Reg Office

FO 3190
Principles of Forest Economics

Grande Prairie Regional College **Winter Semester 1997**

An understanding of economic principles as they relate to resource economics is essential to the resource industry.

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Hunt, fish, and trap:
A picnic everday!
Be a forester!

How times have changed!

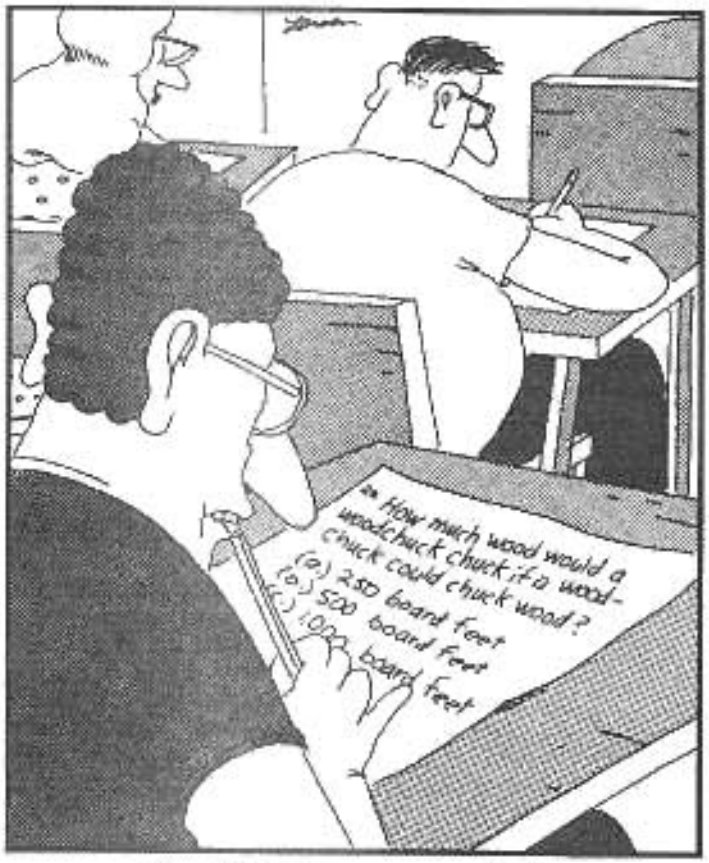
No activity takes place in an economic vacuum. All activities, and those who pursue them, must adhere to basic rules of economics.

As demands for land increase, it is essential to have the ability to understand the framework in which allocations are made among competing uses. In some cases, the question is not whether or not timber should be harvested; rather it is "how should we harvest the timber?"

In this course we seek to give you the tools and skills necessary to answering these questions as well as many other questions related to forest management.

The objectives of this course are to help you to develop an understanding of economics as it relates to forestry management.

This will include an understanding about the rules that are used to allocate land among alternative uses and the



The Wildlife Management finals

best way, from an economics standpoint, to harvest timber.

We begin the course with a look back as some basic economic principles. From there we move on to examine some new concepts in economics such as how to value unpriced assets.

Why Study Forest Economics?

The obvious question at the start of any course is "Why do we have to take this?" The reasons for this course deal with the environment in which you will be working as professional foresters.

In much of Canada the land that is in use for forestry is Crown land. This means that government regulation and regulatory process play a major part in the forestry business.

This applies to those of you who get jobs with forestry firms as well as those of you who get jobs with regulatory agencies. Therefore, an understanding of economics and economic analysis is essential to anyone who wants to do more than simply saw logs.

Minimal Prerequisites here

The prerequisites for this course are minimal: High school math 30 and EC 1010. We will not be making use of calculus in this course. There are numerous places where calculus can be brought into the analysis.

If you are comfortable with calculus and want a more in-depth treatment, see me outside of class and I will be happy to share some of the wonders of calculus with you. Also, linear algebra is extremely useful, but will not be called upon in class...only on exams. (Just kidding!)

Use of Computers

It is impossible to imagine the business world without computers now. Forestry is no different. Many of the real world problems dealt with by professional foresters is done on computers.

There are several dedicated and specialised software packages for the forest industry. However, the computer work done in this course will rely on spreadsheets. These powerful software packages make the math involved in complex analysis relatively simple.

It is assumed that you have a basic working knowledge of one of the following software packages: Lotus 1-2-3, Quattro Pro, or Excel. There are specialised functions that each of these packages contain, I will not expect you to know how to use them at the start of the course, I will show you how to use them as we need them.

Inexpensive Textbook

This course probably has the cheapest textbook of all your forestry courses. It retails for $40.30 in the college bookstore. The primary text is:

Pearse, Peter H. ***Introduction to Forestry Economics.*** **Vancouver: UBC Press 1990.**

In addition to this, there are a number of textbooks and readings on reserve in the library.

Outline and Reading List

Problems of Forestry Economics	Pearse Chapter 1
Microeconomic Principles	Bloomqvist, Wonnacott and Wonnacott 4, 9
Efficiency and Market Failure	Pearse Chapter 2 +Appendix
	B.W.,&W Page 487
The Timber Market	Pearse Chapter 3
Valuing non-market items	Pearse Chapter 4
	Selected Readings
Multiple Use of Forest land	Pearse Chapter 5
	Selected Readings
Time Value of Money	Pearse Chapter 6
	Selected Readings
Optimal Rotation	Pearse Chapter 7
	Neher Chapter 2
	Selected Readings
Regulating the forest	Pearse Chapter 8
Property rights and Land Tenure	Pearse Chapter 9
	Selected Readings
Taxes and Other Distortions	Pearse Chapter 10
	Selected Readings
	Musgrave, Musgrave, & Bird

Grading and Grade Distribution

Grading for this course is based on three assignments, one midterm, and a final exam. The grade weights are as follows:

Component	Grade Weight
Assignments (10% each)	30.00%
Midterm Exam	30.00%
Final Exam	40.00%
Total	100.00%

Grande Prairie Regional College grades on a stanine grading system. However, due to the nature of this course grading is done on a percentage basis and the final percentage grade is then converted to a stanine grade according to the following schedule

9 = 90% - 100%	4 = 50% - 56%
8 = 80% - 89%	3 = 45% - 49%
7 = 72% - 79%	2 = 26% - 44%
6 = 65% - 71%	1 = 0% - 25%
5 = 57% - 64%	

Your Responsibilities

1. You are responsible for all assigned readings prior to coming to class.
2. You are responsible for material covered in class. Consequently, attendance is essential. If you must miss a class, it is your responsibility to get lecture notes from another student.
3. Assignments are due no later than 4:30 PM on the due date. Late assignments will be accepted up to 5 calendar days late, at a penalty of 10% per day.

Instructions for Doing Economics Assignments

1. Assignments must be legible: If I can't read it, I can't mark it as correct. This does not mean that you need to use a word processor. However, if you are comfortable and proficient with computers you may want to use one since it easily allows you to make changes to your assignment. I would not recommend that you try to use a word processor for the numerical portion of your assignments since equation editors are usually time consuming.
2. Spelling, punctuation, and other elements of good writing count. An answer that is correct from an economics standpoint but is poorly stated will not qualify for full marks.
3. Be concise: Verbosity is not an acceptable substitute for a thorough understanding of the material and a clear answer. Often people try to hide the fact that they do not have a good understanding of the material by using the "kitchen sink" approach. Do not use this approach! It tests the marker's patience (mine) and shows that you do not know the material. All questions that have a written component will have a specified length limit, do not exceed this. Anything beyond this length will not be marked.
4. For numerical questions show your work. The method that you use to calculate an answer is as important as the actual answer itself. A correct answer with no method of calculation shown will only receive part marks. Also, I can give you part marks even if you come up with the wrong number in the final answer. Numerical answers MUST also include the appropriate units. An answer stating that demand is X units is not very informative. Is this X units per day, or X units per year, etcetera? The units and their scale are vitally important.
5. Draw graphs large enough that they can be read and understood. For graphs you may want to consider using graph paper. Also, wherever possible use different colours so that the graph is more easily read. Answer each question with a separate graph unless told to do otherwise.
6. Write only on one side of the paper. Answer questions in a single column going down the page: Do not try to fit more than one column on one page. Also, leave room in the margins and between questions for me to write comments. Use standard sized paper. Do not use paper torn out of a spiral bound note book or binder, this stuff can be hard for the marker to work with and it looks messy and unprofessional.
7. Write your name, student number, and course section on the top right-hand corner of the first page. Don't bother with title pages: We will have cut down enough trees by the end of the course as it is.
8. Staple your assignment together, I will make sure I bring a stapler to class on the day that assignments are due in case you do not have one. Do not use vinyl covers, duotang folders, binders, or other forms of report covers for your assignments. Under no circumstances should you try to keep your assignment together by folding or crimping a corner. Doing so is at your own risk. . . I will not be responsible for lost pages.
9. When you get your assignment back, look over the results and my comments. The comments will include both instructions for the next assignment and things that will hopefully clarify something that you have done wrong. If there is something that you still don't understand, then come and see me.
10. Lastly, before you hand in your assignment (hopefully a day or so before) proof-read it! This will allow you to catch any simple mistakes.