

# All the Water in the World

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## Summary

by Roger Bate

Every year the United Nations declares a World Water Day, and every year we hear alarming forecasts that the world is running out of water; the result will be wars—and the poor will suffer most. The UN claims that by 2025, 2.7 billion people will face severe water shortages. The prime reason for such expected shortages is mismanagement of water resources. Mismanagement, especially in agriculture, is largely the fault of centralised control by government officials. Water is often underpriced, leading to wastage and poor conservation, and even on the rare occasions when government planners have increased water prices to a best estimate of efficient levels, they have proved incapable of tracking changing demand. The resulting inflexibility means that water is inevitably wasted, especially in the agricultural sector, which uses most of the world's fresh water. An indirect result is that hundreds of millions of people are without access to clean water.

There are typically no financial or political incentives for governments or other providers to introduce supplies for the poor, particularly new migrants with no political power base, nor are there incentives to reduce wasteful usage by powerful political interests. Conventional public goods argumentation, which presumes that only government can supply water to those who need it, has inadvertently provided a rationale for governments to manipulate this resource, which it typically has a monopoly over, for its own political ends.

*Roger Bate*

Markets, in which individuals (or corporations and municipalities) trade their entitlements to water introduce flexibility which reduces waste, allowing fairer distribution, more rational development of new resources, and therefore smaller environmental impact. Furthermore, as buyers and sellers will only trade where there is mutual benefit to both, markets can build relationships between natural enemies: ironically, competition may replace conflict.

There are inherent political conflicts across national borders and this study does not analyse such international issues. Conflict resolution is obviously vital but the contribution of this book is to point out how to reduce internal conflict through market mechanisms. The book focusses on countries that have allowed and encouraged water markets to develop, and the ensuing benefits to their populations. Given the importance of institutions in the development of markets, the study begins with an explanation of how institutions governing water use have developed (which is discussed in most detail for South Africa) and presents a comparison of the main markets for water. The focus is on semi-arid countries (those with the least available supply), like Australia, from which the rest of the world can learn lessons about how to manage the resource. Conclusions from the comparative study are discussed, focussing on how developed water markets can improve water allocation efficiency. Lastly, the study discusses briefly how its findings can be applied to those countries most in need of water market development.

## **About the Author**

Roger Bate is a Resident Fellow at the American Enterprise Institute, Washington, DC. He researches aid policy in Africa and the developing world, evaluating the performance and effectiveness of USAID, the World Bank, the Millennium Challenge Corporation, NGOs, as well as other aid organisations and development policy initiatives. He writes extensively on topics such as health policy and endemic diseases in developing countries (malaria, HIV/AIDS); water policy; international environmental and health agreements (industrial chemicals, climate change, and water); and genetically modified organisms and pesticide policy. Mr Bate's writings have appeared in, among others, the Wall Street Journal, the Financial Times, and Economic Affairs, and he regularly contributes to AEI's Environmental Policy Outlook and Health Policy Outlook series. Before joining AEI, Mr Bate founded the environmental unit at the Institute of Economic Affairs in 1993 and co-founded the European Science and Environment Forum (1995–2001). He has also served as both a director and fellow at the International Policy Network in the United Kingdom.



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