

## Special issue on water economics and policy

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This special issue of the *Australian Journal of Agricultural and Resource Economics* contains papers that address a wide range of economic and policy issues involving use and/or conservation of water. Around the world, water allocation has become a significant policy issue in recent years, and agricultural and resource economists have responded with increased contributions to the policy debate. With this in mind, the editors decided to invite submissions of water-related papers, which ultimately led to this special issue.

The countries represented as subjects of the various papers are Australia, New Zealand, Italy, Spain, and, if we consider the two book reviews, Chile and the United States. Most papers have an Australian focus. Byrnes *et al.* (this issue) note that:

Water reform in Australia is attracting international interest and has been applauded by several observers. For instance, Saleth and Dinar (2004, p. 173) contend that “[t]hese [policy] changes further enhance the role of economic instruments and market-based water allocation procedures while also improving the physical health and sustainability of the water sector in Australia”. Similar acclaim appears in *The Economist* (2003, p. 13) where Australia was described as “the country that takes top prize for sensible water management”.

Nevertheless, it is clear from several papers in this issue that there is plenty of scope for further improvement within Australia. For example, the above comments relate primarily to reforms in agriculture, rather than the urban water sector, for which there is much less reliance on markets and prices.

We learn from a number of these papers that market approaches are still not the chosen policy response, not only in the Australian urban context (Cruse), but also for irrigation water in other countries (Pujol *et al.*). The experience of Australia’s irrigation sector shows that this can change over time.

Change has also occurred in the level of community concern about environmental issues related to water. Cullen *et al.*, for example, document community concerns about declines in the quality of water in lakes, rivers, streams and groundwater of New Zealand.

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Other issues addressed in this issue include: trade-offs between economic and environmental outcomes from water management (Nordblom *et al.*), water pricing (Brennan), water allocation between competing uses (Coram), the operation and impacts of water markets on third parties (Heaney *et al.*), variability in water supply (Freebairn and Quiggin), urban water demand (Hoffmann *et al.*), and policy options around water rights (Quiggin). Although the focus of most studies is regionally specific, we believe that they all contain lessons of broad international relevance.

Despite the diversity of the studies, one message comes through consistently and clearly: that economic analysis provides powerful insights that are useful when considering water policy. We hope that this special issue will be of interest, and of use, to many readers.

### References

- The Economist (2003). Survey: Liquid assets, *The Economist*, 19 July 2003, 368(8333), 13–15.
- Saleth, R. M. and Dinar, A. (2004). *The Institutional Economics of Water: a Cross-Country Analysis of Institutions and Performance*, Edward Elgar and the World Bank, Cheltenham.