

## A Forester Proposes a Rebuttal

[Joseph L. Richards of Harvard, Mass., wrote a letter to the editor with instructions to print it in its entirety.]

A DEFERRED reading of the June Henry George News brought to my attention the letter of Don L. Thompson.

Mr. Thompson's argument for taxing the forest crop as the yield of a mine or oil well is taxed is plausible, because he cites as reason for a forest yield tax the truths which constitute the reasons why growing or standing timber never should be taxed. He fails to visualize the economic difference between a forest crop and materials produced from mines or oil wells.

Producing forests, like farms, differ from mines and oil wells in several respects. Mines and oil wells become depleted, for ores and oils extracted are not replaceable; while the forests are reproduced continuously and may be improved and in some instances have to be restored by the application of labor. The mineral oils and ores are hidden below ground up to the time of extraction. Trees, on the other hand, are visible for years prior to harvesting. Their volume and quality can be seen up to the time they are felled and the quality and convenience of forest sites can be observed and their values appraised. The value or rent of surface rights at a mine are based to a large extent upon proximity to the mine. They expire frequently with its exhaustion, as demonstrated by the ghost towns at many former mines. The value of rights to forest land depends upon the productivity of the site and its accessibility to the market for its products. The influx of population to the non-forest lands in its vicinity increases forest site-value in the same manner that farm and city land values increase with population.

These differences add up to the fact that material from oil wells and mines yield their rent just once and for all time, while forests produce rent continually like other crops.

### **Forest Lands for Public Revenue**

It appears that Mr. Thompson has missed the purport of the statements of Professor Filibert Roth relative to the application of the collection of the economic rent of forest lands for purposes of public revenue, which already have appeared by quotation in the News. As others may have done likewise, it seems reasonable to suggest that they be given another chance to read these statements in the light shed by Robert Tideman in his discussion of "The Muni Fare Affair," which also appeared in the June issue.

Professor Roth states in his textbook *Forest Valuation*, page 119: "Of late the application of the single tax has strongly been advocated for forests as well as other real property. The single tax is well suited to forestry; it would stimulate

the accumulation of a good growing stock and the making of improvements, roads, proper division, etc., and so put a premium on good forestry. The action of the single tax in forestry is exactly the same as in farming, where it stimulates building and keeping plenty of livestock, while the present form, the property tax, in a way penalizes the good farmer with fine buildings and plenty of stock and machinery. But in no case should the crop, or timber and land, be taxed together, as has at times been advocated by single taxers. For the existing forest where the owner merely holds a stored mass of merchantable timber and is in no way practicing forestry and where the public is determined to make the owner divide the goods, practically

given away by the people, there is nothing for it but to devise some compromise. Here the simple property tax as now applied, or a combination as is represented in the Connecticut law is probably as good as any other.

"A yield tax is inconvenient. The owner of a small forest cutting a few poles or a few cords of wood finds it bothersome to record and report. This leads to exemption for domestic use, as is done in the Connecticut law. But it is hard to set limits to these exemptions; they lead to bad practice. With large owners it becomes necessary to take the word of the owner, it pries into his affairs and has all the objections commonly claimed for income taxes. The local official has added a great deal to his labor and where the matter is left optional it involves inspection of state foresters who lack help, money and experience.

"For a regulated forest property there is no occasion to use a yield tax; it can be assessed as easily as a farm and taxed in exactly the same way.

"For isolated tracts, not really managed as forest, it may bridge over, but is not satisfactory enough to recommend for permanent practice. To receive a yield tax once in eighty years introduces too many chances for cheating the buyer of such property and the community.

"For a beginning the yield tax is to be recommended to get away from the present methods, but tax collecting practice in rural properties will work for a return to the property tax, properly regulated by computations based on actual income."

The procedure for the calculation of the estimated full economic rent of forest land is as follows: To the estimated net yield from stumpage at the end of the rotation add the estimated intermediate yields from thinnings compounded

at the going rate of interest to the end of the rotation; from the total subtract estimated expenses for the protection of the forest from fire, insects, and fungi, also compounded to the end of the rotation; from this net deduct allowances for cost of purchasing or establishing the forest (exclusive of the price paid for land), for risk, and for wages of management, each accrued to the end of the rotation. The equal annual payments determined from this assumption constitute the full estimated ground rent produced annually by the forest.

#### ***How It Can Be Done***

The simplest way to avoid having to make such complicated calculations is to encourage forest owners to regulate their forests so as to produce sustained annual yields and compare the taxpayers' regulated forests with those of regulated public forests whose net annual yields are known. The collection of the full economic rent and no more is the best means of supplying that encouragement.

The net annual yields of regulated public forests after all expenses, wages and reasonable interest on the cost of establishment have been deducted constitutes the full economic rent of public forest land.

In the counties of the United States which include national forest lands, one-fourth of the gross income of those lands, including grazing fees, camping fees, camp site, home site, and business site rentals, and stumpage receipts, is

turned over to the counties through their treasurers to use in maintaining roads and schools.

The other three-fourths of national forest gross receipts are taken into the federal treasury at Washington as part of the general public revenue of the federal government. The funds for maintaining the national forests are appropriated by Congress out of the general revenue. Politicians and lobbyists at this stage get a good opportunity to sabotage good national forest management. They have on occasion gone so far as to fail to provide for adequate personnel for conducting timber sales that could have yielded larger revenues with benefit to the rate of growth of the forests. County assessors should keep their eyes open for these effects of politics, if they want to help their counties and their taxpayers. They might do well to study forest yields in their own bailiwicks to determine whether it might not be a good idea to have governments get the full economic rent of forests to be divided among them, instead of the counties getting lumped handouts composed in part of rent, interest and wages, the latter two being needed to carry on the operations which increase the first mentioned, free from political sabotage.

Professor Roth's correct characterization of yield taxes may be sufficient unto the evils thereof. However, the yield tax has been introduced into New Hampshire recently by conservationists whose good intentions were to encourage landowners to practice forestry. The roving sawmill operators are prepaying these taxes for the owners and taking them out of stumpage prices when they make offers to buy timber. Lower stumpage prices are not an increased incentive to practice forest management. Surely, it would be more conducive to good forest management to allow stumpage prices and ground rents to reach their true economic levels and collect the latter into the public treasury.