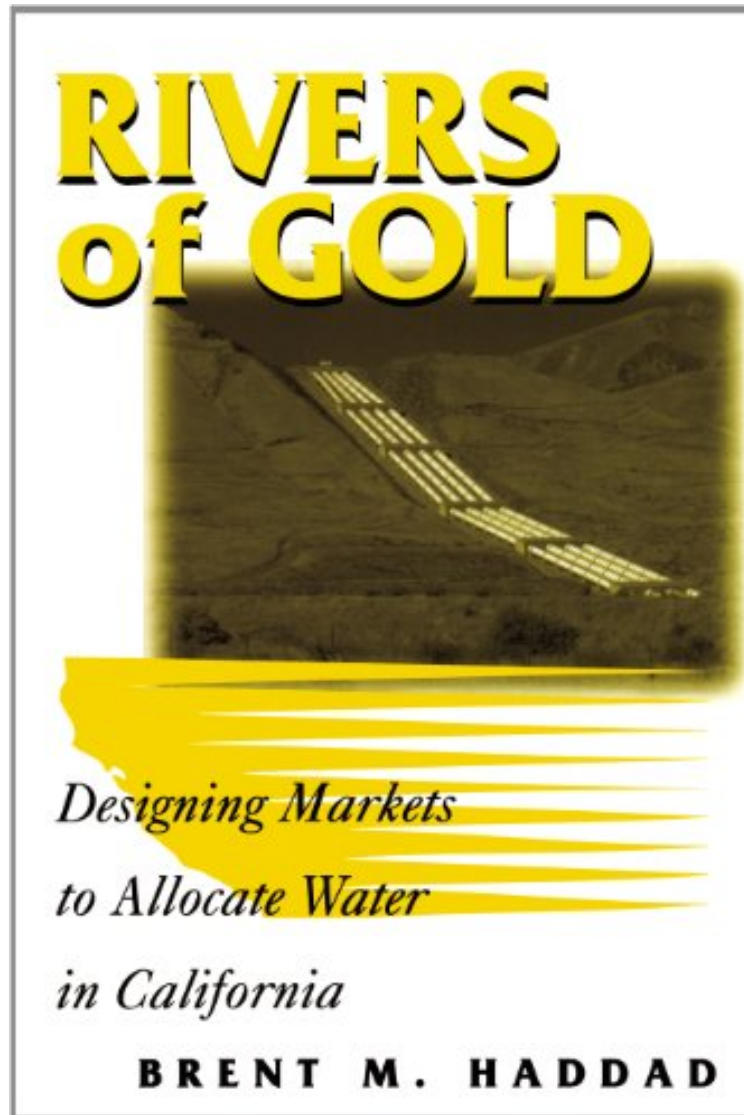


(Ebook free) Rivers of Gold: Designing Markets To Allocate Water In California

Rivers of Gold: Designing Markets To Allocate Water In California

Brent M. Haddad

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Brent M. Haddad : Rivers of Gold: Designing Markets To Allocate Water In California before purchasing it in order to gauge whether or not it would be worth my time, and all praised Rivers of Gold: Designing Markets To Allocate Water In California:

1 of 1 people found the following review helpful. Good History; Hard to Implement By David Zetland[...] I just read Rivers of Gold: Designing Markets to Allocate Water in California, a book that Brent Haddad wrote in 2000. The book is well written with eight chapters and four appendices. Note this book is about long-term trades, not short-term trades. Although I can see some advantages to long-term trades, I favor short-term trades because they lower uncertainty on both sides -- producing more equitable and efficient results. (This is why I think long-term markets are

currently still-born.) The first chapter outlines many themes familiar to readers of this blog (competing interests, the need to manage demand as well as supply, the importance of property rights, etc.) and gives a brief overview of the water situation in other western states. The second chapter discusses the interplay of markets as institutions, government and the complications of treating water as a commodity for sale. Chapter three outlines the different themes in water rights and markets -- public trust, area-of-origin, beneficial use, groundwater rights, sustainability, etc. Haddad also discusses how the erosion of property rights in water has perhaps limited the efficiency with which we allocate it (the tragedy of the anti-commons; also see the second item in the post below.). Chapter four discusses short-term water "markets" in Westlands and the Drought Water Bank of 1991-1992. The DWB failed (as it did in 2009) because DWR applied too many bureaucratic controls. It's hard to apply lessons from Westlands' more-or-less efficient market because it's limited to Westlands. Chapters 5-7 discuss the IID-MWD deal of 1988, the 1992-1994 PVID-MWD following deal that laid the groundwork for their current, successful following agreement) (ironically BurRec spilled MWD's "saved" water when it ran out of storage in 1997), and the Devil's Den-Castaic deal that involved a land-purchase and merger of rights. Each of these deals was "long term" in terms of transfer duration, but they also took ages to negotiate and relied a lot more on faith than robust market institutions. In the final chapter, Haddad discusses the absence of markets in California and gives twelve recommendations on how to make markets work: 1. Consider the scope and direction of water reallocation to be matters of public policy. 2. Design regional water markets around natural and engineering watersheds. 3. Emphasize flexibility in contracting. 4. Retain one-to-one negotiations until a preliminary agreement is reached. [This limits the confusion of trying to be all things to all people BEFORE a basic agreement is in place.] 5. Allow irrigation districts to be full participants in transfers involving their own water. [This refers to the problem of farmers trying to make deals without permission of neighbors who can veto the deal.] 6. Hold parties to a proposed water transfer accountable to other parties in the state. 7. Require a land plan for each long-term rural-to-urban transfer. 8. Provide interested parties with access to water-transfer information. 9. Limit new powers granted to holders of water rights. 10. Return leased water to its original permitted or recognized use. 11. Ensure the neutrality and effectiveness of oversight institutions. [This refers to DWR's favoritism towards SWP contractors.] 12. Manage the market mechanism as if it were a program. Although these ideas sound anodyne, they reflect a reality where many interests can use political tools to interfere with decisions that "seem" merely economic. Perhaps the most depressing section in the book comes in Appendix I, where Haddad recounts the mid-90s enthusiasm of economists and public policy makers who saw markets as a "sure thing." Fifteen years later, they are still far from happening. I think that markets are missing for several reasons: * Some water rights holders (e.g., IID) are dysfunctional, reducing the supply of willing sellers. * Environmental groups are trying to get water with political instead of economic tools, diverting attention from markets. * Urban areas have preferred to build supply (e.g., desalination) rather than buy it, decreasing the pressure to make markets work. * Conveyance is hard to access for political (e.g., Delta) or economic (e.g., Colorado River Aqueduct) reasons, increasing the cost of transfers. Taken together, these reasons (and some I probably missed) have impeded the market-reallocation of water, and I don't think we are going to get such reallocations until the political pain of inefficiency grows large enough to overcome the inconvenience of reforming dysfunctional institutions. (Haddad discusses this need -- without specific suggestions -- in Appendix III.)

Bottom Line: This book is worth reading for a case-study, historical discussion of the failure of water markets in California. It gives useful checklists of what to look for, but it provides no silver bullet. Water markets are only going to happen when the force of political (and economic) will exceeds the resistance from entrenched supporters of the status quo. For the general reader, I give this 2 stars because it's more about case studies in California than "making markets." For the true water geek, I give it 4 stars for its useful and clear discussion of the many issues that may arise in the quest for markets.

0 of 0 people found the following review helpful. Very nicely done By V. Brader A good overview of water markets from an honest broker who sees both sides of the fight and tells you where he comes down on the politics. A must-have for those interested in the attempts at marketing water in the West.

The movement to implement market-based approaches to allocating water is gaining ground across California and in other western states. Proponents argue that markets offer an efficient and cost-effective means of promoting conservation -- those who need water would pay for it on the open market, while others would conserve rather than pay increased prices. Rivers of Gold takes a new look at California's water-reallocation challenge. The author explains the concept of water markets and the economic theory undergirding them. He shows how some water markets have worked -- and others have failed -- and gives the reader the analytic tools necessary to understand why. The book: provides an overview of water-supply issues in California compares the situation in California with that of other western states considers the different property rights regimes governing current use and their fit with water market institutions explains how water markets would work and their benefits and drawbacks as an allocation mechanism presents a series of case studies of water markets currently in effect in California offers a list of principles for water market design Rivers of Gold offers a balanced understanding of both the role that markets can play in reallocating water and the limitations of the market mechanism. In the end, the author offers a comprehensive assessment of the institutional design features that any water market should incorporate if it is to reallocate water effectively, in

California or in any other region where water is scarce. *Rivers of Gold* is the first book to provide a detailed examination of water markets and the institutional design issues associated with them. It is the only book available that presents in-depth case studies of actual water-market transactions, and will be essential reading for water resource professionals and resource economists, as well as for students and scholars of environmental policy, environmental economics, and resource economics.

From the Back Cover The movement to implement market-based approaches to allocating water is gaining ground across California and in other western states. In *Rivers of Gold*, Brent M. Haddad explains water markets and the economic theory undergirding them. It is the first book to provide detailed case studies of water market transactions and the institutional design issues associated with them. It will be essential reading for water resource professionals and resource economists, as well as for students and scholars of environmental policy, environmental economics, and resource economics.