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Review: Water Resource Economics: The Analysis of Scarcity, Policies and Projects

By Ronald C. Griffin

Reviewed by Ryder W. Miller

San Francisco, USA

Ronald C. Griffin. *Water Resource Economics: The Analysis of Scarcity, Policies, and Projects*. Cambridge, MA: MIT Press, 2006. 402 pp. ISBN: 0-262-07267-X (trade cloth). \$US50.

Ronald C. Griffin, an economics professor at Texas A&M, gives a fascinating and in-depth description of the field of water resource economics. The book is not an introductory economics text and requires the reader to have some college level skill with mathematics. But even for those who do not, the work abounds with fascinating ideas and ruminations on the water marketplace.

Griffin writes: "The mounting problem of water scarcity asks that we sharpen our wits. This is the task to which this book is devoted. As testified by the foundation of expanding literature on which this book is built, this text is neither a first nor final step...Water resource economics performs strong service by pinpointing many opportunities for bettering water management" (pp. 374-375).

Each chapter sets a fascinating framework for the applied mathematical tools that will follow. Griffin shares a whole new language with terms, definitions and concepts, and seeks to make the field of economics more inclusive by introducing key ideas. However, one must read carefully to follow the sophisticated intellectual and mathematical tools he presents. Chapters expand the theory to encompass time-defined matters such as ground water depletion, and discuss such subjects as institutional economics, water law, how economics is used in policy and cost-benefit analysis, the roles of water marketing and water pricing, demand and supply estimation, privatization, and modeling with demand and supply functions.

Griffin argues that water still needs to be managed as a public right, rather than a commodity because the wonders of the market place cannot be depended upon for this necessary resource; if water decisions were relegated to the free market certain groups are bound to suffer or not be represented. "Things are not as rosy as we would like. There are obstacles to overcome. In particular, private water rights must be carefully defined, well administered, and thoughtfully limited if water markets are to serve society. It is not enough to simply define water rights and "let the market work." The concept of a 'free market' advancing economic efficiency is too superficial in most situations. Continued public sector participation is required if water markets are to improve economic efficiency" (p. 204).

But he acknowledges the problems with public management of water as well: "...both private and public systems are capable of being inefficient. "A recognition of this fact should motivate the constant search for improvement opportunities by management personnel with both types of organizations" (p. 347).

Water Resource Economics presents an opportunity to understand the economists who have had a profound influence on the environmental field. The story of how water plays out economically is both complicated and involved. Griffin gives the reader the chance to understand the economist's language and concerns.

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