

Water Shortage?

by John Cobin, Ph.D. for *The Times Examiner*
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My mother lives in Cambria, California. The community of 7,000 people, locally captioned as “Pines by the Sea”, lies nearly equidistant between Los Angeles and San Francisco. Hearst Castle is situated six miles to the north, as well as the rest of scenic Hwy 1, making Cambria a charming place for tourists and retirees. Of course, families with children live in Cambria too, many of whom work in service industries. Indeed, people like to live in Cambria. However, affordability is a stifling barrier. Cambria is expensive real estate.

To look at the surrounding area, one might wonder why land and homes are so expensive. Seemingly endless miles of ranches and lovely open spaces abound near Cambria. Surely, increasing the supply of available lots for sale, and pushing up supply to meet demand (thus lowering prices) would *not* be difficult. But government planners have failed to increase the supply of building lots. Therefore, home prices are rising. A new wood-framed, three bedroom home of 1,600 square feet on an average lot cost \$220,000 five or six years ago. Today the same home fetches nearly \$500,000. People in thousands of other parts of the country stand amazed, since the same home might cost under \$100,000 in their communities.

Where are the suppliers of buildable land? Why are they not rushing to meet consumer demand in this so-called market or capitalist economy of ours? The answer is that they are ready and willing but the local socialist planners and political favor peddlers have artificially restricted the supply. Anyone with simple economics training knows that restricting the supply of any good, including land, causes its price to rise, *ceteris paribus*. Economists also refer to this sort of activity as “monopolizing” behavior. But why do we need government planners to cause monopoly pricing in land? The response is that we do not. Government planners insist the problem is not with them, but that the market has “failed” to do its job in a socially-efficient manner. Hence the government must step in to correct the market. It must find a way to solve the problem that markets (and the potential influx of people) cause.

Just what problem has arisen to cause Cambria’s public policy of restricting land use? Well, if you ask local officials, they will tell you there is not enough water to go around. There is a water “shortage.” If more people are allowed to build homes, then there will not be enough water for anyone. But is this really the case?

The fact of the matter is that anyone with two eyes in his head can look due west in Cambria and spot one of the world’s largest supplies of water: the Pacific Ocean. While ocean water is not potable, it can be made drinkable by using efficient, modern desalination techniques. In fact, such desalinization is effectively being used now in Israel and other areas of the Middle East. But isn’t desalinization expensive? Yes, if one compares the process to hooking up to city water or digging a well. However, desalinization is relatively cheap compared to the cost of more-than-doubling one’s housing expense. Dr. Julian Simon correctly argued in *The Ultimate Resource 2* that current desalinization technology costs a typical family about \$500 per year where it is being utilized.

Of course, we all know the trend of technology prices. They move down (constantly), never to rise again in the market. Remember how much you paid for the Pentium 1 chip in 1994? Where is it now just ten years later? Your Ford Pinto (cheaper than your Pentium 1 in 1994) would have depreciated less and more slowly! Today, you would have difficulty selling that Pentium 1 on eBay for a buck!

If more building lots were made available for sale in Cambria, and real estate developers were required to install adequate desalinization facilities with the development, the problem would

be solved. Large-scale developers would install efficient desalinization plants for thousands of homes rather than individual ones. That activity makes the process more efficient and cheaper. Thus, the most a family would ever expect to pay for unlimited fresh water is the current world price of \$500 per year. Given the choice of paying either \$500,000 for a home, or \$220,000 (or less) plus an extra \$42 per month added to their water bill, which option do you think newcomers to Cambria would pick?

Are Cambria's central planners all so fatuous that they cannot see the abundance of water beside them? There is no water shortage! Maybe some planners are just ignorant. If so, a little education might go a long way to helping them genuinely serve the "public interest".

Or maybe planners are pandering to special interest pressures. What special interests? Well, homeowners for one (including the planners as homeowners). How many Cambrian homeowners (who have reaped monopoly price appreciation) would be willing to lose more than half of their home's value by debunking the fictitious water shortage idea? Another interested group would be those residents of Cambria who prefer to limit the number of people in town. They might value small town living or a more bucolic lifestyle. You see, sometimes economic efficiency doesn't sound so good when one has something to lose. In the market, residents with such preferences would have to buy up adjacent land themselves and maintain its rural character in order to limit growth. But most "concerned citizens" will find that enacting restrictions through the political process is a much cheaper way to serve their needs and get their way.

Again, there is no water shortage in Cambria. Indeed, there is NO water shortage anywhere (1) that human beings want to live and (2) when they have unrestricted (by government) means to develop water resources. That fact does not mean that water will be as cheap in Death Valley or Phoenix as it is in Asheville (North Carolina) or Seattle. It simply means that water will be available at the most economically efficient price wherever it is supplied. And people who choose to live where water prices are high will do so because they perceive greater benefits in other aspects.

In sum, Cambria has neither a shortage of ignorant government planners, nor a shortage of self-interested government planners. These planners are responsible for perpetuating water shortage myths, ruses, and chimeras to create fictions about market failure and a bogus paucity of resources. What Cambria has in abundance is silly planners and favor peddlers, coupled with a shortage of economic sensibility.

Cambria is not unique. Other communities suffer from similar government maladies, and a little reflection will reveal that these same Cambrian phenomena are occurring in them.