

[A little detail about the Simon Ehrlich bet](#) [1]

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Tyler Cowen [is recommending](#) [3] a new book about the Simon Ehrlich bet on prices of natural resources in the 1980s. Given my background in the weird metals business thought I'd add the trivial details of why Simon won. No, not the general economic principles of substitution, greater efficiency of extraction and so on, but the real reasons, in detail, for the win. The bet was about these metals:

Copper, chromium, nickel, tin, and tungsten

Simon won because copper, tin and tungsten went down by more than the other two went up. But why did those three fall in price? You can track the prices [here](#) [4].

Copper dropped in price in that decade because we worked out a new method of extracting copper. Before the 80s all copper was extracted from copper sulphides. Then someone worked out that a technique used on some other metals, solvent extraction and electrowinning (SX-EW), could be used on copper oxide deposits. Now we always knew that there were mountains (and quite literally mountains) of copper oxide lying around but we didn't know how to get the copper out of them. Now we did and the first plant entered service in 1982. It's not too much of a stretch to think that given a new method of processing entire mountains that the copper price was going to fall. Which it did indeed do.

Tin was a more interesting case. Under the usual UN agreements that we must try to plan everything there was something called the International Tin Council. This tried to manage the world tin price so as to be "fair" to everyone. Not surprisingly, given the concentration of interest, the producers dominated and so the tin price was kept very high. This increased demand and the tin price started to fall at the end of the 70s. The ITC kept buying in tin to support the price and thus went bust in 1985. Yes, we had the collapse of a producer cartel.

Tungsten, that was a combination of China opening up and the collapse of the Soviet Union. Both led to floods of material out of both countries depressing the price.

This is not to say that Simon just got lucky in this particular decade (as many supporters of Ehrlich try to make out). Rather, that Simon's bet was really that these sorts of things do happen. New technologies are found, market inefficiencies are removed, new entrants do come into markets. And they do so consistently enough that long term prices for commodities like minerals do indeed fall. Simon's ultimate point was correct: I'm just providing the proximate reasons for why that is so.

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