# Are We Running Out of Natural Resources?

by John Cobin, Ph.D. for *The Times Examiner*
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The earth is not running out of natural resources, despite the wrangling of liberal ideological environmentalists (LIEs) to the contrary. Nicholas Eberstadt reminds us in "Population and Resources" (chapter 3 in *Global Warming and Other Eco-Myths*, Prima Publishers, 2002, pages 62-91) that "despite humanity's tremendous new pressures on planetary resources, the relative prices of primary commodities have *fallen* over the course of the 20th century, and many of them, quite substantially…the resources humanity makes use of grew less scarce over the course of the 20th century" (pp. 76, 77). Lower prices for natural resources mean they are becoming more abundant. Once again, LIEs have misjudged the demographic and environmental constraints on development.

Economist Dr. Julian Simon, argues that human knowledge continually provides a means to produce more finished products from fewer raw materials. Natural resources are becoming more available all the time, not scarcer. The human mind is the greatest resource, and sustained economic development requires more human minds, not less.

Furthermore, Simon asserts that all natural resources are "infinite". That does not mean that there are an infinite number of atoms in the earth (since the mass of the earth is finite). He means that we will never run out of resources for whatever we decide to use them for, so long as the sun shines. LIE activists, on the contrary, claim that a resource becomes more scarce whenever it is extracted from the earth's crust. But this LIE notion implies that prices of natural resources would be perpetually rising, which is clearly *not* true. As the price of any resource rises due to scarcity, people have market incentives (1) to find new sources of it and make more efficient use of current supplies, (2) to recycle and reuse it, or (3) to develop alternatives. For instance, Dr. Russell Roberts reminds us that, thanks to technology, there is only one-fifth of the amount of aluminum in a Coke can today as there was 30 or 40 years ago. Coke did not develop the lower-aluminum cans in order to prove its social consciousness but rather to save costs. *Markets provide incentives for conservation of resources automatically*. Technology has driven the expanded use of natural resources and technology will solve any problems associated with developing new reserves of natural resources.

In 1980, Simon and LIE biologist Paul Ehrlich made a bet on natural resources. Ehrlich had been predicting massive shortages in various natural resources for decades, while Simon claimed natural resources were infinite in terms of human consumption needs. Ehrlich could pick any five metals he liked. If the 1990 inflation-adjusted price of each metal was higher (meaning the metal became more scarce), Ehrlich would win. Otherwise Simon would win. Ehrlich chose copper, chrome, nickel, tin and tungsten. By 1990, all five metals were below their inflation-adjusted prices of 1980. (Of note, chrome dropped 40%, tin dropped 72%, and tungsten dropped 57%.) Simon offered to renew the bet but Ehrlich refused. Ehrlich claimed the metal prices did not fall on account of declining scarcity, but due to (1) a recession in 1990-1995 that slowed the demand for industrial metals and (2) the existence of cartels in the 1980s that had driven up prices artificially. But these explanations only form a small part of the complete reason for the decline in metals prices during the 1980s. At the forefront, new technologies changed demand. For instance, copper telephone wiring was replaced by fiber optic cable.

Ehrlich, like most liberals and socialists, is poisoned by a static view of the world that fails to take into account the dynamic nature of human creativity. We are not driven by the same urges, reasoning, and plans that animals are. There is a reason why putting a farmer in charge of 100 egg hens produces a different result over time than putting a fox or a jayhawk in charge of them.

If Simon is right, betting on rising gold and silver prices is an unwise long-term strategy. There may be short-term gains available from speculation, but that is all. Precious metals will not even "hold" their value. The old maxim that an ounce of gold can always buy a good suit (just as it did a century ago, it still does today) does not show stability in gold's value. Instead, it shows that suits are a resource too that has been falling in price over time. Whether it be suits or gold, in the long run, we will see more resources being developed at lower prices. And that theory is backed up by decades of data.

Why then do we hear so much about resource depletion and shortages? First, there is a lot of ignorance and misunderstanding of terms. Most LIE and doomsayer predictions about resource depletion are based on a resource accounting concept called "known reserves" or "proven reserves". The problem is that these kinds of reserves account for only a fraction of the actual reserves in the earth's crust. *Known* reserves are virtually certain to be technically and economically producible. *Probable* reserves are known reserves which are not yet proven but which are estimated to have at least a fifty percent chance of being technically and economically producible. Finally, there are *possible* reserves which are not discovered or not yet technically and economically producible. These reserves are huge and are being brought into the probable or proven category all the time as technology improves. Here we see the effect of ignorance and a static understanding of human life in the socialist, liberal media, and LIE agenda. They make things sound worse than they really are.

Second, shortages are frequently misunderstood and are always caused by failed government policy. In the free market, prices help economizing people make proper choices. A man may ask himself, "should I ride my bike to work today or take the car?" His answer will be different when gasoline is $1 per gallon than when it is $25 per gallon. If the price of gasoline did rise to $25 per gallon, it would be on account of the collusive policies of foreign nations, the prohibitions against domestic drilling, higher gasoline taxes, monopoly licenses granted to certain producers, and so forth. In other words, shortages are caused by doltish public policies. The only way that prices rise in the free market is when there is an unforeseen increase in demand that outstrips current supply. But the price rise will not last long. If a hurricane strikes Florida and the demand for plywood doubles or triples overnight, its price will shoot up. But just how long will that price hike last? Not long, for eager entrepreneurs will quickly shift production to plywood in order to capture the windfall. The resulting increase in supply quickly causes high prices to return to their previous level.

Moreover, high prices themselves do not indicate a *shortage* of a good, but only a good's *relative scarcity*. Is there a shortage of Rolls Royce automobiles? These cars cost over $400,000. They are scarce but there is no shortage. The quantity demanded for a Rolls Royce is relatively low on account of its price. Most people prefer to pay 90% less for an automobile and allocate the savings elsewhere. Suppliers of Rolls Royce automobiles cater to wealthy people who want the status, quality, etc. associated with owning a Rolls Royce. More cars could easily be produced, but the manufacturer chooses to restrict the supply and maintain the car's elite status and his market niche.

Ultimately, the only resource that is truly scarce is the human mind, and the wonderful ideas that it develops. LIEs and socialists, among other liberal groups, are the predominant threat to humanity and civilization. We must be careful to avoid the tragic pitfalls that their understanding, and instead embrace informed, free-market alternatives.