Preface and Acknowledgments

The current paradigm of forest economics is based on Faustmann Formulation (FF) of land expectation value proposed by Martin Faustmann, a German forester, in 1849. In fact, it was a great achievement by a forester to propose a formulation that captures some fundamental economic features of capital theory which were not recognized by great economists at that time. However, the followers of the FF approach have trapped themselves into the past, and have not shown any indication of economic acumen of the great Faustmann. This has resulted in a common problem in the current paradigm of forest economics, known as Faustmann Forest Resource Economics (FFRE), to prescribe the application of a single (FF) approach to all situations irrespective of the specific features of the situation under consideration. The current state of forest economics is similar to that of neoclassical economics, and as a result forest economics as well as neoclassical economics are full of inefficiencies. In neoclassical economics, inefficiencies are due to its “locked-in” position in rational economic man, while in forest economics inefficiencies are due to its “locked-in” position in the FF.

During the period of about 163 years, between 1849 and 2012, the economic, social, environmental, and scientific context of forests and forest management has changed by leaps and bounds. Forest management has moved away from sustained yield timber management (SYTM) to sustainable forest management (SFM). The concept of SFM incorporates human preferences for timber and non-timber products, preferences for marketed as well as non-marketed products and services, the preferences of industrial as well as non-industrial agents, including Aboriginal and other local people, and the preferences of future generations as well as the present one. It takes account of diversity of preferences across agents, communities, time, and generations, and incorporates preferences that are revealed through the market as well as through non-market mechanisms. Forests, in the context of SFM, are valuable for their contributions to ecosystem functioning as
well as their physical outputs. The role of multiple forest ecosystem services in climate change, human health, environmental sustainability, and human development is being increasingly recognized, and attention is being focused on enhancing the contribution of forests to a “green” economy rather than the traditional contribution of forests to an industrial economy.

During the period of 163 years, there have been many developments in economics. Many new streams of economics, such as agent-based economics, behavioral economics, complexity theory, ecological economics, evolutionary game theory, social choice theory, and public choice theory, have extended the horizons of economic thinking much beyond neoclassical economics. Somehow the forest economics profession has not kept the pace with these new and emerging contextual as well as theoretical realities. There have been some efforts to transform forest economics, but not at the desired scale, and now there is an urgent need to take big and concrete steps in that direction.

This volume is an important, though not the first, step in that direction. In fact, the first step was the article “Extending the Boundaries of Forest Economics” in Volume 5 (2003) of Forest Policy and Economics. The next step was starting of this book series. In the first volume of the book series, leading economists from behavioral economics, complexity theory, resource economics, and social choice theory discussed key aspects of the economics of SFM, including complexity, ethical issues, consumer choice theory, intergenerational equity, non-convexities, and multiple equilibria. The second volume focused on institutions for sustainable forest management and the third volume on justification, characterization, and indicator of sustainability. This is the fourth volume of the series.

The focus of this volume is on the new paradigm of forest economics termed as Post-Faustmann Forest Resource Economics (PFFRE). The first chapter lays the foundation of the PFFRE, and presents the key distinctions between the FFRE and the PFFRE. The volume includes other 12 chapters that address issues related to forest economics from perspectives different than the FFRE. Five of these chapters are focused on issues related to human behavior that is different than the rational economic man or Chicago man, two chapters on public choice theory, two on systems approaches to forest resource economics, and three on incremental approaches to incorporate new features in the FFRE. Some of the chapters included in this volume were presented at the XXIII IUFRO World Congress, 2010, Seoul. The volume is not a mere re-printing of congress papers, however. The original selection of papers and the rewriting, and reworking of them after the congress have been designed to cover the issues of new paradigm of forest economics. We are thankful to the authors for responding positively to our suggestions.

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