



UNIVERSITY OF MARYLAND AT COLLEGE PARK

COLLEGE OF BUSINESS AND MANAGEMENT

Please reply to
110 Primrose Street
Chevy Chase, Md. 20815
301-951-0922
After March 3, 1997

Professor David South
School of Forestry
Auburn University, AL 36849-5418

Dear David:

Thank you for inviting me to give the Weaver Lecture. As you will hear from Roger Sedjo when you talk with him, I greatly enjoyed the time I spent with you and the others, and I learned much from it. And now that we had such a friendly time together and have had some chance to talk of the wager, I feel more confident of the course I will take, and I am sure that I can count on a thoughtful, understanding, and generous response from you.

This letter adapts my earlier letter in light of our meeting and of talking with Roger ~~today~~ ^{February 28}

At the end of ~~February~~ ^{Jan} I came across the enclosed article by Roger Sedjo, "The Global Effects of Local Logging Cutbacks," in PERC Reports, June 1996. Until I read this, I was unaware of the far-reaching quantity and price effects of logging restrictions in the Pacific northwest. And on the phone on February 28, Roger told me that there now is in the works an arrangement with Canada (he does not know the specifics, and referred me to David Boulter for details) that will limit imports from there and therefore push up the U. S. price. More generally, he says (roughly his words), "The U. S. price of wood does not reflect the world price." This recent information strongly reinforces the conclusion I arrived at earlier on the basis of his model of the effect of actions in the Northwest.

It seems to me that this situation falls under article 3 of our contract, "This agreement is null and void if the price of saw timber (in south Alabama) is controlled by the government on

December 31, 1998." Though the price in Alabama may not be "controlled" in some technical sense, it is certainly being influenced at present to a considerable extent, and surely will be in the future, assuming Sedjo's research is sound.

Therefore, I consider that the economic issue that is the basis of our wager - the effect of market forces on timber prices in the long run - cannot be assessed, ^{and} therefore the bet should be called off. _^

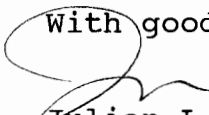
Lest anyone think that this conclusion is arrived at because of the worry about losing the money, I enclose a check made out to you for the full amount as if I were to lose the bet. I'd like to discuss with you devoting the money to some sort of research project that might be of interest to both of us, or else some charity that you designate, but it can be for your account if you so choose.

I know this letter is not welcome to you because of your deep interest in our transaction. But I hope that you will agree with me that the present conditions - unless the regulations are removed - will not throw any light at all upon the issue that we are discussing (even if five years were a long enough period, which you know I doubt).

Sheet
You will be, of course, free to say whatever you like about this matter. When we were together I explained my reasoning in terms of how those who wish to discredit my ideas are likely to respond to events. My best hope is that you will simply say that you agree with me that the conditions are not appropriate for reaching a scientific conclusion about the matter. I have no doubt that there will be many who will misunderstand my action, unintentionally or intentionally. But unfortunately that comes with the territory.

As you know, I have appreciated the spirit in which you have engaged in this matter, which led me to put aside my original stipulation that monies be put in escrow, because I respect your gentlemanly spirit in the matter.

I hope that you will later add this letter to your web site announcement. I'm sending this as I leave for three weeks, and I may wish to later revise this text for public use.

With good wishes,

Julian L. Simon

JLS/hd-Helen307