soon. Science of

ecsts. are set on the other side - ~~they~~ ^{ecologists etc.} are Malthusians & ecsts.
are not. Yet still hung w. epithet. No probly has another

cause. Just as whelbannon taught Irishmen to walk on hind legs,
so ~~ecsts.~~ ~~ecsts.~~ it falls on ecsts to teach human race you have to
pay for what you get, you can't deliver more than there is,
and, worst of all, your pet ideas about how to
run the world, or your corner of it, are probably filled with
waste, lost oppy, & subcultural ~~myopia~~. Dismal!
self-aggrandizement.

Ecsts, as you know ~~have long~~ regarded forestry doctrines as
a fascinating example of living archeology
~~at~~ ~~subculture~~ ~~extraordinarily~~ persistent relic of the Druid
religion, cleverly disguised as a branch of 19th cent.
German socialism & sneaked thru Ellis Island as baggage of
the Progressive Movement. (If you sense breath of slander, probly bec. it's
intended.) But they are unique only in

detail. Every subculture aggrandizes itself. Develops a
vocabulary in which its works are sacred, & others profane. One prof. is
except - 1 refn. of course, to my own. ~~The only exception to that is my own - c'est moi!~~

We are constantly engaged in telling subcultures they are
overselling themselves. Dismal! Thus, "forest economist"
is a contradiction in terms, as is "agric. ecst", "urban
ecst" etc. - I've got the scars to prove it,
like "regional universalist" -

Anyway, I needn't tell you what happens when
casts. & foresters get together — you could write the
script. & in this corner of witches & warlocks I won't play Rosemary's Baby
(today, you might rather try to exercise me.)

Our conf., Apr. 4-6, also had U.S. & Canadians;
priv. & public. So instead of one confrontation we had
many possibilities. — each person had 3 parts, 20 persons,
& each also had P.A.C. combos. ("Your Inner Child of Past", 4 people in
every "unique Red", Now, Pac, 6 -- more interesting. ^{Play Bob & Ted & Alice} ~~with~~ w. own wife

We learned a lot. I'll compare U.S. & B.C.

A. Similarities

1. ~~Mixed~~ Size. B.C. is huge, & much stinkier
2. Byzantine bureaucracy & non-rationalized layers of system that
grow in all directions, so you can't easily find out what goes on. (So anyone can dispute
anything, & does.)
3. ~~Stock~~ ^{use of M.C.I.} cutting on public land
Called biological nota, but obscures fact it is Marxian.
Uncontrolled inventory — large reservoir of stagnant capl.
Crawson & Hyde est. excess inventory in NF at \$126.
Used 5% i, about half of mkt, so underest. the surplus.
4. Hanzlik on old growth. Even flow, regardless of cost.
for Community Stability. (but his labor turnover, makes you wonder) ~~(From one misplaced morality to another)~~
5. Close-utlization, or compulsory low-grading. (B.C.
has relaxed Hanzlik, but only by low-grading, & going to 3d band wood.) ~~(From one misplaced morality to another)~~
6. Jeopardy of destroying free log mkt, by vert. inter ^{alcohol}
only w. much less cause, best log-booming area in world
Sharp decline of open mkt, rise of vert. inter, last 25 yrs.
I'm called radical & socialist bcs. believe in free mkt,

small business, wide distribution of power, & middle class morality.
World turned upside down.

7. No effective limit on size & duration of individ. sales.
Vague admin. guidelines, much admin. latitude.

8. ^{Moralizing} ~~Security~~ tendency ^{in contempt of commercial spirit.} Bruids get their kicks out of
solding the commercial man possessed by demon of greed,
offending the wood gods.

9. Pvt. lands in B.C. come from v.r. grant.
(Only some v.r.!)

10. Same tendency to play w. shiny new toys in pref. to
questioning fundamental premises, RAMS. The child coming out.
^{fine principles.}

11. Large enough to have intst. power. More conscious
of monopsony for labor - in B.C. - than us. But is a real factor slowing Δ. Denied by vigorous
protest, hence probably true.

John Walker says W-r. has intst. power, so B.C. probly
does.

12. Vocal & burgeoning pressures for environment, ecology, ~~etc~~ along w.
old hunting & fishing interests. Emotional preaching, clothed in
presumptuous pseudo-science — i.e., just like the interests it is
fighting. No resolution in sight unless they submit to
ultimate court -- I refer of course to science of econ.

13. Local comm. stability is code for security of supply, & it takes
priority over full empl. policy in more general sense, from going to
replacement demand by

- a) Recycling faster in woods
- b) Releasing capt. from forests to replace faster
- c) " land " " to labor-using uses.

"Stability at a low level" is common theme.

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B. Differences

1. Smaller prop. ownership.

2. Lesser prop. control of prop. land. Battered it away in return for more ~~prop~~ Crown land. TFLs, like Simpson wop. 54k at Shelton, Wn.

3. More ad growth. ^{Intensive ag. on better sites; requires longer roads, thus, forces premature invasion of north.}

4. Forced decentralization, probably carried to higher degree.

(a) 80 working circles. (b) Premature use of subec. decadent stands, confused as mature.

5. B.C. makes money

always has, & now making more. Not all frittered away. Considering how little effort we give to max's bottom line, says a lot about U.S.

6. Socialist govt.

No shock, Crown lands have made B.C. always socialist.

New govt. reviewing policy

a. Distrib. Setting more money. Higher stumpage.

b. Effic. Profits competed, imputed, or piddled.

This is 2d stage of ~~eco~~ reform -- I hope to see.

But I haven't a clue. Some see me as dark power behind

Min. ~~that in the dark, all right~~ They're right about the dark part - that's where I am. But no power.

7. Virtual prohibition on log^{& chip} exports. [Constn. of U.S. disallows this. B.C. lacks power, but uses control of Crown lands as lever]

Older tenures are free of this -- a good deal for them, of course, just as when U.S. N.F. did same

The diff. -- B.C. policy is of long standing.

8. Tenure system more complex in B.C. Crown lands, partly managed, publically kibitzed.

9. Enormous power vested in Min.

- royalties & stumpage

- direct flow of chips. Could control price, but so far leaves it low.

- allocate timber, make or break mills & cos. & towns. People ask,

how can you give anyone so much power, & "almost as powerful as Exxon"

10. Appraisal system used, rather than bidding.

[Strange formula, profit allowed is % of [op. cost + stumpage]

J. Juhász & W. Mead says appraisals are much too low. Others disputed.

11. Most log xactions are barter, keep them in the club. Hard for a mill to survive on open market. Whole system set up to freeze out interlopers, whose efforts are described as "spite" bidding, "grubbing", & "cut-throat" - gives idea of climate of opinion.

12. Property tax not levied on priv. lands in TFLs.

Was nominal, anyway - yet regarded as serious burden, which gives idea of how overcapd. some are.

Other resources held w/o priv. cost. Carrying costs all borne by public. And pretty well tied to estab. firms.

Thus they get 100% supply security at low, low cost. Truly got P.W.-house study to show them overtaxed. (No one else believes it, but they keep waving it around as tho we shd. believe P.W.)

✓ But misses the subsidy - enormous value of reserves, 100% security, at no cost (except that of having to cater to whims of Druids - animists who believe God lives in a tree) - "fritter away" the rest.

The "security" consists in freedom from competi-

Current reforms are not touching this. Rather, focusing on raising stumpage. Are ~~lowering~~ eliminating prop. tax. (Task Force Recomm.)

13. Ashcan socialism. "No one wants it, we'll buy it."

14. No way to judge effc. of B.C. indy. — w. compn. But ipso facto, presumption vs. it.

15. Grazing interest less powerful & traditional, hence trod upon, at margins. So is urban & rec. use — B.C. F.S. may be a drag on settlements of B.C. Established

16. Indy. likes policy as is, fears rocking the boat. In bed w. govt. as cozy as a U.S. defense contractor.

It's like a U.S. cattlemans under Taylor Grazing Act. (or a B.C. cattlemans) Preferred access to Crown lands, to a degree only dreamed of here. Based on "To Him that hath..."

17. Where there is bidding, losers forfeit 5% of bid.

18. Tendency to even flow each yr, not responding to s.r. changes in price. Lose opps. to spec. on the stump.

19. ~~Monopolizing power~~ B.C. ~~and~~ forests run by Province, not Nat. govt. Small popn., fear of pop. growth. Coupled w. monopoly, fear of spoiling labor mkt. Powerful combo, favoring slow cutting — more attuned to partial, vs. general national interest.

So probly will continue to ~~go~~ reduce invy. slower than U.S.

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Topics, Wumme, 8:30 A Tues. Apr. 30

Outsider's views of traditional forest ~~input~~ criteria

- Mai is ~~not~~ biological, but $i=0$
- RAM can serve primarily as a way of burying or obscuring premises.
- Rent can be collected w/o destroying it -- problem of Pearce & Lewis.
- Vert. intra.
 - Kills mkt
 - Not needed for secure supply. Doesn't A sec, but redistrib. it for a few
 - Imposed by tenure system
- Old Keynesian ideas must go, O-int. Cap. must yield a return. Forest as make-work project for unemployed \$, idea gotta go.
- ACE is a fraud. Same idea as normalization, makes input & output simul.
- ~~Get my file of responses to my questionnaire.~~
- ~~Mead Conf. Lower ~~of~~ left hand. "Armin Giffney, ... etc."~~
- Community stability & S.F. are sacred cows, bought at a very high price, of undemonstrated value.
- NRP govt. so far has shown more interest in collecting more money from Comm lands than in increasing

efficiency

— But B.C. crown lands yield much to govt., unlike U.S. NF.

— If old growth volume $>$ mature volume from 2d growth, then by cutting say 1% of acres each yr. you are cutting more than the annual Δ from 2d growth. — [unless 2d growth is planted down, thinned, etc., as it shd. be, & MB claims it will.] Ainscough describes this as good compromise, but I think not. Indeed, if you define AAC as the sustained yield, and assume a 2d growth field less than old growth, you cut less than 1% each year — and I infer some have done that! It's so elastic, can be used to rationalize various rates, chosen for other reasons.

— in conc. of control over reserves, at low cost.

— One man's super certainty is another man's ~~loss~~ deprivation. It's just like water supply — 100% firm for sr. approp., and others absorb all the shocks. Advocates focus on the beneficiaries, ignore the losses, and so rationalize the policy.

— U.S.^{7.5.} has many of same practices as B.C.: compulsory low-grading; sharp decline of open-wet. log volume 1947-60; "cooperative s.g.u." (like FFL, priv. & public) (but there is only one in U.S., Simpson Co. at Shelton & McCleary, Wa.) (by 1944 act.); aim of comm. stability; no limit on size or duration of individ. sales; admin. guidelines are vague; Rothing resid. valuation; Hauslik? One big diff. — B.C. makes money.

— downstream linkages overstated & misused.

a. There is no fixed ratio of logs cut to empl. in mills, etc.
Can we move labor/log, when ~~they~~ logs are clear.

b. The ec. needs balance wheels or reservoirs. Thus if empl. is surplus, down comes i, up go housing & p.w. [— incidentally, note compensatory effect on volume of logging, as demand rises but so does h.o. power.]

If empl. is short, as now, need to liquidate faster — but aac even flow stands in the way. Just as it did in the 130s.

c. Rather than even flow, better to have easier movement of labor & empl. in & out.

d. Greater price flex. wd. lead to more even flow in free mkt.

e. Calling ec. "basically resource oriented," empl. "derives from" forests.

— B.C. is raising royalties from O.T.T.s.

— conflict of royalty incentives, and close utilization.
Should sell for lump sum instead, or bonus bid.

— Vert. intr. is means of export control, otherwise ultra vires. This encourages minimal processing to avoid limitations on export, aids the few who can take advantage of this

- B.C. claims to have no effect on price, but probly does
Weyerhaeuser, according to John Walker, figures it has some mkt. power,
& this contrasts sharply w. attitude of B.C.

- VLM not represent or competitive
Only 15% or so goes thru it.

- Monopsony in chips

- Profit allowed is 7% of [op. costs plus stumpage].

Not related to capt.

- Appraisals are gaily much too low - W. Mead.

- Log barker keeps logs in the club, kills open mkt.

- TFLs escape prop. tax

- Is B.C. indy effie? No way to judge, bcs sheltered
from compn. But presumption is vs. it, for that very
reason.

- Clawson. / U.S. excise inv. ~~not~~ due to ff. m.a.i. is
\$126

- Early timber are exempt both from royalty and
export prohibition.

- Under appraised system, profit rate can be low, bcs it is
guaranteed.



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March 8, 1974

Dr. M. Mason Gaffney, Director
B.C. Institute for Economic Policy Analysis
University of Victoria
Victoria, British Columbia V8W 2Y2

Dear Dr. Gaffney:

I am very pleased to learn from Dave Klemperer that you will be able to speak at this years Western Forest Economists Conference. As in previous years, this conference will be held at Bowman's Mount Hood Golf and Country Club, Wemme, Oregon. Wemme is less than an hours drive east of Portland on Highway 26.

The actual conference will run from 8:30 am, Tuesday, April 30, to after lunch on Wednesday, May 1. Most attendees will arrive the previous evening, since they come from all the western states and Canada.

To start the conference off at the general session Tuesday morning, I want a speaker, or perhaps a panel of speakers of your professional stature in natural resource economics, but who are not forest economists, to give informed outsider's views of traditional forest management criteria. The work you have been doing in British Columbia, and on forest taxation and financial maturity, make you an excellent choice for this part of the program.

Please let me know how you want to handle your session. You can plan to have up to one and a half hours for your topic by yourself; bring others with you; or participate on a panel. The formal presentation should leave one-half to one-third of the time available for discussion.

Emery Castle from Oregon State University has also agreed to participate in the conference. He could be on a panel with you or speak at a later session. I had also hoped to have Marion Clawson participate, but upon becoming Acting President of Resources for the Future last week, he called me to say his added responsibilities would not make this possible.

The conference is very informal, so you will not need to prepare a formal paper and can just talk from notes. Quite a few of the attendees are not professionally trained economists, and still cling to many economically irrational notions imported from Europe almost a century ago.

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Dr. M. Mason Gaffney
March 8, 1974

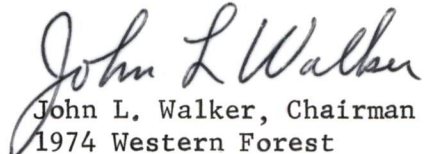
If you wish to discuss your topic with me prior to the conference, let me know and I can either call you or meet you in Victoria or Vancouver. I understand you will be seeing Barney Dowdle soon, and he can also answer any questions you might have.

✓ Dave Klemperer said you will have your wife with you. Mrs. Gaffney is certainly welcome to attend any or all of the sessions, or just enjoy the resort's facilities and mountain scenery.

Please inform me of your travel plans and I will arrange accommodations for you and ground transportation to and from Portland if you need it.

I am looking forward to hearing from you, and meeting you at Wenatchee. For your information I am enclosing a list of last year's participants and last year's program. I will send you this year's program as soon as I can get it prepared.

Sincerely yours,


John L. Walker, Chairman
1974 Western Forest
Economists Conference

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Enclosures