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Observations and implications of Finnish forest owners’ economizing behaviour

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Forest management decisions can be seen as economic choices. The assumption of rational and economically optimal choices frequently fails in family forestry, in which various multiple-use motivations as well as legacy and sentimental values shape landowners’ decisions. Moreover, scarcity of time and information as well as the imperfection of individuals’ cognitive abilities result in bounded rationality. Pingle and Day (1996) illustrated six modes of economizing behavior as decision-makers’ pragmatic responses to the limits of rationality: trial and error, imitation, following an authority, habit, thoughtless impulse, and hunch. This presentation argues that among these, following an authority, imitation and habit are the most common ones in family forest owners’ decision making. Recent interview and survey datasets from Finland provide evidence on the economizing decision-making logic and frequency of related decision-making strategies among family forest owners. Trusting forest professionals, thus delegating decision-making power is the prevalent strategy for approximately one fifth of owners. Meanwhile, two fifths of owners want to learn from authorities and outcomes of comparable previous actions. Asking for peer advice and learning from other owners’ experiences reflects a mix of imitation and learning from authority. In turn, many owners tend to build their own decision rules to make forestry decisions easier and approach the habit type of choice behavior. These findings indicate that the quality of advice and forest management guidelines have rather direct impact on the quality of forest owners’ decisions. When public funding for forestry advisory continues to decline and the significance of peer advice via social media and traditional communication channels increases, free-of-charge economizing behavior may become more complex. This may increase the need for market services that particularly focus on facilitating the ease of forest ownership. Lack of suitable authorities or role models may lead to bad decisions or indecisive and thus passive owners.

Keywords: bounded rationality, forestry advisory, market services, peer-to-peer learning