Common Error No. 21 [1]

Written by **Dr Madsen Pirie** [2] | Wednesday 30 January 2008

21. We are using up resources for the future; we should all learn to live more simply.

Although it might seem obvious that the supply of resources is limited, and that they grow more scarce as we use them up, this is not in fact true. It costs money to locate reserves of scarce resources, so we tend to search for more as the price rises. In other words, as they grow scarce, we can often establish more supplies.

Furthermore, as materials grow scarce, the price rises and it becomes more economic to mine marginal reserves. Not only that, it becomes cheaper in some cases to use or develop substitutes. As supplies appear to dwindle, so does the rate of use. Instead of the world suddenly waking up one morning to find the last ounce of aluminium gone, it turns gradually to glass filaments and to carbon fibre as substitutes. New methods of extraction and reclamation become economically viable. The question is whether our development of new sources and substitutes is faster than our use of resources.

There is one reliable indicator. No one knows what new sources will be developed, or how fast our use will be. We do know, however, that price is a guide to the ability of supply to meet demand. Over many years the real price of most commodities (excluding oil) has been going down. This means that they have been becoming progressively more available, and that our relative supply has been increasing rather than diminishing.

We do not have to live more simply. On the contrary, we have to keep on developing new technology to make better use of our resources and to extract from more difficult locations. In this way our relative supply

of them will continue to increase. If we start to "live more simply" we may lose the ability to economize on them and replace them.

blog comments powered by Disqus [4]

Source URL: http://www.adamsmith.org/blog/environment/common-error-no-21

Links:
[1] http://www.adamsmith.org/blog/environment/common-error-no-21
[2] http://www.adamsmith.org/taxonomy/term/5779
[3] http://disqus.com/?ref_noscript
[4] http://disqus.com