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Summary

Oregon sustainability advocates are mistaken when they suggest our capitalist economy is unsustainable. Valuable natural resources are more abundant today—not less—because consumer demand encourages technological advances that allow us to use resources more efficiently. Further, free trade generates the wealth that is necessary to reduce or prevent environmental problems even as the economy grows.

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Sustainable myths

By John A. Charles

During the past week virtually every Oregon household has received a tabloid entitled, “Looking for Oregon’s future: What is sustainability?” produced by the Oregon State University Extension Service. The central premise of the tabloid authors is that our current economy is unsustainable because capitalism generates perpetual economic growth, while the world has limited resources.

To support this premise the authors prominently quote from the book, *Natural Capital*, which claims that in the next century the human population will double and resources available per person will drop “by one-half to three-fourths.” These are essentially the same claims made by Paul Ehrlich in *The Population Bomb* and the Club of Rome in *The Limits to Growth*, both published in the 1970s.

However, the predictions in both books turned out to be wrong. Virtually every natural resource with any economic value has become more abundant in the past 30 years.

The most obvious case is oil. People have been predicting the end of the world’s oil supply for over a hundred years. Between 1866 and 1975, for example, no fewer than ten U.S. government studies predicted impending oil shortages. In 1926 the Federal Oil Conservation Board predicted that the supply of oil would last only seven more years. And as recently as 1982 the Union of Concerned Scientists stated, “It is now abundantly clear that the world has entered a period of chronic energy shortages that will continue until mankind has learned to harness energy from renewable resources.”

Actual trends, however, have moved in exactly the opposite direction. World oil reserves today are more than 15 times greater than they were when record keeping began in 1948. Retail gasoline prices are lower now than they were in 1980, adjusted for inflation.

The primary reason why we don’t face imminent shortages of oil or any other resource is that increases in consumer demand are constantly being outpaced by technological advances that either allow for more efficient use of resources, or enable us to completely substitute an abundant product for a scarce product. This innovation is the result of human ingenuity, which is a limitless resource.

This explains why oil keeps becoming more abundant. Last year the Department

of Energy noted, “Despite the fact that the United States is the most mature hydrocarbon region in the world, 11 percent of all the petroleum reserves ever added in the United States (since 1859) have been added in just the last eight years.” Even more importantly, close to 90 percent of this “new” oil came from old fields that were re-opened to take advantage of new drilling and recovery techniques. The “growth” in oil supply has been a case of mind over matter.

What about developing countries? Despite the fact that American citizens are living longer, healthier lives than ever before, sustainability advocates insist that our capitalist economy is not sustainable on a worldwide scale. The OSU Extension Service echoes this view by urging us to “buy goods and services locally.”

However, if the authors are actually interested in a better global environment, then this is the wrong advice. Environmental degradation is greatest in poor countries because they can’t afford such basic services as safe drinking water and sewage disposal. The only way developing countries will ever be able to afford investments in pollution control is through free trade that allows their citizens to generate wealth.

That’s not to say economic development is a completely smooth ride for Third World nations. When countries begin to develop, pollution levels initially rise, making it appear that economic growth is bad for the environment. However empirical analysis by the National Bureau of Economic Research has shown that after this initial increase, pollution becomes disconnected from economic output. Once a critical mass of national wealth is achieved, pollution falls steadily as GDP rises, because countries have the resources necessary to protect the environment.

Ultimately, free trade is the only sustainable economy. We just need to get out of the way and allow markets to work.

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