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**Interviewee: Robert Wolf**  
**Interviewer: David Jackson**  
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*Summary: Wolf discusses below cost timber sales and Forest Service management goals, including justifications for deficit sales beginning with Gifford Pinchot and continuing into the 1980s. Other issues mentioned include Grimaud v. U.S. and grazing fees, conservation versus profit, definitions of profit, multiple use, and congressional activity.*

David Jackson: Okay, Bob. The other night or the other morning, you were telling me all about Gifford Pinchot's role in the below-cost sales controversy and of course Gifford Pinchot was the first chief of the Forest Service. Can you tell me again what you were saying about that?

Robert Wolf: If you look at *Breaking New Ground*, which is his biography, Pinchot says that in 1889 when he was a student in France, Professor Boppe, at the French school he was studying at in [Nancy?] told him that when he got back to America, the first thing he had to do was to manage a forest and make it pay. And Pinchot says that was his lodestar. If you recall the early conservation debates, the theme of those who wanted to have forest conservation was that there was no need to rip off the land and destroy the forest to run a mill – “cut out and get out.” You could earn good profits and have conservation. They weren't in opposition to each other. And so that was the early view of the Bureau of Forestry, which was operated by Fernow, and later by Pinchot in the Department of Agriculture, before he got the national forest and designed management plans. This is well recorded in the annual reports as well as in Pinchot's book, "Designing Management Plans for Private Holdings." And when you look at the statements made in the annual reports, they describe designing plans, which show that you could cut low quality timber and make a profit; you could thin stands and make a profit. You could do all sorts of things that made a profit. So part of the early doctrine was to establish this point.

Then when Pinchot got the national forests, he was going to use them to demonstrate to the unwashed and the unbelieving that you could make a profit at forestry; so it was a fundamental part of the goal. You remember, Pinchot was a more pragmatic person than Muir. Muir wanted to preserve things for their beauty. Pinchot's view was that you could preserve them, you could manage them, you could use them, and you could make money, and you could have the best of both worlds.

DJ: Well, how did he make out when he was chief of the Forest Service?

RW: It's interesting, because we pay very little attention to this early era as to what happened. The first bill to create the national forests by moving them from Interior to Agriculture occurred after Pinchot had been elevated to head the Bureau of Forestry when McKinley died

and Teddy Roosevelt became president, and it provided for the national forest to become, in effect, partly game preserves. That bill was defeated in the House – a combined major force in opposition was appropriations committee chair Cannon, who later was the autocratic speaker ruler of the House, and Congressman Mondell from Wyoming. Cannon actually went into the well himself and spoke against the bill and defeated it. So the first effort to move the national forests from Interior to Agriculture was beaten on that background. Then it suddenly appears again in 1904 and there's no recorded hearing, because there were lots of things that didn't have hearings in those days, and you see a new bill, (very short, I think an eight-sentence, bill) that simply moves the preserves, as they were called, from Interior to Agriculture. And it isn't until you look at the appropriation hearings the next year (and in those days appropriations were handled by the standing committees, such as Agriculture would handle USDA appropriations) that you see Pinchot saying, "As I promised you, if you let me keep the receipts that I earn, and remove the restrictions of the various states on manufacturing the timber cuts of the forest within the state, within five years I will have a profit sufficient to cover all of the costs of operating preserves, not only the national forest but the other work that they did, what he called "propaganda," which we now would call "information and education." And [also] the overall management of the reserves then, and the national forest system, and the whole Forest Service. So he was going to cover all of his costs out of his income from the forest.

We also overlooked this: in the early years the first decision made by Pinchot was to charge for grazing and that led to a suit that was settled in 1912. It's called Grimaud versus the United States, in which the ranchers (there were a whole series of suits lodged, and that's the lead case) ... the ranchers said that Agriculture had no authority to charge a grazing fee. The Supreme Court upheld the fee. For the first 10 years of the national forest, grazing receipts were greater than timber receipts. Remember that the national forests were really conceived to be "reserves." They were not conceived as being the key part of the timber supply of the United States. You look at the acreage buildup, you know 2 million acres in 1891, 18 million acres in 1897, they got up to 170 million by 1907, but they were to be reserves, and half of the land had no trees.

Pinchot during his tenure had a lot of below-cost sales. Well, it's interesting. One of the first things he told Congress in 1906 was he knew every cost that he had. He had a perfect system for keeping track of costs. Instantly he devised this. He also boasted he was a member of what was called the Keep Commission, which was the Hoover Commission of that era, created by Teddy Roosevelt to improve the efficiency of government. Also, in that era, oddly enough, from 1901 until 1908 the federal government ran a deficit until 1910 in the Roosevelt-Taft years. There was great concern in Congress about unbalanced budgets and Pinchot was busy trying to establish that he was making money, in his first testimony in 1906, in addition to saying he knew all his costs, he contended that he was making money, that he had reversed the trend in Interior, that Interior had lost money managing the reserves from 1898 to 1905. Pinchot then cooked the books, contended that he was making money. He was challenged in fact by a member of the committee and he retracted somewhat. Pinchot was awfully fast on his feet, but he was counting money twice. (chuckle) Anyway, he never made any money. You look at

the fiscal record overall, the costs of operating the reserves through 1917 (well past his time) was one of costs in excess of receipts.

DJ: Well, suppose that the country had decided to let him keep his receipts, and that was the way business was today. What shape of forest management would we be looking at? I mean, how much of the nation's timber could be sold if they had to fund the programs under "current receipts"?

RW: Well, I would say that it would have changed the approach considerably because it would have meant a practice of forestry more like private forestry in the sense that if you went and looked at a national forest or a tract of land and decided that you could not make money on it and meet your conservation goals simultaneously, you would simply let it stand. You wouldn't go in there and cut. And so you would have selected different parts of the national forest system than we have selected for intensive forest management. I think you could have intensive forest management and make money at the same time.

DJ: Well, if the national forests are logging all the way to 10 billion feet a year right now (1989), how much of that could be logged so that there was a profit, or even so that there was a break-even?

RW: I would suspect that you could have a solid conservation-oriented cutting program now – we cut 12 billion [feet] last year – cutting maybe 8 [billion feet]. And that would be about where you'd come out, I think.

DJ: So that you're suggesting, then, that perhaps 1/3 of it would have to be pulled back to...

RW: More than 1/3 of the land. One of our problems is that we've got so much low-productivity land in the allowable cut base that we need to cut a lot of land with a small amount of timber in order to get the revenue, which is why you lose so much money. If you had a profit-oriented approach to it with a solid conservation base to it, there'd be a different way of going at it, and the land base that you'd operate on would be quite a bit smaller.

DJ: Well, if you gave this public agency a profit motive, what would happen to the concerned water quality?

RW: Well, that's why I've used this conservation-based requirement in any of the answers I've given. I don't think, from a public standpoint, in terms of public interest standpoint, that you would find that there would be support for operating the national forests solely to make money. There's a lot of this concern about the way private forests are operated except we don't do a tremendous amount of regulating. That's another subject – the whole battle over whether to regulate private forests. But no, I think the Forest Service would have to have a conservation-oriented program to take care of protecting watersheds and soil and water quality.

On the other hand, a lot of the multiple use doctrine is based on some pretty fuzzy things. This is my view – I'm not sure it's shared by everyone – that we don't know what we do from cutting, whether we're improving or destroying wildlife habitat. We claim we're improving it. But we have not done a good job of documenting that. Water quality is a little easier to measure: you put an erppolleti blade across the stream and a little dam and measure the flow of water and you can measure the turbidity. You can do some of the checking on water, but when it comes to wildlife numbers, there are a lot of other factors that influence it, and when it comes to esthetic values, those are highly subjective.

DJ: Well, here we talk about Pinchot kind of promising to make a profit if they transfer the forest lands from Interior to Agriculture in 1905 which made profitable forestry an instrumental part of the origins of the national forest, and then the kind of a notion of profitability kind of disappeared for awhile.

RW: Not really. Not quickly. Graves, who had been an early associate of Pinchot's, went to Yale and taught at the school Pinchot endowed, and we're almost talking about a family operation in terms of forest schools. Graves became the chief. Taft appointed him to succeed Pinchot when he fired Pinchot over an argument that's not germane to this. Graves, in 1913, (and I'm sorry I didn't bring it with me; I've got a beautiful map that appeared in the Congressional hearings) laid out all the national forests. The little black forests were ones already making a profit using local operating costs as a measure, not overhead. And then he had numbers on each of the other forests, which told the years until those forests would be making money. There were then 156 what we called "proclaimed" national forests, you know, that were set up by the proclamation system that was used. Eighteen of them he said would never make a profit because of their condition – they are the ones down around Los Angeles, which are really watershed units. But he said the rest of the system would have a profit by the mid-1920s, including covering all the costs of the foresters – the very same argument that Pinchot had made in 1906.

Graves, and his successor, Greeley, both said that you could not put a dollar value on the non-market benefits of "sound" (what they call "practical") forestry. These were in addition to the dollars that would be made. And so these views were held by the early foresters. Graves and Greeley made one shift. You remember the economic condition of that era, at least from studying them. We had a depression in 1912, another one of those severe drops in the market, even though we'd had record level lumber production. Prices were tumbling; the market was glutted. The Forest Service was not pushing timber, it was only cutting less than 1 percent of the wood used in the country.

But then in 1914 Graves and Greeley announced a development plan of large long-term sales, and they were going to go into the hinterlands and have large long-term contracts based on building logging railroads and developing the country. So they entered into a concept of development at the same time, all of which was really counter to what you would think

prudent economic judgment would be given the national wood supply condition. We certainly weren't in a situation where we needed to develop *more* timber resources for the market. But that was the push they gave. But even that did not convert the operation to one of profitability.

Now, by the 1920s, the agricultural depression hit before the major depression. The downturn in agriculture began in the early twenties. By 1927 the Forest Service announced it was not selling any new sales and it was giving liberal extensions on existing contracts. Bear in mind again, we're only talking about a total national forest cut of a billion board feet. But the Forest Service then was not talking much about profitability, though, as you look at the early annual reports, they keep talking about "receipts" improving. But they kept equating gross receipts with profits, and this became an early part of the Forest Service picture of things. By 1930 we were in the depths of the Depression. The chief's report, in fact, I think in 1929, says there's no future for private forestry. It can't succeed. There was a big drive that really had started to acquire cutover lands. That led to the expansion of the national forest system. As private companies cut out on stumps for stumpage exchanges and Weeks Law purchases, the Forest Service would acquire the lands. There was a great deal of pessimism that private forestry could succeed. The Forest Service wasn't playing up the issue of profitability in forestry, and as you recall though, the Clark-McNary Act shifted the emphasis over to helping the small private owner and fire prevention. If we could have good fire prevention and low taxes, maybe private forestry could succeed. At least that was the theory. I'm not saying that I espouse that view, I'm just saying that was the one that was held. By the thirties the Forest Service was again talking about cost accounting. In the annual report for '32 the Chief says that he's devised a cost accounting system that's the envy of anything in private industry when, in fact, all the private parties are coming to look at their system which is so wonderful.

After WWII, we get a new approach, and that is not a new one exactly, but they're talking about increasing receipts. They took in the first billion dollars as though that is real money. The chief's report talks about when you build roads you increase the value of the timber. The thinnings yield more money than they cost. There are absolute specific statements about things that imply and, in fact, state profitability without any solid proof, but you never see an annual report of the Forest Service that shows, resource by resource, or overall, that receipts are greater than costs. And then as you enter the seventies you get a lot of anecdotal statements about the high bid prices for stumpage. It's all high bid prices or profits.

DJ: But the low-cost sales controversy in the early '80s and the notion of whether or not the Forest Service could ever clear a profit is not something that the Forest Service by this time put any leadership on it. They seem to be reacting to public outcry.

RW: Yes.

DJ: So that the controversy in that respect appears to be different. What are the roots now of the below-cost sales controversy of the eighties that make it different than Pinchot in 1905 and

the like?

RW: There are a lot of things in this world that are accidental. Nobody plots and plans them. Let me just back up a little bit. I think it's germane to keep some sequence to this. We'll go back to 1960, the Multiple Use Act. The Forest Service, sensing the conflicting demands upon the national forest – because after WWII timber cutting did rise on the national forest. It went from less than a billion feet to 6 billion and moved up in the sixties to 10 or 11 billion. There was an increasing demand. The Forest Service decided – first McArdle was opposed to it, and originally the administration was opposed to a multiple use bill in the mid-fifties. When they did finally send one up, what was then the National Lumber Manufacturers Association (now NFPA), National Forest Products Association, submitted a substitute bill to the House, which would have required the Forest Service to operate the national forest at a profit. That was opposed by the Forest Service, and also one of the key guys in helping kill that in the House was Lee Metcalf. But industry wanted the national forests to be directed to say that all uses were equal except timber was more equal than others, and that the national forests were to be operated at a profit. And Ralph Hodges, testifying, said that timber receipts were 95 percent of the Forest Service income. And so from that you could deduce that if you were going to operate the forests at a profit, timber was going to be the moving thing. By then grazing had receded to a minor part of the Forest Service receipts and mining produced practically nothing.

That was beaten back by language in the Multiple Use Act, which the Forest Service now warps to imply that it was a license to operate at a loss. The language in the definition that simply says that it is not necessary for the forests to provide the greatest dollar return or greatest unit output, and when you're told you don't have to get the greatest dollar return, that doesn't mean that you don't have to get a profit. This is the Multiple Use Act of 1960. And the word "return" in my book has a specific economic meaning. It's profit. That's not gross receipts, it's profit. It's return on investment. I think the term was used in its classic economic sense. Now the Forest Service likes to argue this sanctions below-cost timber sales. I don't believe it does.

At any rate, when we got to the mid-sixties and the Monongahela debate, and the Bitterroot, and all the others involving clear-cutting. Tom Barlow, who, as I understand it, had some background and training in banking, did some analyses which showed that the national forests were operating at a loss, and he published the first modern document that made that argument. I'll have to confess when I first saw it, I dismissed it. I can't explain why, I just don't know why. It just proves you can be wrong and wrong again. But anyway, he reopened the debate, the National Resources Defense Council reopened the debate, and the thing sort of rocked along. But then a series of events occurred in the early eighties that I think reopened the issue in a broad way. One was the recession. When the '82 recession hit, the lumber industry was hit extremely hard. The lumber part of the forest products industry was hit, and plywood was hit far harder than the paper side. Most of the national forest timber was used to make lumber and plywood.

The timber industry had been bidding, for reasons that I can't explain, extremely high on

timber bought particularly in Northern California and the Pacific Northwest, where some of the really most valuable public timber exists. Both Forest Service and BLM timber was being bid to rates which, any way you add it up, didn't look like you could make any money if you cut it with those rates. The bidding was spirited and intense and they were yelling for more timber to be sold.

The situation changed almost overnight. But also lurking underneath this was another event that people hadn't noticed, and that was that the cut on the national forest was going down and the price being paid for timber actually cut in the Pacific Northwest was slipping. And the receipts that had been forecast by the Forest Service were slipping. The Appropriation Committee was concerned that receipts were not holding up to the estimates because we were also dealing with growing budget deficits. And so you had those two things.

Then the industry wanted extensions, and you recall there was a series, they were going to get extensions and pay interest on them, and then they demanded no cost – no interest extensions. At the same time the then assistant secretary for national forests, John Crowell, was also pushing for more timber sales – the idea being that [when] you put more timber on the market, you would force the bid prices down and make it profitable to cut the current contracts while the other ones were held under these extensions. Some of those extensions, if you recall the mechanics of them, ran until the early 1990s, 1992 or 3. We had all this timber piled up now, under contract, that you didn't have to cut. These things were interacting and Congressman Yates, the chairman of the Appropriations subcommittee, casually asked the chief of the Forest Service, "What does it cost to sell timber?" The Chief said he didn't know. And then he further implied that it didn't matter.

In all the things in this world, there's a sort of body chemistry that exists, and this apparently did not sit well with Mr. Yates, and so he started probing about what are the costs of growing timber. This led him to demand that the Forest Service supply to the committee an analysis, forest by forest, of the cost of running the timber program. Now there was in the Forest Service budget presentations a column, a little table called "Timber Funding," but it didn't show all the costs. It did show some of the costs that were alleged to be related to the timber program, but they didn't show receipts. That was the kind of thing that got it rolling. Then the contract relief legislation further exacerbated the situation because Mr. Yates voted against the timber contract relief because here we were bailing out the timber industry, and that's the only term you can use for it because they got out of \$3 billion worth of timber contracts for \$200 million, and that drove him to keep pushing on this question of what does it cost to run this timber program?

DJ: Certainly, in this part of the world there came kind of a public clamor, and it seems to me the Congress tends to respond to those kinds of things too. You failed to indicate any kind of environmental groups who were interested in below-cost sales.

RW: Let me say this. After the Barlow Study, the Wilderness Society made a study in 1982.

Alaric Sample, the Yale graduate, Montana and Yale, did that study. That was one of the other things I should have mentioned. When the Wilderness Society study was published, the Forest Service attacked it as being badly based, badly conceived and badly done, and wrong besides.

[End of Tape 1, Side A]

[Tape 1, Side B]

DJ: You're at the bailout.

RW: Well, you know, we'd had the financial effects of that bailout on receipts. All these things sort of added together, and the Forest Service reluctance to be up front in the view of Mr. Yates and Congressman McDade, the ranking Republican on the committee in the House, led to this question – what is it costing? Part of this was the fallout from years of preaching that receipts are really profits, and the realization that receipts have fallen way off and that they weren't really profits. Finally the House Committee instructed the Forest Service to develop an accounting system, and the Forest Service then went about developing an accounting system, except they put it, as you know, in a three-part system. One is the so-called financial part which, if done properly, would be a traditional cash flow and return on investment, but it isn't; the other is what they call their economic analysis, which is a net present value approach, which they have tried to stress as being the real test that they were supposed to follow; and the third is what they call "income and program level," and that's just a hodgepodge in my view [because] it argues that if you cut so much timber you produce a certain number of jobs and people get a certain amount of income. But if you're doing it on a subsidized basis (as Alice Riulin, former director of the Congressional Budget Office told me) in one place, compared to an unsubsidized basis in another place, the federal government is better advised to do it where they don't have to pay out a subsidy.

On the other side of the coin, the program level stuff is just a recitation of a few unrelated figures on acres regenerated and miles of road built, which is meaningless. [There is] nothing on unit costs/to-do tasks, for instance. So the below-cost controversy I don't think is behind us at all because of the mounting national debt, and I'm not saying that every federal subsidy for everything that's done is going to be terminated. What I'm saying is that it's finally dawned on people that the national forests do not necessarily make money. Now the Forest Service is trying to justify it on a mix of social benefits, which they put dollar values on in hopes of convincing people.

Though, on the other hand, if you look at the two TSPIRS reports that have come out, you've got the Forest Service contending that they're making several hundred million dollars a year in revenue by manipulating the figures.

DJ: Well, how do you define a below-cost sale, now, to come to more of the small part of the...

RW: We really need to go back, I think, then, to some of these terms of art that we foresters use. You remember that in the early sixties the phrase "deficit sale" crept into our lexicon of terms. A deficit sale meant that when you appraised the value of that – I've got to back up a little further. I've got to go all the way back to 1898, but we'll get back to the present quickly. Right from the outset, the Interior department, and later the Forest Service, priced timber when they went to sell it on its value to the converter – the mill that was going to make it into

a product – and the residual that was left was the value of the stumpage. It's called "residual value pricing." That is quite a bit different than a pricing system of which you decide to make, let's say a wagon, and you put together what it costs you to make the wagon, and then you mark up that price and see if your wagon competes with other little red wagons that are on the market, and if it does, then you become Studebaker, and if it doesn't, you fail quickly.

And so we had this residual pricing system we began with, probably logical because you're dealing with a surplus commodity. The Forest Service never estimated what the return to the landowner should be for growing and holding timber, even though that was the doctrine upon which forestry rested. I don't think this has sunk in with a lot of us foresters. It took me a long time to suddenly see that, my God, we've paid no attention! We go around telling people that it's good to practice forestry, but we don't deal with what is it going to cost you to hold and grow and manage a crop of trees. So we had that to start with. There's a long history of selling timber without any rationale as to what it costs the government or a private owner to be in the timber growing business, to be a tree farmer.

The next thing was the deficit sale situation. This represented a dramatic shift, really, in internal Forest Service policy because inherent in the original pricing scheme was that the price of the timber under the residual pricing system would meet these minimum prices that the Forest Service thought it ought to get, which were arbitrarily set. There would be something there for the treasury even though they didn't estimate whether it covered costs. But in 1912 (and the legislative history isn't clear as to where it originated, but I suspect it came out of Graves, the chief of the Forest Service then), the At Cost Sale Act was passed. That stayed on the books until 1962 and, if you recall, the Forest Service authority to sell timber was divided into "free use" or sales which had to be advertised for 30 days and sold at not less than the appraised value.

And Graves came forward with this idea of a third type of sale in which the price would be the cost of making the sale. These sales would be made to small landowners for their personal use, not for resale or remanufacture. If you look at the annual reports of the Forest Service, what you see is at-cost sales typically bringing a price about 40 percent of the price of the other sales. Again, this builds up this notion that the commercial sale of timber is profitable.

The Forest Service rules on this in their handbook, for instance, the 1915 Use Book said that they would use the average cost of selling timber in that region for the prior year to set the price. Well, they never really did that. But the point is that all the time the at-cost sale thing was on the books, at-cost sales ran about half the cost, brought about half the price of other sales. When it was repealed in 1962 at the request of the Forest Service, it was because keeping track of who was eligible for the sales was too complicated and we didn't really need the authority. That was their argument.

But then the deficit sale thing, to get back to that ... you remember the cross-subsidization argument that's made where the price of one species is dropped so that the price of another

species can be raised to meet the artificial minimums that have long been used by the Forest Service, which are subjectively set – below which they will not sell timber. Currently those prices are, say, \$10 or \$12 a thousand board feet, or \$2 or \$3 dollars a thousand, depending on the region, or the cost of reforesting the land. They juggle those around.

But deficit sales entered into the picture. That theory was that on those sales, firms would lose money if they bought them, and they wouldn't be sold unless their potential buyer asked to have a deficit sale put up, and then traditionally those things would be bid at two times their appraised price because the appraisals were so haywire. So the first thing that we had was deficit sales representing that type of situation. The below-cost sale probably was coined by NRDC, and it meant a sale of something that did not return the seller's cost. If you listen to used-car dealers and others you sometimes think that they're having below-cost sales on things. But if you listen to car ads, you know, they've slashed prices to \$50 over dealer costs.

DJ: Well, one of the arguments that has gone on historically is how an agency such as the Forest Service should look at the cost of managing an existing timber inventory, and of course they cut maybe one or two board feet out of every board foot that stands on the ground. How would you allocate the cost of the remaining inventory to a particular timber sale? Or don't you think that the cost is germane?

RW: Well, we have not done a comprehensive job of reevaluating the inventory that exists. So I have trouble struggling with how to answer that question. I think that if we were to value the standing inventory, if we were to apply holding costs concepts to the inventory and measure the investment, and think in terms of return on investment, we could very probably reach a conclusion as to what we ought to be doing. We could also reach a conclusion as to the value of these non-market aspects. To me, one of the things that's most troubling about this whole area is that we use the words "multiple use" as a counter to what we consider to be that bad old "single use." But we're unable to tell the inquiring public what it costs us to use a chain saw to provide you with deer habitat. We can't even tell you if we really have provided it. We're asking you to accept this as an article of faith. I think among foresters one of the problems that we confront is that we've done a lot of these things as matters of religious faith rather than of careful analysis.

DJ: Well, is there any below-cost sale that's justifiable?

RW: Oh, yeah. Anybody that runs a business has a certain number of things they're going to want to get rid of – where they see a benefit to getting rid of it – even though they're losing some money because overall they're making money. Now in the question of the below-cost issue, the way the Forest Service would frame it, is that if overall nationally the national forest was making money, then they could justify below-cost sales on any national forest.

DJ: I hear you.

RW: I'm not sure that that's the way we ought to be approaching it though. Because we're dealing with 18 percent – if we assume that the figures are right – 18 percent of the commercial forest land held by the national forest system, and overall roughly 30 percent publicly held, which means 70 percent privately held. If you look at the macro picture, the decisions being made by the federal government on the levels at which it is going to push timber on the market, on a subsidized basis, have got to have an effect on private timber.

DJ: For the record, what roughly is the Forest Service total budget in total receipts?

RW: Again, I hesitate because there are a lot of receipts that aren't measured. There's a lot of timber that's consumed, for instance, that is not measured. It is invisible. It's buried in the appraisal forms. But overall receipts have been, oh, in the neighborhood of a little over a billion dollars, including grazing. But then oil and gas receipts, you see, they're reported to Interior. So you have real difficulties nailing this down because Interior has costs because it jointly administers some programs. But I would suspect that the mineral program, because of its extractive nature, probably more than pays its cost. But that doesn't mean it's a wise policy. But I would say that the Forest Service budget overall's in the neighborhood of \$2.2 billion, and their receipts are in the neighborhood of \$1 to \$1.25 billion.

DJ: So you kind of suggest that there are some below cost sales that are sensible, and there should be, I guess, to make things balance, some sales that are profitable that aren't sensible. Could you describe those?

RW: Well, we're still in the throes of a major debate over the amount of what I would call "fully mature stands" that ought to be retained for ecological reasons, and some of these would have very high liquidation values, just in terms of plain money. They're not in wilderness areas. We haven't reached a conclusion as to what we ought to do about that. See, one of our dilemmas, I think at least, is that the economic aspects of some of these things, and the ecological social aspects have not really been well-defined and understood. You know, you can make a hell of a strong economic argument for cutting some timber, but if you're looking at the long-term survival of plants and animals, including people, you may want to pursue a somewhat different course. We haven't done very well in addressing this. The current debate in the Pacific Northwest over the Spotted Owl shouldn't be over the Spotted Owl at all.

DJ: That's exactly what I'd kind of hoped to try to ask you about. It seems to me that the solutions of below-cost sales are very difficult because, in many respects, they don't include the kind of things that you look at while you can increase your revenues and reduce your costs. That, I don't think, is where certainly some of the interests we're looking at be low-cost sales as an issue is not to get the Forest Service to be profitable, but rather to get the Forest Service to stop cutting timber. They don't really care...

RW: I think, for instance, I understand that maybe, take some 70, or maybe 60 national forests, that the Forest Service has – out of the 70 odd national forests – that the Forest Service has

said are below cost. And if TSPIRS says it's below cost, it sure as hell is!

DJ: Tell us what TSPIRS stands for.

RW: TSPIRS is a mouthful. Timber Sale Program Information Reporting System.

DJ: That's the cost accounting system, is that right?

RW: That's the tripartite system that I mentioned. But the Forest Service, in their management plans, plans to increase timber sales on a lot of the forests where there's a long, well-established history of financial losses. It raises a substantial and serious question as to whether it makes good sense to increase timber sales where you're losing money in the United States of America, which has at least 400 million acres of land that could probably be effectively managed profitably for timber production on an environmentally sound basis, and where we could probably get our total wood supply off of 200 million acres in an environmentally sound basis.

DJ: Now, do you keep rushing out and pushing more sales in some of the national forests in Montana? If I've got a mill here, I'm going to look at it differently. But if you look at the macro picture of where do you get your wood from, and why you do it, and how do you manage the land, I think there's a serious question as to whether we should be pushing timber sales as a vehicle where it's a perpetual loss situation. Well, a lot of us in the West realize that the Massachusetts miracle had two names: Tip O'Neill. Let me give you a couple figures and see how you respond to this, because this is going to open up a whole bunch of other questions. In the state of Montana the Forest Service spends perhaps \$150 million a year. The University of Montana's budget is about \$36 million a year. The budget of higher education in Montana, all the state systems, probably about the size of the Forest Service, plus or minus. So from the standpoint of expenditures in the state, and then particularly the Western end of the state, they're pretty significant. A lot of people in Montana wonder what kind of commitment, if the Federal government has all the land, what kind of commitment they're going to have to the state as a financial entity. I mean, I'm sure you've heard that. Where's the commitment, and how about a little trickledown for the West, and so on?

RW: Well, now there's some that would argue that. I think you have to recognize it. I spent a good part of my working career shipping money west, so I don't approach it as someone who doesn't believe that you could have and should have a good base of development in the area. But specifically I was looking at a recent study that was done by the state of Montana, I think it was called the Montana Southwest Mills Study, and if you read that very carefully, what you see (and I'm not sure whether it was Stultz or Brand S - I think it was Stultz) had doubled the capacity of their mill, and because they had doubled the capacity of their mill, they were arguing they should get twice as much timber as they had previously gotten.

Now if we were subsidizing Stultz to begin with (and I use the term in its classic, rather than its

pejorative, sense) at 12 million feet, and they've doubled their capacity to 24 million, is there any rational reason why, because they did double the size of their mill, that I should double my losses by selling them timber? I think that you really have to look at the diversity of our economic system, which doesn't have an orderly government-devised system of production and control and all that, you know; you've got people that come along and build something because they see an opportunity, and then they're free where you've got federal timber to demand that the federal timber be put on the market. If they were in Calvert County, Maryland, where I live, and they built a mill and doubled its size, they couldn't go around to the landowners and demand that they increase their sales of timber if they didn't feel they wanted to increase their sales of timber or if it meant that they were going to lose money.

DJ: Well, suppose that I went to Argentina as a wealthy American and I took over all the productive wheat land as a vacation retreat. Wouldn't that have some impact on the economy of the region?

RW: Yeah, it certainly would. It's unrealistic that you're going to, not that you're going to but that anybody's going to, even Donald Trump. I think that what you're getting at is do I think that Montana should be just a summer vacation paradise for people who are going to come here from the rest of the country? I think one of our real serious dilemmas of this, not only issues like Montana timber supply, but what's happening to our whole basic raw material industry infrastructure? We had two kinds of raw materials; we've got the replaceables, the renewables – the kinds of things we can draw out of the land and replace. Timber and agriculture are two prime examples, and we've got the ones that are not replaceable – the metals and the fuel minerals, which are really significant underpinnings to the long-term success of any society occupying any piece of real estate on the earth.

And if you're lacking in certain of these ingredients, it influences the way in which that society functions in the world. It causes some societies to try and enlarge their domain to get the resources they don't have. That's a euphemism for war. It has all kinds of impacts on what people do and how they do them. And what we have at this stage in the development of this planet is a tremendous, prodigious consumption of renewable and nonrenewable resources. Who would have thought, 15 years ago, that American agriculture, which was a prime exporter, a huge bringer-in of balance of payments, would be in the kind of trouble it's in now and yet, when you look at the European countries, they have subsidized agriculture too, and they've gone into producing agricultural crops? Our markets abroad have shrunk. And that's why we have some of the severe problems we have in the agricultural front. Montana is a principal wheat producer and you know that if you've looked at the agricultural economy of Montana.

DJ: But the Forest Service argues that economics is important in terms, not only of costs and benefits of timber sale, but rather in terms of the commitment of the agency to the communities in which wood is converted into products, and that their programs can be an important part of maintaining those kinds of local economies. And certainly if they're by

themselves spending \$150 million in the state of Montana and the value-added manufacturing is probably close to several hundred million, perhaps a billion, I guess, and why wouldn't somebody want to decimate a whole industry. I mean this is the argument: how do you respond to that kind of thing with a larger low-cost sale?

RW: I don't think that when this debate got underway that even those who believed there were below-cost sales understood the dimensions of them. I think, therefore, a large part of the problem that we confronted because over the years the Forest Service has failed itself to recognize that it was subsidizing something. It now is faced with that realization, and is busy scrambling to pretend it isn't so. What we're seeing are human kinds of reactions to being confronted with something that we didn't believe was true and we don't want to believe is true. And one of the big problems is, first, how do you face up to the fact that this condition exists? Once you recognize that it exists (I'm not saying that it's easy to do), you then have to sit down and say, well, if I am going to subsidize it, what sort of limits am I going to put on that subsidy? Because you don't have a bottomless well of money to draw on for all these things. I was listening to Jack Kemp this morning on public housing. We've got a lot of homeless people. How much should we provide in terms of people that don't have housing? In the pure sense we ought to provide a home for everybody. But in the real world, we're not going to do it. And so whatever system of subsidization that we have (and subsidies are something that have existed since governments were devised and taxing systems were invented), we transfer wealth around. There always are going to be limits on it. The problem we confront is really deciding in that situation what are the limits?

DJ: Now you kind of suggest, in talking about the Forest Service, that because they haven't paid attention to the problem, kind of acted like it wasn't there, that they're, by themselves, a part of the problem. In other words, if they had paid attention to the problem, if they'd behaved as if they wanted to make some money from timber and made that a real part of their annual operating philosophy, we probably wouldn't have that problem. In other words, how much is it just a result of them as an agency?

RW: It's hard, and it'd be highly subjective for me to try to assign blame.

[End of Tape 1, Side B]

[Tape 2, Side A]

RW: It's sort of like – I don't know whether this is a good analogy – you go out with a girl some night and one thing leads to another. And you tell the girl, "Yeah, I got a venereal disease." You sort of get the worst of both worlds in that situation. I know there are some people who argue that there's some sort of sinister motivation that people have. The Forest Service strongly believed in resource development. The old-style conservation (when I was starting out), all the conservationists – the Spencer Smiths, the Pink Gutermuths, the Ira Gabrielsons – these were all development-oriented conservationists. These guys preceded the growth of the wilderness idea, and most of us believed that man had the capability of reshaping the earth. We could make it square. We could make fish climb ladders. There wasn't anything that engineering and science couldn't solve. Therefore, we were going to be able to meet all these problems. If there was some damned insect that got in our way, we could spray the son-of-a-bitch and that would take care of him with no thought as to what the consequences were. We didn't really look at it. If any one person had an impact on society, it was Rachel Carson. She started a whole new train of realization of things that were kind of known but we'd forgotten about. Darwin laid it out too. We began to realize that there were these other relationships that were beyond the ability of man to really manage as efficiently as he thought he could.

So the Forest Service also thought that development was always good. You went into an area, you built roads or logging railroads. You laid out a rational system of cutting timber with low stumps and lopped tops and all that stuff. Automatically there's going to be good because you are getting the timber, and therefore, [to] those of us who were production-oriented it was often the people who were bringing this environmental message who we thought were really off base. And besides which, a lot of them had long hair and beards and things like that, and they didn't have their feet on the ground. That was pretty obvious to us because our hair was short and we didn't have long beards. It's like the old argument that's often used against teachers, that those that do, do; and those that can't, teach, which is not true but has often been said by solid people who say, "I'm a foundation of the upbuilding of our community." As though education has no role.

So I wouldn't assign blame; I would say the Forest Service was driven by a set of circumstances that it couldn't control, really. And now what they have to do is to figure out how do they take a couple of steps in a different direction and reshape things? I'm more of a believer in evolution than I am in revolution. People and situations tend to shift. But that doesn't mean you don't have cataclysmic eruptions in a society that can't be foreseen that have major impacts on that society. But those occur, I think very often, because that society – the leaders at that time – didn't respond to the emerging conditions.

David DJ: Well, I take it that you then reject the idea of turning the national forests over to private ownership as a solution to a federal agency that can't make money in managing half the nation's timber.

RW: Well, I haven't concluded that the Forest Service couldn't do the job. I would consider privatization in a "cataclysmic change" area. I just believe that it would run into so much real grass-roots-down-to-earth rejection, it just never would happen. I don't see it happening in the United States.

DJ: Well, is there a legislative solution to below-cost sale?

RW: To me the solution really is for the Forest Service and an administration to reach some conclusion as to what they want to subsidize. I think the first thing is to clean up this accounting system so that it's more accurate, and they also need to look at the costs and receipts of other programs. I don't think timber should be singled out for the sole beneficiary of this wonderful treatment.

Then the second thing, I think you need to debate the logic of subsidies on the order that are being proposed by those who seek them. You're never going to be happy, totally happy, with the solution. But you're going to have a manageable level of subsidies, and the local people are not always going to get as much as they think they should, and they're probably always going to get more than they should – [if you are] looking at it from the standpoint of the national budget. But if you get involved in the legislative process of looking at how budget decisions are made, they're not all neat, clean and nice, you know. This is a huge complex government doing all sorts of things, each of which has its set of proponents and each of which has its set of opponents.

DJ: In other words, Congress has been funding the sales program and they have a right to know what they're going to have, and that's been going on for quite awhile.

RW: As representatives of the taxpayers, it's fine for me to say, "Let it go full tilt with below-cost sales here in Montana." Now, I want Chesapeake Bay cleaned up. Instead of costing \$100 million, which is what below-cost sales might cost, let's say in Montana, this is going to cost \$4 billion and you people in Montana are going to have to pay part of that. Now, are you willing to take \$100 million in subsidies from the people of Montana and give \$4 billion in subsidies to the people of Maryland? That's really what it comes down to. You look at a government running deficits on an honest-to-God basis of close to \$200 billion a year. With a mounting national debt, at some point we have to develop a better system of national responsibility. And to me the below-cost issue is part of that kind of framework of thinking.

I do not accept the idea of debating below-cost sales as below-cost sales. I view it as looking at it in terms of addressing national issues, and I'm getting old enough that I don't give a damn because I'm not going to live that long, but my kids are. So the question is, if I say, "Let's go and spend money on everything under the sun," what sort of a burden am I loading on you and you and your kids and Don and his kids? I don't think I have the right to load you up. I've always believed in a pay-as-you-go government. The deficits since 1980 I just think are obscene. They were bad enough when it was a few billion dollars, but anybody who has traced out the growth

in deficits – we've had a doubling of the national debt in the last eight years – over a doubling of it. It just simply isn't rational to expect, in my view that the United States is going to survive spending money like it's water. That may be different than the point of view others have, but you're asking me my point of view.

DJ: Sure. Well, let me come back though. Now you've certainly had a different access to the policy process than many of us out here have, and you kind of talk about the Forest Service as being overly responsible for the long-term evolution of a program that loses money. You fail to recognize that every administration has a new secretary of agriculture and an assistant secretary who overviews the national forest, [and] that the national forests are one of the largest agencies to overview, actually in the country, in terms of people. Certainly that's a place that any new government, if you will, can change its policy. Are you suggesting that the assistant secretary becomes [unintelligible] or what's going on down there? Isn't there anybody who wants to solve the debt problem from the president down?

RW: I must say that forest issues have not consumed a large amount of the attentions of secretaries of agriculture; agricultural issues have. In the '60s and '50s the issue was what's parity for ag products; what price supports should we have; and we have had a long history of subsidizing agriculture. And I think that if I were to characterize the events of the last decade, it would be this sudden eruption and explosion of the national debt.

I don't think that it dawned on the people who were doing it at the time that this was what was happening. I don't think, for instance, that John Crowell realized when he took office what things were going to be like when he went out. You must remember when he took office as assistant secretary of agriculture the forest products situation looked pretty good. I think he honestly believed he could double the allowable cut and it would be financially profitable. Only [he had] to come in and preside over a tremendous wood products recession and a lot of problems he never anticipated.

What I'm saying is that this current crop of people in charge of the government is faced with the results of things that happened under their predecessors. They're going to have to figure out some way to cope with it. And if they don't figure out a way to cope with it, we're going to have additional problems. Even if they figure out ways to cope with it, external events may create problems that they didn't foresee. None of us have very good foresight; most of us have better hindsight. All I'm saying is that if a guy is going to spend his career on resource management, I think that, from the standpoint of the federal government, managing the national forest, we should be more fiscally prudent than we have been. We've got enough evidence to show that we ought to change our course. My view is that there ought to be a *gradual* shifting of course, not a dramatic one.

I wouldn't come out and announce that I'm not going to sell any more timber on the Bitterroot. But I certainly think that there ought to be a policy which says we're not going to increase the sales on the Bitterroot or some of these other forests that are losing money. If you're looking

at the long term, we're probably going to sell a little less. That type of policy, I think, would make sense particularly if you underpinned it with a sound rationale, and not just announced as an edict to say that you're against below-cost timber sales. It is part of a budget allocation process and a budgetary control process that I think needs to be weighed.

At the same time, just because you've got some resources that'll bring in revenue, that doesn't mean that I would also recommend that we go out and extract that resource at the rate that maximizes our revenue.

DJ: Well, I think – never mind what I think. The Forest Service has always worried about national-level decision-making and local-level decision making from Pinchot on. To some extent, it seems to me that below-cost sales suffer from that same kind of dilemma; what makes sense for some local community doesn't make sense perhaps from the standpoint of the subsidization you suggest. How has the legislation that you've been involved in impacted those kinds of changing roles of local versus national decision making in the relationship to below-cost sales?

RW: Well, as I viewed it, as we worked on the Resource Planning Act and National Forest Management Act, we were trying to balance building from the ground up with top-down direction. My view was that the guys on the ground were the only ones who could describe the productive capabilities of the soil and land – provide the inventory. They could provide the pure biologic picture of what you could do and, based on their local experience, they could tell you the costs if they had the costs. They could tell you what it costs to do certain things. The problem that we confronted was that the Forest Service was far less capable of providing these answers that they were credited with being able to.

But once you put those things together, as the stuff floats up toward the regional office and the national office, they have to do some weighing back and forth. Dick McArdle, who's a former chief of the Forest Service, once said to me about the court decisions, "The court can't tell a tree to grow in an opening and it can't tell it to grow in the shade." And basically what he was saying is, you can't, on top-down direction (and this is true of the chief of the Forest Service), tell a tree on the Bitterroot how it ought to grow and demand that it grow 300 cubic feet of wood per acre per year or anything that it isn't going to be able to do. But the chief needs to know what those capabilities are.

And then he has to balance the biological with the financial side of it to try to decide how much wood do you want to get out of this place. I don't think that the Forest Service has done as good a job of that fine-tuned balancing that needs to be done to integrate, and it is a difficult task to integrate national goal-setting (and I don't use the word planning) with local capabilities. We do not have a system of national planning. We have no system of determining what the private sector is going to do. And, therefore, what we consider to be planning on the national forest is done in a partial vacuum. If it can be done at all, it can only be done in relation to what the Forest Service is doing that it can control. Well, we had these great surveys

of wood nationally and all these other things that are done in the timber surveys and so forth. They're just nice to know. But they don't have any policy direction because they don't determine what is going to happen in this large unregulated private sector. In 1986, when the Congress, in its wisdom, in the Ways and Means Committee, repealed the capital gains tax on timber, it certainly wasn't much persuaded by what foresters said because it repealed capital gains taxes across the board, timber notwithstanding. I'm not arguing for or against capital gains taxes on timber. But as you know, there's a diversity of opinion on whether that tax is a sound approach, beneficial or not, to timber harvesting and timber management. So I would say the Forest Service at times inflates its position in the decision making process because we don't have a national capability to deal with even forecasting demand – let alone determining production. In 1964 would you have believed that over 2/3 of the plywood in the United States was going to be made in the South? You'd have laughed if I'd told you that. But it is.

DJ: Well, there are two things that I think in the last couple of minutes – maybe you won't agree with me – that I think we should try and go at. One is (maybe you don't want to go to either of these) the whole idea that timber production for government is pretty unusual because the federal government for the most part doesn't have a revenue function like a business does. Yet the national forests and other public lands are kind of the exception. One of the few places we can ask, "How does democracy work when it comes to socialism in its own way? The second thing is that it seems to me, maybe you want to talk about this too, is how the below-cost sales concept splits the whole question of the lands that are suitable for timber production and comes under section 6-K on economic suitability tests. Which do you want to do?

RW: Let's talk about 6-K. Marion Clawson testified before the Senate Committee and suggested that there should be some consideration given to the financial aspects of forest management and it was a matter of relatively low-order thinking on the part of the federal government. You have to remember he served on PAPTE, the President's Advisory Panel on Timber and the Environment in 1970, and if you look carefully at that report you'll find in it, in addition to the theory that there should be more timber cut, you'll also find the argument that it should be done in a financially sound way. One may have turned out to cancel the other if you looked at both sides of it.

6-K, I think, has been misused as well as misinterpreted. All 6-K said was that you take a look at some lands, and if you saw that you had problems that you couldn't solve right now, that you couldn't address to your satisfaction either in terms of physical or environmental aspects and economic aspects, you just put 'em sort of on hold for 10 years. That didn't mean that you were changing their status permanently, but if you had a soil stabilization problem, the question of the financial value of timber harvesting on these lands, an environmental question you couldn't solve, you'd move them over into this category. But then you'd also spend some time in that 10 years looking at the situation to see, "Can we find a solution to this problem?"

I think it's been misinterpreted as a sort of an absolute; [that] once you'd applied Section 6-K

status to the lands you've made a permanent decision. That wasn't in the thinking at all. Clearly, in the minds of some of the members, as I read it, the financial aspect of it was a factor. I can best describe it by recalling what happened in the Senate when we were debating it. Senator Hatfield asked to have me explain the section again. As you know, I was working on the development of the bill. I sat right beside Senator Talmadge, and when he asked me to answer a question or when I anticipated another member wanted me to explain something, I stood up to answer the question and Senator Talmadge put his hand out and hit me, sort of, which was a sign to me that I didn't need to say anything. He wore these half-glasses. Senator Talmadge has a sort of a Walter Matthau look. He looked down the table at Senator Hatfield and with his Georgia accent he said, "Mark, what this section means is only an idiot forester would plant trees where he knows they won't grow right." Now, the language was not grammatically perfect. That's an almost verbatim quote. But what comes through to you is that if it isn't financially profitable, no man in his right mind would do it.

To Talmadge, going back to some of the stuff we discussed earlier, the members of the committee believed, based on the anecdotal positions of the forest service, that public forestry was generally profitable, that below-cost sales were a minor part of things, if they existed. In fact, one thing we haven't discussed is Section 14-H, which is the salvage fund, which I drafted at the direction of Senator Bellman, a Republican of Oklahoma, a member of the Budget Committee and the Appropriation Committee who was also on the Ag Committee and that goes back to the at-cost thing – that certain costs be secured when salvaged timber is sold and it goes into a special fund to run the program. And Senator Bellman's position was, "If you can't get that much for it, let it rot." Those were almost his verbatim words to me when we talked about what costs should be included. It did not include recapturing all the costs, just certain costs – the cost to mark the timber, make the sale, administer the sale and build whatever roads are necessary. And as a further assurance that the fund got that money, the county receipts – the counties – were not to get any of the receipts. I remember telling Senator Bellman, "You know this is back door spending," and he said, "I know it." Because as a staff person I didn't want to be in the position of drafting something for him that turned out to be back door spending and then having him as a Republican senator, member of the Budget Committee, have somebody assault him because it was back-door spending.

So again, you know, 6-K, as far as I'm concerned, intended short-term deferrals, which took the land out of the allowable cut base, provided an incentive to look at why this land was out. And if it was out -- in fact, under the words of the act, if you find the answer in less than 10 years, you can put it back in the base. I just think it's a plain common-sense approach.

DJ: And below cost sales would be a reason to take it out of the base or not?

RW: Yes. You wouldn't have to take the land out because it was below cost. I think the Forest Service could propose degrees of subsidy in situations and try to justify them. But it could also say that the financial situation on this forest is so bad that there's simply no way that you could justify it. Let me just give you an example of one. Let's just take the Custer, which is a Region I

forest. Under TSPIRS, this great system, last year the Forest Service lost \$120.72 a thousand board feet selling timber as compared to \$29.10 on the Clearwater. To me, it would be quite logical for the Forest Service to say, "No way are we going to lose \$120 a thousand selling timber on that forest." And the first thing they do is tell the forest supervisor, "Can't you figure out a way to cut your losses with a different way of selling timber?" But let's assume that you say, "Well, I can only get it down to \$110." The solution then might be to say, "Those losses are too great. We can go with the \$29 losses on the Clearwater, but we're going to have as a general rule that if your losses are greater than \$29.10 or \$41.03, your timber sale program is going to be drastically curtailed." To me, that would be a logical approach. Now, if I had a mill and would get timber from that mill, I would not be happy. But should I be able to require you to pour money out at that rate to keep my mill going? So I think that there are logical ways to go about it, but none of them are painless.

DJ: Well, closely related to this in its own way is under the [regulation applicable to], I believe, pit mining, and you can correct me on that, other federal legislation requires reclamation following something like open pit mining, which is often very expensive and may cost more than the land was worth in terms of its surface value before the mining act operation or will be afterwards. But of course if there's a lot of value under the ground, it's simply a mining cost and can be justified. There's a lot of land in this country where there's valuable standing timber but which, if it were under private—

[End of Tape 2, Side A]

[Tape 2, Side B]

DJ: I've heard the Forest Service argue that really what we should do is charge the reforestation to the harvest because it's a reclamation cost, but if you did that, of course, you realize there would be a lot of land that would look profitable. How do you deal with that question?

RW: Well, you know, what you're really asking is what I would put in the context of what Hubert Humphrey called the "deficit forestry." There's no free lunch. Ultimately, somebody is going to have to pay. So if what you're suggesting is that we should use the scheme that makes it look like there's a profit today, and we're going to load the costs off on future generations, I would say that that's fine, but you've got to realize that you're passing that load onto your kids. You're not doing them any favor. I would argue that intellectual honesty requires that you look realistically at the short and the long-term picture and not play those sorts of games if that's what you're playing.

On the other hand, now, I am not opposed to what some people might call "timber mining." If you've got a stand of timber that has those sorts of attributes of high cost to regenerate and it is really currently financially profitable to cut that timber, and you need it for some reason – you're going to establish a genuine need – go ahead and cut it. But on computing the allowable cut and on computing the harvest cycle, realize that what you're dealing with is that these acres are now, let's say, in a 500-year rotation; they're not in an 80-year rotation. And if you put them in that rotation, that's going to be the automatic control of how many of those acres you're going to cut in any one year. I think that that would be an intellectually honest, financially sensible, way of dealing with it. The idea that we have to take those acres and then go back and spend \$500 an acre to plant trees that you got \$2, \$3 an acre for, again, you can do what I call "funny math." The real world is the one that I think you have to deal with. So I would say, "Put them in a 500-year rotation, if that's what it takes, cut 1/500 of that land every year but don't pretend that you're going to get a huge benefit and a quick growth of timber and all that other stuff." It isn't going to exist.

DJ: Well, I think we should give you a chance to, if you want, think of a couple things that I didn't ask you (I know I kept moving along) that you want to put on here. I hope I haven't pushed you off in a direction you didn't want to go.

RW: No.

Dan Hall: Could you tell me where the term 6-K came from?

RW: The National Forest Management Act, section 6-K of the National Forest Management Act of 1976. Within the fraternity, it's a kind of a well-known phrase, and so when people talk of it, it's like people talking currently about sections of the bankruptcy law.

DH: You talked earlier about extensions being granted on timber sales. Now why were these

extensions granted, and what were the provisions that these extensions made?

RW: The extensions were granted because the timber industry argued that if they had to cut the timber at the price that they had paid, they would go broke. I'm not saying they *would* go broke, but that they argued that. There was some debate, though, that was never litigated. Under the terms of the 1976 National Forest Management Act, my personal view is that the contracts could not and should not have been extended, but that's over the dam. They were extended, and what the secretary of agriculture did was – and the Secretary of Interior – was to provide that contracts that were due to expire, let's say in 1983, were extended for a certain number of years in the future, and they just did that by passing a regulation directing it be done and that was done.

The standard rule, as I understand it, on contracts, is you and I enter into a contract performed by a certain date. You have to perform it. And if you don't perform it, the contract's canceled. You owe me whatever losses I suffered because you failed to perform it. What the government did was to extend those contracts, their time for performance, which meant that the timber stood there, subject to whatever losses that might occur not being borne by the holder of the contract. Any other questions?

DH: I think that about covers it. Are you pretty tired?

RW: No. Well, in terms of the issue of below-cost timber sales, it's an unexpected phenomenon that grew out of a long-term anecdotal approach by the Forest Service to accounting for costs/benefits in terms of dollars. I'm not sure how much the Forest Service knew about its losses, either timber or grazing, any of the things where it doesn't make money. We have not had – despite things like the Hoover Commission and so forth – we have not had a good cost-accounting system within the government that was task-oriented. And programs have a mixture of social purposes. I think that as foresters we've argued that forestry is morally uplifting; it's good for the mind and the body, and it's profitable. And we've believed it. We've also argued that there's another group of people in our society who are what we call the "single users." They want a single use to dominate, and they're the bad guys.

At the same time, as land managers, anybody who's done land management knows that you don't have all uses going on equally and the Multiple-Use Act says that. And even though it says that we keep pretending that some of the land allocations that people would like to see given preferences, if we don't like them, they're "single" use and they're "lockups." So we've had a lot of this argument that sort of has an almost religious flavor to it.

DJ: I think that there's one perspective that I would throw in. What makes this controversy different, in its own way than many of the other earlier controversies [is]. For instance the Bitterroot controversy on clear-cutting. I've heard Forest Service argue that they were able to generate another \$100 million of budget out of that controversy in spite of the fact that part of the criticism was that they weren't making any money. And now the controversy itself, it's not

making any money, it's going to be real difficult for them to generate budget out of that. It's real hard for them to turn around and say, "Well, if you give us some money, we can solve the problem." Because the size of the budget is part of the controversy relative to receipts and that's, I think, what makes the controversy unique and different than many of the other conservation issues we had. And of course this puts the delegations on the horns of a dilemma that's different than other kinds of controversy.

RW: But again, you know, this is really not a Western issue, because a lot of the below-cost forests are in the acquired lands of the northeast: Vermont, New Hampshire, all the Lake States. The only forest in the Lake States/Northeast Region, which is Region 9, which shows up profitable under TSPIRS, is the Allegheny. All the others are so far in the hole, it's just amazing. Now again, this should force us as resource managers to take a hard look at the arguments we made for the acquisition of land and the acquiring of land in the Lake States/Northeast, you know, we were going to make them profitable.

There was an article a few years ago in the "American Forest" on the Chequamegon. It's on the verge of profitability. It's so far from being on the verge, it's [chuckle] more than being on the verge. As you look at TSPIRS, the Chequamegon lost \$25.21 a thousand last year, and it's probably lost more in the real world. So I think we really should be examining out of this 500-million acre land base of weak-term commercial forest, how much of it is really financially desirable to operate. That, I think, is the real underlying issue that below-cost sales raises.

[End of Interview]