

Written by Richard Corin

Tuesday, 10 August 2010 01:56 - Last Updated Sunday, 15 August 2010 22:19

(This is the second of a three-article series. Follow these links for [Part 1](#), [Part 2](#), [Part 3](#).)

Water shortages and declining oil supplies are just the beginning. Once it seemed our world was full of resources and empty of people, but our civilisations have already exceeded the limits of sustainable consumption and are eating into the planet's productive capacity. It is apparent that we are entering an era of resource scarcity which marks the end of the growth economies of the past two centuries. Whether by free market, black market, coupon or privilege, anything in short supply commands a scarcity value. In the context of rising populations and growing demand,

natu

ral wealth

is set to attain unprecedented scarcity.

Natural resources have often been under priced because they are seen as free public goods or even necessities of life, but under valued resources are easily wasted and the effective subsidy transfers wealth from the frugal to the greedy. Failure to adequately price natural resources leads to a *tragedy of the commons*, market failures and, too often, the corrupt privatisation of collective wealth.

Many agree there is a need to ration and price scarce natural resources, but some forget that the free gifts of nature belong to no person more than another. Ethics requires that revenue from rationing natural resources belongs equally to every person. This is equivalent to providing tradable quotas or coupons.

Natural wealth has two main categories, renewable and non-renewable. Where there is a regular ecological surplus, or sustainable yield, some type of *Cap & Trade* scheme is a recommended management tool. Harvesting ecological production (forestry, fisheries etc.) should be scientifically capped for each species at a sustainable yield and the scarcity prices set by appropriate auction. For

non-renewable

resources, however, the overriding goal is to ensure the commodity or benefit is not lost from economical reuse. Rather than capping exploitation, resource royalties should be high enough to eliminate waste. This will ensure high rates of recycling and substitution with renewable

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alternatives.

One unavoidable consequence of reducing the exploitation of nature is that shortages will be more severe in the short term! Unless the proceeds from such rationing creates a more equitable society, imbued with ethical and sustainable principles, advocates of responsible management will only further deprive those who do not profit from the private ownership of natural wealth.

Responsible managers should regulate the supply of natural resources into the economy or else adjust royalty prices to bring demand within sustainable limits. The scarcity value paid by the market will be distributed equally to the people, so no fixed income recipient need fear carbon charges nor higher water prices.

Distributing dividends from the rationing of natural resources does not pay for any labour involved in processing and delivery, but it does allow all individuals to afford their fair share of the natural wealth which can no longer be supplied at minimum cost. In the case of dumping CO₂ emissions, the price of providing the service is zero, so the *carbon price* entirely represents the scarcity value arising from rationing the atmospheric waste dump. In the case of water, there is usually some kind of delivery cost involved – whether it be installing tanks, digging a well, carrying containers from a stream, or paying for dams, reservoirs, pumping and piping – but as soon as a source of natural wealth can be identified as being limited, the supply should be rationed and managed to maintain that resource sustainably for the common good of current and future generations.

What should we pay for “priceless” nature? In *Economia*, Geoff Davies answers: *Whatever price it takes to change human behaviour*

. Whether natural wealth is currently being given away for free or converted into private profit via private ownership, sustainable management will create a scarcity value which ethically belongs to the whole community. A failure to distribute dividends derived from the pricing of natural resources is equivalent to imposing a regressive poll tax.

(As an aside: land is also a natural resource, but, due to the evolved territorial nature of human beings, I would put land reform near the end of a list which has the *management of atmospheric greenhouse gases* urgently at the top.)

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Climate Change is a resource depletion issue, just as much as it is a global management issue. The atmosphere is not privately owned, but is the prime example of a global commons. Getting people to pay for what has always been provided free is *the* crucial innovation for the new era. Paying everyone for their personal share makes charging for greenhouse emissions more acceptable. The renewable wealth of forests would be the next to be managed, followed by the bounty of the seas. For minerals, global royalty rates will increase, to boost the economics of recycling until waste is virtually eliminated. The open seas and atmosphere are clearly *global* resources, but fresh water systems can already be managed at regional scales. However, the scope of “common wealth” may sometimes be disputed, as exemplified by Australia’s Murray-Darling system.

You will appreciate the need for paying resource dividends when you contemplate the rapidly rising scarcity value of natural resources overtaking labour prices on an overpopulated planet. Such a situation would rapidly degenerate into slavery for those who did not profit from the sale of scarce natural resources. It is highly desirable that equitable and sustainable management systems are implemented before the inevitable consequences of exceeding natural limits are unleashed, and **before** extortionate prices associated with scarcity become windfall profits for private owners, to the detriment of society.

In the context of this sustainability crisis, humanity will have to choose whether we believe that “all persons are created equal” with equal rights to access what has been provided for free by nature, or whether we want some to live in guilty luxury hoping the deprived poor will die off, leaving more resources for the rich.

Questions about the fair distribution of the tax burden to fund government bureaucracy should be considered after the distribution of dividends from the rationing of common resources. Bear in mind that a high flat rate of income tax automatically becomes progressive taxation when there is also a substantial untaxed rebate, dividend or *Basic Income* for every person.

Whether populations continue to grow, are stable or decline will also make a big difference. I would rather my children shared natural resources in a world where population slowly declined through a voluntary fall in birth rates. Fertility often reduces without coercion, where social policies provide social security to individuals, together with education, careers, control and choice for women, so I hope that oppressive methods of population control can be avoided everywhere.

Carbon Policy: Part 2: Managing Resource Depletion – beyond climate change.

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The key to a good quality of life will be a plentiful supply of clean energy. Rationing for sustainability will mean higher resource prices and much less waste and extraction of material resources, but their usage and value will be multiplied by recycling, powered by clean energy. Whatever problems people face in this new era, most solutions will require energy. *Build clean energy systems now!*