

SUBSIDISING DEFORESTATION



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Blame for the destruction of the South American rainforest is frequently directed at the logging companies and timber producers. They are portrayed as myopic profiteers, destroying enormous tracts of forest without regard for the environmental consequences.

But this assessment is unfair, and the approbation misplaced, because much of the rainforest destruction has only occurred as a result of government incentives. While the loggers wield the axe, governments effectively pay them to do it.

It would be very poor business sense for the loggers to hold the reckless disregard for the future so often ascribed to them. Timber is normally treated as a crop - to be harvested - but not to be obliterated in a few years. Where would be the

commercial sense in deliberately laying waste to a future source of income flow?

Farmers do not normally over-use their soil to the point where it becomes barren, so why would a timber company treat its capital stock of trees in such an irrational way? All else being equal, the timber trade follows the rule of sustainable yield harvesting, where mature trees are harvested, but young ones left to ensure the continued vitality of the forest.

BRAZIL

The Brazilian rainforest is being cut down to clear the way for ranches and farms, but the area would normally be a poor commercial choice for farmland. The Amazon soil is not suitable for

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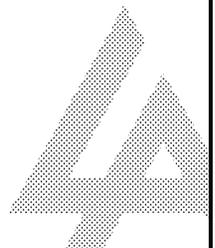
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permanent cultivation, and there are large amounts of better land in other parts of the country.

In fact, Brazilian government policies have inadvertently subsidised the razing of the rainforest. A study published last year by the World Bank revealed that Brazil's implicit subsidy to the livestock ranches replacing the rainforest amounted to \$1 billion between 1975 and 1986. This subsidy came from a package of inept policies:

- * Agriculture is taxed much more leniently than other types of business, so that many businessmen go looking for farmland created by deforestation, just to use as a tax break.
- * Land tax is charged on unimproved land, but is reduced by up to 90% on land used for crops or pasture, so that cutting down trees saves on the tax bill.
- * Up to 75% of the cost of the investment in a ranch can be recouped in government tax credits, making ranching greatly more profitable.
- * High inflation adds to these other encouragements because land has become a safe investment relative to cash.

International organisations have also helped to fund environmentally destructive projects in Brazil. The International Monetary Fund partly paid for the "Polonoroesta Plan", which aimed to develop 100,000 square miles of tropical forest for use by small farmers. The World Bank is financing the construction of the 900-mile BR-364 highway, which cuts a swathe through the rainforest.

It would be wrong to suggest that Brazil stands alone. Several governments in the developed world, which pay lip-service to green politics, have encouraged the destruction of forests.

U.S.A.

In the United States, part of the problem is that government bodies often seem to align closely with special interests. The Bureau of Land Management, the largest land manager in the United States, is sometimes known as the "Bureau of Livestock and Mining". Government support can

be won by companies through lobbying, whereas the costs to the environment and the taxpayer are more thinly spread and therefore less immediately obvious.

One practice presided over by the BLM is "chaining", where trees are torn down by a chain slung between two tractors. Chaining is a way of clearing land for use as cattle pasture, but it is also destructive to the local environment. Over three million acres of forest have been chained by the BLM.

The second largest land manager in the United States is the US Forest Service. John Baden, a free-market environmentalist, has described it as "the world's largest socialized road building company", because of its proclivity for laying down roads through forest land. It has supervised the construction of over 340,000 miles of roads, eight times the mileage of the interstate highway system.

The US Forest Service directly subsidises logging in Alaska's Tongass National Forest, one of the last temperate rain forests in the world. Subsidies meet 98% of the cost of logging in the forest, and without this government support the companies involved would simply go bankrupt or pull out.

OTHER EXAMPLES

In other parts of the world, logging is encouraged or subsidised as a means of "job-creation". The Swedish government requires private forest owners to harvest at least half of their trees within a decade of maturity.

In Finland the government uses tax incentives to induce harvesting. The government of Ontario offers free advice and harvesting services, and tax breaks for those joining a Woodlot Improvement Plan. Once again, the political benefits of subsidising jobs are concentrated and obvious, but the environmental costs are dispersed and long-term.

The new President of Brazil Fernando Collor de Mellor, who has just taken office, could do worse than examine the implicit subsidies given to forest destruction. Meanwhile, the developed world should put its house in order.