Determination of the Reservation Price By Looking into the Past

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Abstract

Ever since the publication of the paper by Lohmander (1987) and Brazee and Mendelsohn (1988), the literature on the determination of the reservation price have been seeking guidance on its determination by looking into the future. Unfortunately, future is yet to unfold and thus cannot offer any guidance. In this paper, the reservation price will be determined by seeking guidance from the past. The past history of stumpage price offers a wealth of information to help in deciding whether to accept a particular price offer.

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