

Rising Disparity in Timber Urban vs. Rural Income in Washington State

Rural timber-dependent communities in Washington State have at times benefited from strong export markets, earning incomes almost equal to urban areas. Regulatory constraints have also had substantial economic impacts on rural communities. An analysis of urban vs. rural income trends conducted by the University of Washington's Center for International Trade in Forest Products (CINTRAFOR) confirms that there is an increasing disparity between timber rural and urban incomes that can be expected to worsen given the impacts of the Asian economic crisis and anticipated passage of new regulations to protect salmon populations.

Background

Over the last two decades the U.S. economy has experienced overall steady growth, with relatively minor contractions. Washington State's economy has also grown steadily, and average per capita income has generally been above the national level. However, not all sectors of the economy have fared as well. In a national study, *Development Report Card for the United States* (Clones and Rist, 1997), Washington State ranks 48th in a measure of urban vs. rural income disparity. This suggests that the state's rural economy is declining compared to its urban economy, which may be a result of shifts in both economies. Between 1979-1997, per capita income in timber-dependent counties declined 29% compared to the national average. During the same period, income in King County, the state's urban center, increased 17%. This disparity is expected to become even more unfavorable during the next few years as weak international market conditions and regulatory constraints on harvesting continue to affect rural timber-dependent counties while service and technology industries in urban counties grow.

Research Methodology

To examine urban/rural income disparity, counties were chosen by economic base in order to compare per capita income. Chelan, Clallam, Cowlitz, Grays Harbor, Lewis, Pacific, Pend Oreille, Skagit, Skamania, and Stevens counties were selected as rural counties where income is largely dependent on timber revenues and not heavily impacted by an urban county. Rural counties with economies based primarily on agriculture were

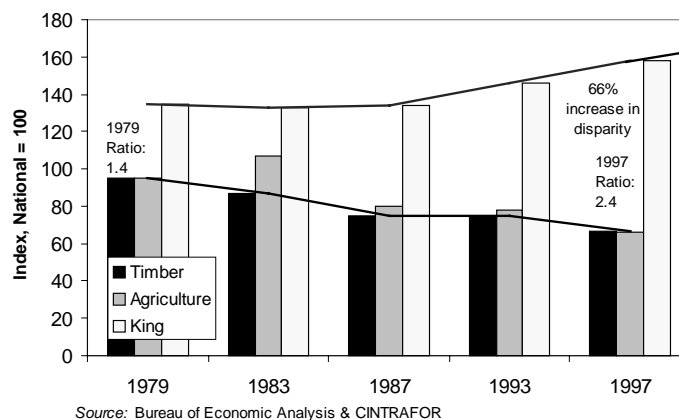


Figure 1. Timber- and Agriculture-Dependent Counties and King County Income Compared to U.S. Average

used as a basis for non-timber rural comparisons and included Adams, Douglas, Grant, Franklin, Lincoln, Walla Walla, and Whitman. King County was selected as the urban county.

Since the objective was to examine the economic performance of timber-dependent counties, five points in time that best indicate years where timber dependent communities were significantly impacted by changes in the economy or by new policies were analyzed. 1979 provides a measure of timber dependent counties near the end of a decade of high timber demand. 1983 shows the impact on the wood sector during an international recession. 1987 records a period of recovery before regulations to conserve habitat for endangered species significantly limited harvest. Data for 1993 show a point in time when timber prices reached a record high as timber harvests were substantially reduced after the adoption of harvest restrictions on federal and state lands. export volumes and prices. Data for 1997

show a continued decline in rural income, especially for agriculture-based communities, but do not show the full effects of either the Asian economic crisis or the new riparian zone regulations. When data is available, 1998 will be analyzed to reflect the impact of the Asian crisis on both devalued export volumes and prices.

Measures of per capita income, benchmarked to national per capita income were generated. Per capita income for timber dependent and agriculture dependent counties and King County are compared in figure 1, a direct measure of changing economic conditions. Earned income from property (interest and rents included) and transfer payments (retirement, medical, unemployment, and income maintenance) were also examined.

Change in Income by Category, 1979-1997

Timber Dependent Counties	-29%
Agriculture Dependent Counties	-30%
King County	17%
King County vs. Timber Counties	68%
King County vs. Agriculture Counties	65%

Disparity a Result of Income Losses in Rural Areas rather than Gains in Urban Areas

In 1979, per capita income for both timber-dependent and non-timber dependent rural communities was only 5% lower than the national average. Over the next 18 years, however, both types of communities expressed losses relative to the national average. Timber-dependent counties experienced a 29% decline in per capita income relative to national averages. During the same period, per capita income in King County increased 8%. The disparity of Washington's urban area income to the state's timber-dependent rural communities increased 68%. Per capita income in non-timber dependent rural counties also declined, but the decline showed a more cyclic pattern than timber-dependent communities due to the volatility of farm income.

The disparity between timber-dependent rural and urban incomes can be expected to widen for several reasons. First, the U.S. housing boom came to a close by 1981, ending the extra strength it added to timber-related economic activity. Second, despite strong export wood markets and a temporary moderating effect of high prices as a consequence of reduced federal timber sales, increasing regulatory constraints have depressed timber-dependent community economies in recent years. Finally, the high-income labor-intensive service and technology industry has grown rapidly in urban areas.

The timber industry will likely be further depressed in the near future due to declining demand in Asian markets, which eliminated the high prices that resulted from harvest constraints. Demand for primary and secondary processed wood products in Asia has declined dramatically since the last quarter of 1997, which has directly impacted Washington's rural communities. Total exports of forest products from Washington to all countries are down approximately \$2 billion from 1996 to 1998.

Lower levels of harvest volumes can also be expected as salmon protection plans are adopted. While some of the urban technology gain may spill over to rural areas through recreation and tourism, poor international markets and domestic environmental regulations will continue to be a challenge for timber dependent communities in Washington State.

Literature Cited:

Clones, Daphne, and Carl Rist. 1997. *Development Report Card for the States, eleventh edition*. Corporation for Enterprise Development.

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