

Book review: “Forest Resource Economics and Finance, 2nd Edition”. 2022. By W. David Klemperer, Steven H. Bullard, Stephen C. Grado, Marcus K. Measells, and Thomas J. Straka. Stephen F. Austin State University, Nacogdoches, Texas, USA. 617 p. ISBN hardcover: 978-1-62288-411-7. ISBN paperback: 978-1-62288-315-8.

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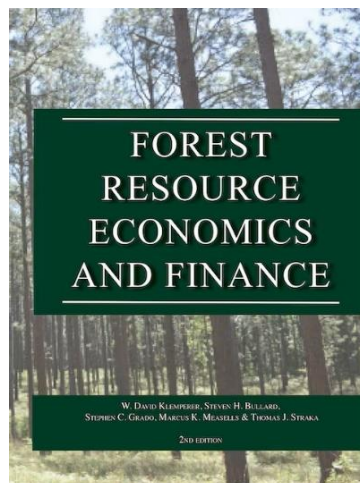
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ABSTRACT

Overall, Klemperer et al. will be a seminal textbook on forest resource economics and finance, with sound theory, comprehensive coverage, good examples, and excellent style and substance. This textbook is clear, logical, and well presented for modern times. At a cost of less than \$100, the book provides an exceptionally sound investment. Professors, students, and professionals can use it as a comprehensive and timeless reference for their classes and careers.



BOOK REVIEW

Forest Resource Economics and Finance is a new second edition of the classic forest economics textbook by W. David Klemperer, with substantial updates in the coverage, principles, literature, applications and cases. The new co-authors of Bullard, Grado, Measells, and Straka share common education and training and experience in the U.S. South, most with PhD degrees at Virginia Tech University, and employment now or previously at Mississippi State University. They all have extensive experience and careers as professors and extension specialists and earlier in the private sector, and are widely recognized and awarded as professors and at times consultants in forest economics and finance.

So, given this illustrious background, one could expect a textbook of forest economics and finance to be thorough, insightful, and seminal. And indeed it is. The textbook is surely the most comprehensive coverage of forest economics and finance that I know of, and discusses every subject with excellent principles, rich details, good prose, and practical examples.

What could possibly go wrong? The only *a priori* known risk is that the authors are five forest economists, as will be the professors who require it as a textbook. Economists are famous for their lack of consensus on most subjects. One common adage is that: "If all the economists were laid end to end, they would never reach a conclusion." As another example, at NC State University, up to five persons have taught forest economics in recent times. While the core principles we teach are the same, we all use somewhat different approaches, different terms, different letters in our formulae, different applications, and different textbooks. So surely this review will bring some different perspectives to the subject, since economists usually differ, and we never agree on everything.

Let us note universal points where I agree with the authors. This is the most thorough and comprehensive coverage of forest economics and finance that exists currently. The text is essentially an encyclopedia of forest economics and finance, and there is little that one cannot find in the textbook, either directly or at least in some form. The typically thorough book index alone is 47 pages long. More notably, the list of chapters in the forest economics and finance textbook is equally comprehensive, and logically ordered.

The book starts with chapters on an overview, microeconomics, and forestry and free markets and market failures. It then proceeds quickly to forests as capital and the foundational compounding and discounting subjects, and the impact of inflation on these calculations. The next three chapters cover the crucial subject of capital budgeting, applications to forest rotations, optimal timber stocking. Then forest taxation, risk, and valuation and appraisal are covered. All of these subjects and order align closely with the approach that many forest economists use. The book then proceeds to cover macro subjects of timber supply and demand, wood products industry, and then valuing nonmarket forest outputs and multiple use forestry. It rounds out the coverage with forestry and regional economic analyses and forests in the world economy.

In addition to a broad and deep coverage, the selection of principles and formulae and cases are appropriate and reasonable. The authors choose among the various formula and terms well, apply them consistently in the book, discuss where differences in expert views might occur, and express their preference and rationales in a nuanced and nondogmatic manner. They also observe the economics decisions are guidelines, but that qualitative criteria and reasoned judgment should be used in applying economic criteria; the metrics are not absolute.

The book is replete with cases and examples. There also are excellent graphs and illustrations of all the relevant concepts—e.g, timelines of forest management and cash flows, and supply and demand graphs and shifts. There is an outstanding summary of the key points for each chapter at its end. In addition, the co-authors provide a diverse mix of questions for students and class uses at the end of each chapter, and thoughtfully provide answers to half the questions, so students can check their work, and professors can use the other half for homework. There is a complete glossary of terms and definitions at the end as well.

So, it seems that I agree with the authors on almost everything, refuting my opening caution to the contrary. Just to be somewhat true to our economists' stereotype, let me note one minor trivial area of difference, and one larger opportunity for even more expanded coverage. In the core subject of capital budgeting, the authors discuss the traditional applications of the Faustmann formula, and traditional terms of soil expectation value (SEV) and the preferable land expectation value (LEV), in my opinion. They do not mention the sometimes used but less precise term of bare land value (BLV), which is just fine. However, they then adopt another new term, the willingness to pay for land (WPL). I understand the logical specificity of the new WPL term, but think that the simple

and widely used LEV is still accurate and preferable to proliferation of new difficult to remember acronyms in forest economics and finance.

Second, for expanded coverage, I think that new section or chapter or recasting some of the material about nonmarket forest outputs in the terms and literature about environmental economics and payments for ecosystem services (PES) would be fitting. This could be applied with more explicit cases in forest carbon, biodiversity, and nature-based solutions (NBS). These subjects have become a huge focus of current proposed national and global solutions to store carbon, mitigate climate change, and adapt to change that occurs. The principles the book presents on nonmarket valuation and multiple use forestry can be applied to PES but students, and especially environmental and business specialists unfamiliar with forest economics, might like to see more discussion cast in the terms and verbiage that are widely used in the current literature and applications to new markets for ecosystem services.

Overall, Klemperer et al. will be a seminal textbook on forest resource economics and finance, with sound theory, comprehensive coverage, good examples, and excellent style and substance. I went back and reviewed many of our old classic forest economics textbooks from the last five decades for comparison, and this textbook is vastly more clear, logical, and well presented for modern times. The up-to-date outline of subjects and the detailed contents are unsurpassed. Professors, students, and professionals can use it as a comprehensive and timeless reference for their classes and careers.

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