The Socio-Economic Impact of the Proposed Maine Woods National Park and Preserve

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1. The Economic Future of Northern Maine Under a “Working Forest” Approach

A. INTRODUCTION AND SUMMARY

Many Maine citizens and political leaders would prefer that northern Maine’s future economy be built around a “working forest.” That is, a forested landscape that continues to be extensively managed primarily for the commercial growing and harvesting of wood fiber. They believe that this vision of the future is more consistent with the region’s past economic base and its historical traditions. In order to evaluate the impact of such a future development scenario on local economic well-being and vitality, this chapter looks closely at the past and expected future trends in the forest products industry in northern Maine and the implications of those trends for the communities that depend on the forest products industry.

The findings are not optimistic. Employment in forest products across Maine has fallen significantly and is projected to continue to fall. Real wages in wood products, including logging, have also been in decline. The combination of dwindling jobs and declining wages has hit timber-dependent communities doubly hard. It is important to realize that these declines during past decades have taken place during a period of rising timber harvest. But harvest of many commercial tree species in recent years has exceeded net forest growth by a considerable margin. To stay within sustained yield, Maine forest harvests will have to be reduced. This could further accelerate the decline in forest products employment in Maine.

The declining trajectory of forest products has already had a substantial negative impact on northern Maine. Aroostook, Piscataquis, and Penobscot Counties all lost population during the 1990s, mostly to out-migration. If the economies of northern Maine remain primarily tied to a “working forest,” the decline is likely to continue. This creates a difficult choice for the region. If, as its conservative impulses suggest, the region seeks to “keep things the way they always have been,” the economic (and accompanying social) decline may worsen.

In our dynamic market economy the only way a community can largely remain the same as it was in previous periods is to accept the stagnation and decline that goes with freezing an economy in the past. Mature industries, at best, provide fewer and fewer jobs as technology displaces workers and competition from new sources reduces markets; at worst, they decline and shut down. Local economic vitality is not built around trying to stop that process. Rather, local economic vitality requires that new types of economic activity regularly develop and take the place of jobs lost to the natural aging of older sectors of the economy. That unavoidably involves economic and social change.

A community may want to retain as many of its unique qualities and values as it can in this dynamic process of economic change. In doing that, it needs to focus on those social and cultural qualities and values, not on preserving the particular set of economic activities that supported the population in the past. Most communities do not have the power or the tools to manage an economy that is primarily driven by national and international markets and technological forces. In other words, communities cannot make a dynamic economy static without accepting the consequences of stagnation and decline.

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2 As will be discussed later in this report, there is not a reliable causal link between the level of timber harvest and the level of employment in the forest products industry. Employment levels are not primarily dictated by the volume of wood fiber harvested in Maine. Technological change and the degree of value added manufacturing, for instance, play a far more significant role over time. Technological change can reduce the employment associated with the harvest and processing of any particular volume of wood fiber. Increased levels of processing beyond simply harvesting the tree increases the level of employment without increasing the level of harvest. Imports and exports of raw material also impact the local level of employment. Statistical analysis shows that there is no statistically significant relationship between the volume of wood fiber harvested in Maine and forest product industry employment.
B. The Relative Importance of the Forest Products Industry in Maine and the Northern Maine Economies

The forest products industry has been an important part of the Maine economy since the arrival of the first European settlers. Over time, however, as the Maine economy has developed and diversified, the relative importance of forest products has declined. In 1998 about 4 percent of all Maine income and jobs was directly derived from the lumber and wood products and pulp and paper industries combined. About half of the jobs were found in lumber and wood products and the other half in pulp and paper. Lumber and wood products jobs paid slightly less than the average job in Maine while jobs in pulp and paper paid two and a quarter times the average. As a result wood products was the source of only about 1.5 percent of aggregate Maine income while pulp and paper was the source of 2.7 percent of income for a total forest products share of 4.3 percent.\(^5\) (See Figure 2.)

The proposed Park encompasses an area with extremely low population density.\(^6\) (See Figure 3.) In fact, the boundaries of the proposed Park have been drawn to include areas that have almost no year-round human inhabitants.

Many people believe that there are few jobs in northern Maine outside of forest products. Actually, in three of the four northern counties in which the proposed National Park would be located, the forest products industry is no longer dominant. In 1998 only 4 to 5 percent of all jobs in Piscataquis, Penobscot, and Aroostook counties were directly in forest products. In Somerset County the share was about 11 percent.\(^7\) As a source of income, the situation was similar. In Piscataquis County where most of the proposed park would be located, forest products was directly the source of about 6 percent of total income in 1998. The forest products industry was the source of approximately 7 percent of income in Penobscot County and 5.5 percent in Aroostook County. Finally, Somerset County derived 17.5 percent of its income directly from forest products although most of that forest products activity took place at considerable distance from the proposed Park. In 1997, for instance, only between 100 and 200 of the 2,600 Somerset County forest products jobs were based in the Jackman-Moose River area, the only Somerset County communities with significant forest products production near the proposed Park.\(^8\)

\(^1\)US Department of Commerce, Bureau of Economic Analysis, Regional Economic Information System, CD-ROM.

\(^2\)Some of the population shown just inside the Park reflects the very approximate hand-drawn character of the Park boundary shown on the map.

\(^3\)Census of Maine Manufacturers, Department of Labor, Bureau of Labor Standards, Research and Statistics Division for the forest products jobs; REIS data for total jobs.

\(^4\)Moose River has a sawmill but its employment and production was not reported in the Census of Maine Manufacturers although it is listed in the "2000 Primary Processor Mill List," Maine Forest Service. The Jackman mill was listed in the last Census of Maine Manufacturers.
These employment and income statistics refer only to those workers directly employed in forest products. They do not include jobs and payroll associated with businesses that provide inputs to forest products firms nor do they include the jobs and payroll associated with businesses in which forest products workers spend their pay. The indirect and induced employment and payroll are not reported here because they can only be estimated by making a broad range of assumptions, most of which are disputable, while the direct employment and payroll are reported directly to government agencies.

Estimated “multiplier impacts” are often manipulated for public relations purposes that have little to do with economic analysis. However, we know that there are economic impacts associated with forest products that extend beyond their direct impacts. In that sense we know that the direct employment and income data reported above underestimate the total impact of the forest products industry. The size of the understatement will depend on the particular geographic area selected. For relatively small towns where there is a limited range of businesses, the multiplier impact is likely to be quite modest because most of the income leaks rapidly from those communities. For the state as a whole, where the range of economic activity is much broader, the multiplier impact is likely to be significantly larger. But for the state as a whole and its large urban areas, unemployment rates are quite low; new jobs are primarily filled by new in-migrants and those who lose jobs are quickly re-employed. In that setting it is not clear what the “multiplier” impact refers to. In any case, given the rural character of the proposed Park area, multiplier impacts associated with any change economic activity are likely to be quite modest.

There are no forest products processing facilities located within the proposed Maine Woods National Park and Preserve. In fact, most forest products manufacturing activity takes place at a considerable distance from the proposed Park. The counties involved are very large. Measured in a straight line, Skowhegan in Somerset County is at least 40 miles from the border of the Park. In Penobscot County, Bangor is 40 miles from the boundary. In Aroostook County, Fort Kent is 60 miles away. Dover-Foxcroft in Piscataquis County is less than ten miles from the southern border but 100 miles from the northern border of the Park. There are, however, mills in the communities in Maine and Canada on the periphery of the Park. Wood products mills in the Dover-Foxcroft and Guilford area, paper and lumber operations mills in the Millinocket-Medway area, and sawmills in the Ashland area are the largest of these facilities. The Dover-Foxcroft and Guilford area manufacturing facilities, employing about 1,400 workers in 1997 and the Millinocket-Medway area mills represent the greatest concentrations of forest products jobs in the immediate vicinity of the Park.

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9A very informal rule of thumb would be that the multiplier for a small town or rural area is not be much larger than one (e.g. 1.2 to 1.5); for a larger county that includes a large city a multiplier of about 2 might be appropriate; for the state as a whole a multiplier of 3 to 3.5 would be reasonable.


111997 Census of Maine Manufacturers, Maine Department of Labor.