

Move to deregulate California's water

by Pamela Lowry

In what might seem at first to be a strange alliance, California environmentalists and free-market economists have mounted a concerted campaign to sell the state's water and food supply to the highest bidders. Not content with the devastation wrought by deregulating the nation's trucking, airline, and banking industries, these economic sages have seized on California's worsening drought as a rationale to deregulate farming and water distribution. This, at a time when a large proportion of the nation's food supply is jeopardized by state and federal cutoffs of water to California farmers, who this year will probably have to idle over 1 million acres of farmland in the Central Valley alone.

While the California Farm Bureau and a new industry-based group called "Californians for Water" are pressing for the construction of new water projects, the environmentalists and free marketeers are constructing new and deadly definitions of "value." According to Edward Lazear of the Hoover Institution in Stanford, "A resource should go to the individual who values it most."

Is the resource valued because it helps sustain life or expand production? Of course not. Lazear explains that most urban Californians are *willing to pay 5¢* for the five gallons of water it takes to flush a toilet, but no rice grower could ever *afford* to pay 1¢ per gallon. "This means that rice growers in particular, and farmers in general, do not value the water as highly as household users do."

The solution, says Lazear, is to cut agricultural water use to prevent the many millions of dollars of damage each year to landscape and other urban property. "While residential gardens may seem less important than agriculture, money is actually saved by sacrificing some agriculture and maintaining residential gardens." A saner approach is provided by Chris Hurd, a farmer in the fertile Central Valley, who commented, "People in cities have got a tough row to hoe, just like we do. But they have to realize if we're going to produce cheap, safe food for the nation, we need water."

Selling less for more

The targets of these purported economic theories are both California's high agricultural productivity and its farmers' historic legal rights to water. Responding favorably to Lazear's proposals was Gary Galles, a professor of economics

at Pepperdine University, who wrote a letter to the editor of the Feb. 13 *Los Angeles Times*. When there are different prices for water, says Galles, farmers, who are "heavily subsidized," will act as if their water is worth less. Therefore, "this means that there is the basis for mutually beneficial trade (between farmers and cities) that would reflect the true value of water and move it from lower to higher valued uses."

Galles sees an important difference between a drought and a water shortage. "A drought simply means that there is a reduced supply of water available. A water shortage is an artifact of government policies that have long refused to allow water prices to communicate that fact to users, resulting in the fact that we wish to use more than is available." In other words, a scarce commodity which just incidentally happens to be necessary for life should cost as much as the market will bear.

In the same letters to the editor column, R. William Robinson, of the Upper San Gabriel Valley Municipal Water District, proposes that "we need to establish a cooperative multiple-listing service to transfer water leases and water rights among *high bidders*, which apply water to areas of highest economic benefit."

The environmentalists apparently do not mind this version of greed for profit, which they have traditionally assailed as leading to environmental pollution. "A lot of these crops are low value," says John Krautkraemer, a lawyer with the Environmental Defense Fund, which has been arguing for economic incentives to encourage farmers to sell their water rights to urban users. "This would not be taking place if we did not have subsidies or water rights that were decided a long time ago. If alfalfa is really that valuable to farmers, then they should be willing to pay more for water. It makes sense when you have a valuable resource like water not to be giving it away."

Cutting the milk supply

Alfalfa is a special target, because it is the crop requiring the most water input, except for rice. Last year, more than 20% of California farmland was planted with alfalfa, which used 16% of all available water. Yet alfalfa is used for hay, which is essential to the state's \$2 billion dairy industry, which is second only to Wisconsin's. It is not economical to import hay from distant states, because the added cost would have to be passed on to the consumer. Either that, or the farmer would be forced to add it to his already overwhelming indebtedness. But alfalfa is not only crucial for livestock feed; it is a nitrogen-fixing legume which is an important rotational crop that replenishes nourishment in the soil.

Farmer Fred Starrh of the agriculturally productive, but now water-starved Kern County, will plant only one of his usual seven crops of alfalfa this year. "Strangely enough," says Starrh, "cows who eat hay make milk for kids in Los Angeles. I don't think we're growing something the public doesn't want."