

# Water, Water Everywhere

And not a drop for free?

**N**othing quite defines Chicago for the first-time visitor like the skyline and ocean-like Lake Michigan. Closer up, residents see the individual architectural gems, neighborhoods and expanses of parkland and more water—the Chicago River, Buckingham and Millennium Park Fountains and boat harbors that dot the lakefront.

The city's history has been inexorably linked to water—the initial “draining the swamp” (one person's wetlands are another person's swamp) to produce dry land east of Michigan Avenue, reversing the flow of the Chicago River in 1900, the S.S. Eastland tragedy in 1915 and the Great Chicago Flood of 1992.

For the Earth as a whole, the supply of water is finite and fixed. But through engineering and scientific advances, such as drilling and catchments, building dams and locks and water treatment and purification processes (including desalination), we have been able to move water from Place A to Place B, or convert it from Use X to Use Y, thus increasing its effective supply. For the most part we have adapted nature's supply of water to our preferred uses, rather than the other way around. And in reality, we potentially have more water available to us today than ever before.

The application of economic principles in our quest to husband our water resources has been and can continue to be a positive complementary component. For economists, it is largely a matter of applying technologies, striving for efficiency, recognizing tradeoffs (when Lake Michigan water levels are low some think of it as a problem while others see it as larger beaches) and using prices and incentives to expand and conserve water, just as we would for other scarce resources. Thus “shortages” are more likely temporary and a matter of poor pricing decisions rather than any actual long-term shortfall or any inevitable depletion of this vital natural resource.

“The economics of water” is perhaps more complicated because it is a resource with so many competing uses: we can drink our eight glasses a day as well as cook with it, clean our dishes and ourselves, wash our clothes and the car and water the lawn. There are familiar recreation uses—boating, fishing, swimming or just letting our children play in the sprinkler on a hot summer day. Water allows us to transport goods or people, fight fires and generate hydroelectric power and carry on vital industrial, agricultural and medical functions.

Water also has the power to kill—tsunamis, hurricanes and ordinary drowning accidents. (Lifeguards and stringent controls over beachgoers at Chicago beaches likely reduce the number of drown-

ings, but at a cost of reducing the pleasures of unconstrained swimming and play, thus trading off fun for safety.)

We almost take for granted the allure of the Trevi Fountain in Rome, watching the Seine as it meanders through Paris, witnessing the power of Niagara Falls and reveling in the mystique of the Amazon. For centuries, people have chosen to settle near rivers and oceans. In earlier times, without the contemporary transportation alternatives, water was necessary for hauling goods and soldiers.

But even now, in a service economy where computer blips can move money and memos, probably 60 percent of the U.S. population still lives within 50 miles (80 kilometers) of an ocean or the



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Great Lakes. And property values, reflecting market supply-and-demand conditions, are much higher for land in close proximity to a body of water. Water provides benefits we not only value, but are willing to pay for. Thus if we're willing to pay privately, there is no reason not to charge for its uses and benefits publicly, as unpleasant a prospect that might be to some. (If we charge for parking on the lakefront, why not assess a fee to use the beach areas? Evanston does.)

It is critical in our public-policy decision-making that we respond appropriately to the overall preservation of our water resources, not micro-manage or to give in to political interest groups with their personal agendas, and to distinguish between the serious, innocuous or petty, and the truly harmful. Metering water usage whenever possible is an example of the first type; regulating water flows in shower heads and toilets, worrying about evaporation from fountains, and taxing bottled water illustrate the second. Wasting water and energy by subsidizing ethanol production—a gargantuan consumer of water—and encouraging us to grow our own food on small urban plots fall into the last group. □