

WATER AND PRIVATIZATION

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It is often argued that the most efficient solution to the challenge of providing water to all people is to employ a paradigm that recognizes water as a good and service to be priced by market mechanisms. But many conventional economic models fail to see water as the natural birthright of all people. To reconcile these positions, one needs to step back to a framework of thinking arising from 19th century classical economics. Renewed interest in these, especially by environmentalists, offers a way of resolving distributive justice with market efficiency.

If you search on Google the words "economic justice," it brings up first the work of the Banneker Center and associated sites that rely on a social philosophy especially applicable to questions about the ownership of nature and its services. In recent years it has been argued that only the privatized free market is capable of allocating resources in an efficient manner, regardless whether these goods and services are the product of individual and corporate industry or the bounty and heritage of all people. If you believe that the goods and services of nature - its air, water, land, mineral wealth, and the spectrum of radio waves are all the birthright of all people, and ought not to be captured for private gain by any quarter, you will easily subscribe to this philosophy. Known as geonomics, or sometimes Georgism, it grows out of 19th century classical economic theory, and its greatest exponent was the self-taught journalist and economist, Henry George.

Georgist ideas have tantalized thinkers the world over for a century - its advocates include John Dewey, Winston Churchill, Sun Yat Sen, Theodore Roosevelt, and Robert Hutchins. Today proponents run the gamut from Molly Ivins and Michael Kinsley on the left to William Buckley and Stephen Moore on the right. But only recently, with the advent of data availability and increased computer power, is it possible to demonstrate that Henry George was right: i.e. that taxing what he called "land" - really meaning all natural capital and resources rather than labor or human capital - constitutes the best possible tax design we could have. If these natural resources are a "commons" worthy of being preserved as the birthright of all humanity, their use can be rented at rates sufficient to cover the costs of not only the provision of those services but for all public needs. All taxes are ultimately shifted through the economy to rest on what classical economists call land rent in any case, and levying the taxes directly on rent improves efficiency by eliminating "deadweight loss." Moreover, taxing or collecting what classical economists call economic rent bears all the hallmarks of a perfect tax - fairness, simplicity, stability, administrability, neutrality, and efficiency.

Appropriate designs of water pricing should involve ownership by the public as part of the commons, but use and accessibility should be the basis of its rental fees. Doing so

would ensure that heavy users like industries and agriculture would likely pay more and households would pay but little. There are ample practical examples of such designs, particularly the irrigation works of California in the early 20th century, and one can look to classical civilizations like Egypt and China for successful examples as well. Sadly social philosophy has moved away from recognizing formulas that appreciate the concept of economic rent, which thinkers from Adam Smith to John Stuart Mill made central to their thinking. Reincorporating rent payments for the services of nature can insure their continued preservation in conformity with economic justice as Henry George first envisioned. For more on this approach, some by this writer, see the search engine www.askhenry.com and writer's article www.cooperativeindividualism.org/batt_railroad_1.html.

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