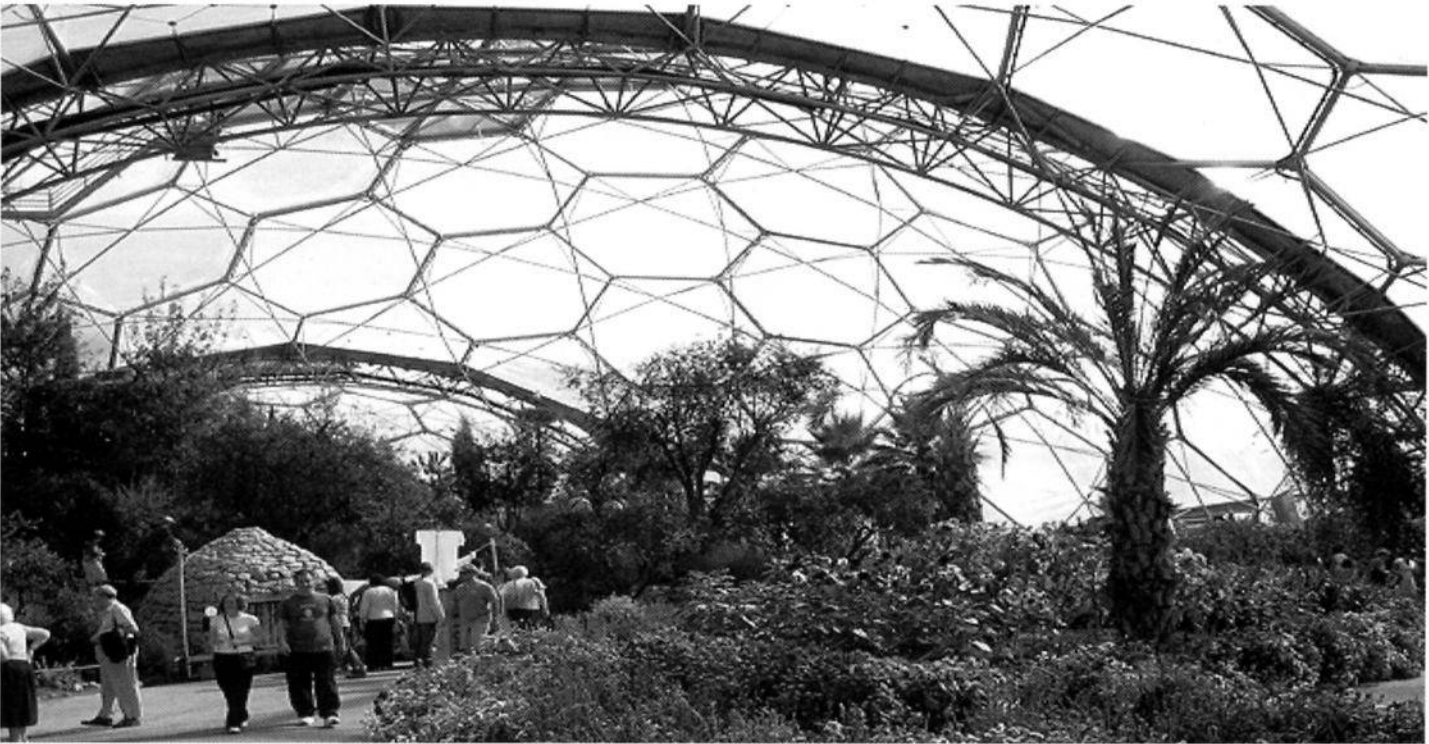


Closed Loop Economics

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The Eden Project is an alluring example of closed loop systems thinking.

Biodomes attract the masses each year to step inside the womb of life - the ability of nature to be self-generating. Autotrophs photosynthesise light and cleanse carbon to catalyse the food chain that all living beings revolve around.

Our question is: has the Eden Project become the autotroph of wealth for the community?

The Eden Project is now established as one of the UK's top 10 tourist attractions. Over a million tourists bring in £100 million per annum to the region. For every one dollar spent at the biodomes, eight dollars are pumped into the local economy (D Kendle, Journal of the Royal Agricultural Society of England, 2003).

St Austell is the neighbouring town. Poundland is the South-West's leading discount retailer. When the CEO Quidsley Montgomery was contacted on why they refused to open up a store in the town following a generous peppercorn lease offer, the response was revealing:

"It was a hard decision for the board to make, but we feel that on the whole the credibility and image of Poundland has to be our prime directive. We feel that St Austell is not on a vector that is compatible with ours, both in terms of aesthetics and ethos. Also we are worried about shoplifting."

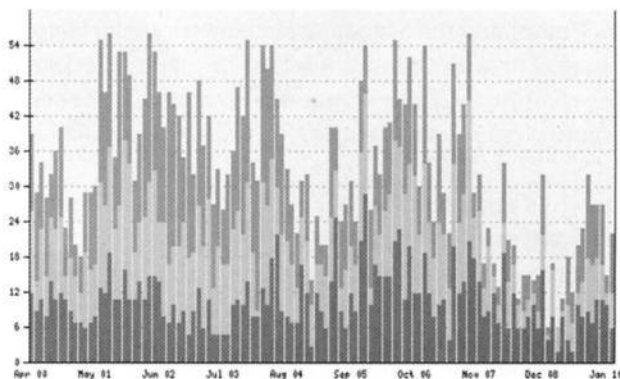
(<http://midcornwall.blogspot.com/2007/05/national-franchise-rebukakes-st-austell.html>)

Shoplifting? Surely with £100m pounds entering the community each year, the money for mass produced monoculture would be no problem?

The disjoint between science, environmentalism and economics reveals the source of the problem.

Not long after the opening of the Eden Project, the volume of property hitting the market boomed in early 2000 and into 2001. This was at a time when the US tech wreck was devastating economies. According to Oxford Economics the hi-tech bust hit the UK harder than the US or Europe in 2001.

St Blazey Real Estate Volumes



Surrounding regions like St Blazey also had larger volumes of property hitting the market at that time than during the boom years of 06-07. Higher supplies should have kept prices in check. Why did house prices continue to accelerate?

Location, location, location.

Today's economic system is reliant upon speculative boom-busts, closely followed by the digging up of our precious planet and polluting it at ever increasing rates. In the process there are lamentable leakages that torrent upwards from the community's hard work and into the deepest pockets of the wealthiest people on the planet.

The recent Henry Tax Review discussed this in coded economic language.

With methane burps keeping the scientifically savvy awake at night, how are we to significantly change society's behaviour in a decade?

We need an environmental reminder every time we contemplate a decision. The pricing system must be this message bearer.

We have been trained to glaze over our best weapon - the tax system. 'Tax bads, not goods' is one catch cry. 'Pay for what you burn, not what you earn' is another.

Australia has reduced plastic bag consumption by barely 20% under a voluntary program over three years. Ireland reduced theirs by 95% in 5 months using a 20c eco-tax.

An important comparison, but green economics needs to go further to look at our biggest and most sustainable resource - urban land values.

Prime locations on earth will always become more valuable.

Geonomics, the land based economics system, sees the value of the earth shared amongst all in a sustainable and harmonious manner. Today's ignorance encourages wars by allowing the fruits of the earth to be privatised.

The locations surrounding Eden were no doubt snapped up by land speculators either just before the project was publicly announced or soon after. Once it became evident that the region was booming from tourism, landlord's sold out for no doubt a huge profit.

The community were left behind paying record rents. Solid citizens are forced to consider shoplifting for survival's sake.

Why? The additional income filling workers pockets (90% of workers come from within the locality) allowed landlords to increase the rents on their land. Such is the Law of Rent as defined by Classical economist David Ricardo.

Economic rent constitutes the ability to charge a user of a scarce resource like land any amount above what can be earned off the most marginal land. We have few alternatives but to pay this asking price. "Pay what I say or move to the boondocks!"

Economists prefer the capturing of economic rent for the public good because governments can tax away 100% of the economic rent with no impact on supply decisions. Why? Because the seller still receives the minimum price required to supply the factor. Any price above zero is of benefit to the owner as the supply of land is a given.

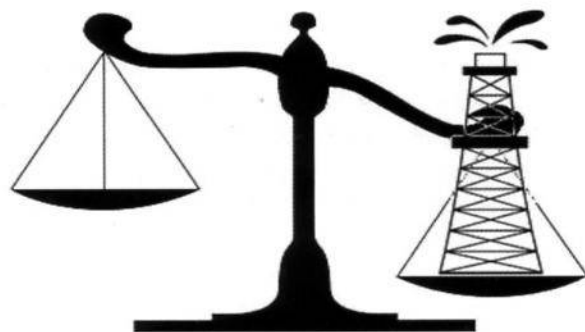
A tax on economic rent (such as Land Value Taxation or a Resource Rents Tax - both strongly endorsed by Ken Henry) is the fairest, most efficient and least distorting tax.

By ignoring the role of economic rent, the divergence of economics from reality has led to today's quagmire.

Take for example Government mandates for Renewable Energy Targets (RET's).

Goldman Sachs are masters in understanding the role of economic rent. Not long after California's announcement for RET's, they were first in line for land leases in the sun-drenched Mojave Desert (2006). They leased not just any land, but the sites with strategic advantage - nearest to power distribution lines.

Then they rubbed their hands together as the inevitable occurred.



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