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## Swedish Common Forests: Implementation study of collectively-owned forest lands

The aim of this paper, prepared for the purpose of the *Workshop on Design Principles* at the Beijer Institute, 27-28 August, 1994 in Stockholm, Sweden, is to give a short description of the on going Swedish Common Forests Project. This research is sponsored in part by the Beijer Institute of Ecological Economics, The Royal Swedish Academy of Sciences, Stockholm, Sweden, with support from the World Environment and Resources Program of the John D. and Catherine T. Mac Arthur Foundation, the World Bank, the Co-ordinating Committee of the Swedish Research Councils (FRN) and Dalarnas Forskningsråd (the Research Council of Dalarna), Sweden.

### The Swedish Common Forests

Approximately 730 000 hectares of the Swedish forests are common forest lands (2.5% of the productive forest land), owned by 21 000 individual joint-owners. For more than hundred years the commons have been regulated by a special law. The aim of the law is to secure the sustain ability of this natural resource for the purpose of strengthening and developing the local economy. Newertheless, it has been possible to run the 24 forest units in different ways, and they are divergent compared to each other. Moreover, their roles have changed greatly during the last hundred years. They have obviously served different purposes. In some periods they have contributed the funds needed for local municipalities, in others they have supported the modernization of agriculture, etc. In the Swedish municipality of Orsa, for instance, taxes were not levied well into modern times. The reason for this was that the rich collectively-owned forest land contributed the funds that were needed. This forest land still exists, although it plays a less important financial role for Orsa Municipality.

Collectively-owned forest lands date from medieval times. Through the so-called delimitation of Crown lands, poor homesteads were allotted Crown land. This occurred only in Dalarna and Northern Sweden. The process began during the 17th century and was intensified during the 19th century. The present collectively-owned forest lands came into existence between the middle of the 19th century and the beginning of this century.

The Act Relating to Collectively-Owned Forest Lands (Swedish Code of Statutes 1952:167) applies to 24 units of forest land in the Counties of

Kopparberg, Gävleborg, Västerbotten and Norrbotten. The Swedish Commission on Collectively-Owned Land (Ds JO 1984:15) estimated the market value (in 1981) to be around 700 million Swedish crowns. The ownership of the collectively-owned forest lands is related to the ownership of land. Today there is a wide spectrum of individual joint-owners, including municipalities, forest companies, etc. Each shareholder has the right to receive economic revenue from the common forest in proportion to his share of the common. One is not allowed to sell ones part of the common but if a shareholder buys or inherits an additional farm, consequently his number of votes and rate of revenue increases.

To summarize, although the commons are regulated by the same law, stipulating specific outcomes, they have developed different policies during different historical periods and in different local settings.

### **A resource for the development of sparsely-populated areas.**

The Commission on Collectively-Owned Lands refers to collectively-owned forest lands as a resource to be used for the public good. The economic potential possessed by the collectively-owned lands should benefit sparsely-populated areas to a greater extent. However, the collectively-owned lands have only occasionally made investments in local processing industries, for example.

At present the large forest companies are in possession of shares in the collectively-owned lands. This has resulted in a debate (e.g. in Dalarna) concerning their future. Demands have been expressed for a reform of the old-fashioned voting regulations that apply in the case of collectively-owned lands. At the same time demands have been made for a decrease in the number of individual owners. There is a widespread opinion that the joint ownership of the forest lands by many different parties represents an obstruction to efficient forestry. A parliamentary bill (1990/91 :C381) containing demands for a review of the legislation was withdrawn. As yet the Government has not submitted any proposal for a review of the law.

### **Problems connected with the collectively-owned forest lands.**

The role of collectively-owned land in society represents a number of practical, political and theoretical problems and aspects of great interest.

The collectively-owned forest lands exist under the same market conditions as the rest of the forest industry. They administer an extensive forest capital. How are the collectively-owned forest lands going to succeed in a situation where forestry is highly exposed to competition? How are the administrators of these forest lands going to look after the interests of the owners and be responsible for the forest capital as well, with the support of

old-fashioned legislation and with demands coming from 21 000 joint-owners?

One of the political problems is the possible role that the collectively-owned lands can play as a resource for developing sparsely-populated areas. In a period when centrally-controlled regional development policies are being questioned, many people are attaching their hopes to local initiatives. The collectively-owned forest lands are a potential local resource and could probably play a more important role in the development of the areas in which they are situated. How is this to be achieved?

Several of the municipalities in the sparsely-populated areas are so-called "ecological municipalities". Such municipalities are based on the idea that an environment-friendly use of different resources should be stimulated by local political decisions and measures. Of course the concept also applies to the land and water owned by the ecological municipality. As yet no study has been made to assess whether the ecological municipalities administer their own natural resources differently to other municipalities! Some of the collectively-owned forest lands (e.g. Orsa and Sorsele) are located in ecological municipalities. (Orsa is the largest collectively-owned forest land in Sweden.) Do they function differently than the other collectively-owned forest lands? Have these municipalities been able to adopt ecological policies that also apply to the collectively-owned forest lands?

Another interesting aspect is the role of collectively-owned land in a Europe in transformation. The nation-states are presumed to decrease in importance, while the regions play a more important role. Individual regions are expected to look after themselves to a greater extent, at the same time as there is an increase in economic integration. In this context the concept of collectively-owned land can become important.

The Swedish collectively-owned forest lands are not unique in Europe. In Switzerland, for instance, an important part of the economy and local administration is connected to collectively-owned land of different kinds. In Sweden too the concept of collectively-owned land can become an interesting institutional alternative to the development of new centrally-administered regional solutions, which is what is often recommended.

Collectively-owned forest land is an example of what is referred to in the literature as Common Pool Resources (CPR). CPR are characterized by collective ownership, and have, on account of this, problems that show similarities to those connected with collective goods. One such problem is posed by the incentive that exists for the individual to profit from others, so-called free-rider behaviour.

CPR are always threatened by a devastation of resources, referred to as "the tragedy of the commons". The assumed reason for this is that the individual wishes to maximize his gains, focusing his attention on his own profit.

Collectively-owned forest lands represent a concentration of these problems. They are common resource pools that are regulated by their own legislation. Individual joint-owners can gain profit from their membership

without themselves contributing to the resource. At the same time there is, of course, a risk that the resource might be utilized in a manner that is less efficient from the point of view of forest productivity.

### **The central issues of the project.**

The Swedish common forests have been the target of former investigations and research. However, they have never before been analyzed from a property rights perspective explicitly focusing on institutional arrangements. The Swedish common forests project exposes many important problems related to the discussion concerning property rights and institutions for common pool resources.

Once the Swedish common forests contributed to the local economy (this was, and still is, the official aim of them), but they no longer seems to do so. Furthermore, the very same formal law once created in order to *subvert* the influence exercised by the big companies is now regarded as a *support* for their growing importance! Obviously the operational rules in use have changed, while the constitutional rules have been identical, at least in terms of regulating the access to the forest lands, the formal decision making and the principles of distributing the endowments among participants. How is it possible to run the twenty-four common forests successfully (expertise judges them to be very well managed, the amount of timber is increasing, etc.), while their original aim seems to fade away. Is this the case with all of them and what is the role of the twenty thousand share owners in this drama?

Historically the revenue from the Swedish common forests has been of considerable importance for the modernization of agriculture in the northern part of the country. When farming became less important the common forests changed their policy and began to allocate more economic support to forestry. However, now, as preliminary results indicate, the common forests are just selling their timber to sawmills and other companies located far away from their local districts, giving no priority to local buyers. It is really an open question whether they are contributing to the local economy at all. To summarize, the policy, as it is formulated in the Swedish common forests law, has obviously been changed. *The main question to be answered is how and by whom.*

Collectively-owned forest lands have come into existence for the express purpose of contributing to the development of the district where they are located. With this end in view, a special legislation has been created. However, one recurrent criticism of the collectively-own lands has been that they function fundamentally in the same way as other forms of possession. The idea of local economic development as a guiding-star for the activities connected with the lands has thus been subordinated to other objectives.

One purpose of the project is to analyze to what extent this criticism is correct. No political decisions have been taken with a view to changing the

objectives of the collectively-owned forest lands. Nor has the legislation been altered in any decisive manner. Another aim of the project is to analyze the extent to which the collectively-owned forest lands function and can function as efficient producers of timber, provide their joint-owners with financial dividend, and at the same time promote local economic development. The project also focuses attention on how the collectively-owned forest lands react to new concepts in the legislation for forest conservation, e.g. the discussion concerning biological diversity as an important objective for the forest industry.

In addition to providing knowledge on the way in which collectively-owned lands in Sweden operate, the project will provide a deeper insight into the relationship between formal institutional arrangements and the policy-making activities developed by relevant actors in practice. Therefore, the project will also be able to contribute to the theoretical discussion concerning institutions for the collective economic management of resources, in particular the fundamental problems of such institutions and their ability to adapt in times of profound social change.

## The methodology of the project

The purpose of the study is to elucidate the organization of the function and working methods of collectively-owned forest lands. Interviews based on the so-called snowball method are used to ascertain how the work involved in administering collectively-owned forest lands is organized and carried out. In this context the study will focus on issues such as who co-operates with whom, how decisions are taken concerning the solution of different problems, how resources are handled, and to what extent assessments are made of different measures that have been taken.

This interviewing method has proved especially useful in determining the people who de facto formulate the system of regulations that apply in an institution and the policy that is adopted there, irrespective of the formal rules that regulate the activities of that institution. In order to establish if there are any differences between the different collectively-owned forest lands with regard to the policies they have adopted, a number of different units will be selected and compared.

To summarize, the project investigates the policies of the Swedish common forests, and to what extent they have developed different local strategies in terms of institutional arrangements, management and principles for their contribution to local economic development. The project will be carried out during 1994 and in the first half of 1995.