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# **The Natural Economics of Natural Resources**

**Chairman's introductory remarks**

**Dr Roger Sandilands**

**I**n classical economics "Land" is defined to include the entire natural universe exclusive of Man and man-made products, and thus it includes the sea and the riches of the sea in their natural state.

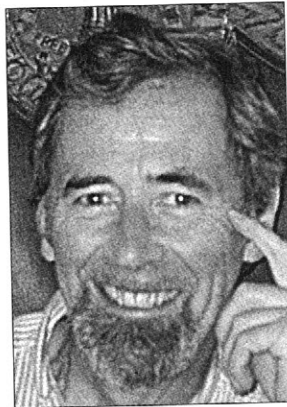
One of the important riches of the sea is of course its fish stocks. Unlike dry land upon which we grow wheat and potatoes or where we construct factories, offices, shops and houses, the fish of the sea do not respect political boundaries. Foreshores may be claimed by adjacent nation states and subject to national regulations, but the fish swim in and out of international waters that are open to the boats of all comers. How then deal with a potential "tragedy of the commons" – overfishing by the current generation to the detriment of our grandchildren? A quota system is clearly needed, but who has sovereignty over the high seas? Who collects the seas' present and future Ricardian rents?<sup>1</sup> Which authority will set and sell or lease the quotas: a fishermen's cartel? the local authorities along the coast? The adjacent nation state? The European Union? The United Nations? How reconcile these competing claims? We look for some answers in the papers presented in this section.

Apart the question of rents from the richer, more accessible fishing grounds, the sea yields rents – sometimes massive – on such resources as submarine oil and tin deposits. Most of these deposits are located within national jurisdictions and the richest, most accessible blocks of the sea bed can be auctioned relatively easily to the highest bidders, preferably on a leasehold basis. Sale of permanent freeholds is the sale of the birthright of future generations to the free gifts of Nature.<sup>2</sup>

The notion of our common birthright to "Land" in its widest sense is the essence of the Georgist message. How in practice to apply this message is what the contributors here intend to help illumine.

### References

- 1 These were defined by David Ricardo (1772-1823) as the difference between the value of what labour and capital can produce at any particular location – be it on dry land or at sea – compared to what a similar amount of labour and capital would be able to produce on the least desirable land that is still worth working on – the so-called “margin of cultivation”. The difference is a pure surplus – just like monopoly profits – over the direct and indirect labour costs of production. It is a payment that equates land's fixed supply with the high and rising overall demand. Since land is fixed and immobile (unlike labour and capital) its price cannot be bid down by increasing its supply or by moving land that is cheap to where land is expensive.
- 2 The grant of freehold would be equivalent to the grant of a patent in perpetuity to the inventor of penicillin and his heirs, so that it can be sold at whatever price the market would bear for evermore. Fortunately inventions or discoveries like penicillin can soon be replicated by competitive entrepreneurs, and its price driven down to the labour cost of production. Land has no labour cost – it is the free gift of Nature – but the best locations continue to command a high and rising price “because they ain't making it no more”.



Roger Sandilands is a Reader in Economics at the University of Strathclyde, Glasgow, has worked extensively, as an academic and economic consultant, in Latin America and SE Asia, and is a director of Land Reform Scotland.

His books include *Monetary Correction and Housing Finance in Latin America* (Gower, 1980); *The Life and Political Economy of Lauchlin Currie: New Dealer, Presidential Adviser, and Development Economist* (Duke University Press, 1990); and *Money and Growth: Selected Papers of Allyn Abbott Young* (Routledge, 1999).

Roger claims to hold the only real chair of economics in the UK. The chair was originally presented to Baillie Peter Burt who, in 1906, delivered a petition signed by Scottish local councillors to Lloyd George, Chancellor of the Exchequer, appealing for the taxation of land values.