

# Opinion & Analysis

## Failing to address forest loss may prove catastrophic



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Ignoring issues like deforestation and global warming will prove more costly than attempts to bail out the global banking system

**I**N A LONG and distinguished career, economist and commentator John Kenneth Galbraith authored almost 50 books. Indeed, he was still writing into his 80s when he penned *A Short History of Financial Euphoria* in 1990.

It is a lucid, sometimes hilarious, little book, in which he describes vividly the recurring cycles of financial euphoria, frenzy and collapse from the Dutch tulip mania in the 17th century to the Wall Street crashes of 1929 and 1987. He only just missed witnessing the biggest crash of all, having died in 2006, in his 99th year.

"Individuals and institutions are captured by the wondrous satisfaction from accruing wealth," wrote Galbraith. "The associated illusion of insight is protected by the public impression that intelligence . . . marches in close step with the possession of money."

In the early stages of a bubble, speculators make money, but put it down to their own genius, rather than good fortune. Therefore, "speculation buys up, in a very practical way, the intelligence of those involved".

The only thing that might have surprised Galbraith about the current global financial crisis is its depth. As each bulletin brings more and more bad economic news, it is

hardly surprising that more seemingly esoteric issues such as sustainability and global warming are getting elbowed into the cheap seats. Unsurprising, but unfortunate.

An EU-commissioned study entitled *The Economics of Ecosystems and Biodiversity* was published last October. It concluded that the annual cost of forest loss alone is running at \$2-\$5 trillion.

This is double the putative total losses to date on Wall Street, but the natural capital losses are occurring year after year.

The analysis concluded that forest decline and the consequent loss of critical natural services could be costing around 7 per cent of global GDP – in other words, a calamitous rate of decline that has the profoundest implications for every species on Earth, including our own.

Tropical deforestation alone is chipping in around one-quarter of current global CO<sub>2</sub> emissions. Forests are being destroyed at the rate of 13 million hectares a year, mostly in tropical countries. That's an area the size of the Republic of Ireland felled every seven months or so. Much of this destruction is to create more agricultural land to feed an ever-expanding population bubble that continues to swell at the rate of 1.5 million

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more people a week. Forests do much more than absorb CO<sub>2</sub>. The world's rainforests play a critical role in regulating global climate, pumping 20 billion tonnes a day of water into the atmosphere and moderating the climate of the tropics. No amount of human ingenuity or machinery could ever replace a climate engine of that magnitude. Without this vast forest cover producing copious rainfall, the entire Amazon would rapidly become a desert. In the US, forests provide natural filtration and storage systems for around two-thirds of its total fresh water supplies.

Biodiversity is equally essential to a healthy planet, and intact forests are havens to

between 60-80 per cent of the world's remaining biodiversity. What hurts them harms us too. According to the EU study, biodiversity loss poses "severe dangers to human health and welfare".

A serious problem facing any attempt at addressing the rapid loss of the world's forests is that conventional economics is largely incapable of attributing value to services that appear to be provided for free.

For example, air is clearly free, but that doesn't mean it's of no value. A drowning man would empty out his wallet in seconds for a single breath of fresh air. This is obvious on one level, but the model of economics that has dominated in recent decades has promoted a fantasy of endless growth-based consumption. The trivial has supplanted the essential in this brave new consumerist world.

An Australian report last year concluded that we are on "a trajectory to disaster". This, the study authors point out, "is not just a tragedy for tropical biodiversity, this is a crisis that will directly affect human livelihoods". Most of the world's food crops are pollinated by tropical species. Destroy their habitat and we also destroy the ability to feed humanity.

To date, efforts to save the world's rainforests have been at best piecemeal. Some

wealthy philanthropists have taken the direct route of buying millions of hectares of forest to prevent its clearance. One notion now gathering traction is to establish a global fund to pay the owners of rainforests to keep them intact. The best hope for the forests is to have trees worth more alive than dead. However, the financial crunch is threatening to choke off funding for essential long-term projects like this.

Intact tropical forests remove around five billion tonnes of CO<sub>2</sub> from the atmosphere every year as well as producing a quarter of the world's oxygen. Putting a hard cash value on the "free" services provided by forestry can in an instant transform the equation in favour of leaving them intact.

Mechanisms must be developed to ensure that heavily polluting industrialised countries pay poorer countries with tropical forestry to become stewards of this crucial shared natural resource. A global fund could also help address the poverty that is fuelling forest clearance and illegal logging. The government of Guyana last year offered to save its rainforests in return for payments from Britain.

In the words of philosopher Francis Bacon: "Nature, to be commanded, must be obeyed."