

A two-faceted vote on reclamation law

by Glen Mesaros

Land reclamation has become an intense political issue in the United States: that is, the role of the federal government in providing low-cost water in order to capture, or "reclaim," arid land for productive use.

House and Senate agricultural committees this year passed long-awaited reclamation reform bills, and on May 6, the House bill, H.R.5539, was voted up on the floor by 228 to 117. Both the House and Senate versions trade increased flexibility on the acreage limitations which are eligible for subsidized water, in return for a precedent-setting two-tiered water-pricing system intended to achieve full "cost recovery" to the federal government for funds spent on reclamation projects.

The BuRec

At issue is the role of the Bureau of Reclamation, which since its inception in 1902 has administered those projects in 17 Western states, and in large part fostered the modern American agricultural miracle. The BuRec, as farmers refer to the agency, built the Hoover Dam, which created the agricultural wealth of the magnificent Imperial Valley in Southern California.

The Bureau has generated economic activity which would not otherwise exist—in the form of flood control, irrigation, hydroelectric power, potable water, and recreation. Therefore, what free marketeers characterize as a "subsidy" to farmers in the form of cheap water for irrigation is no such thing, but rather an investment in the well being and productivity of the entire country. The 1902 law thus predicated its water-pricing structure on the "ability to pay" of farmers using the water.

The mandates of the BuRec are under attack by a familiar combination of radical environmentalists, who oppose high-technology farming, and free-marketeers, who oppose federal subsidies. The environmentalists have sought to enforce the 1902 law limiting the size of farms qualifying for BuRec water to 160-260 acres (at the turn of the century a well-sized farm), although farmers could lease far more land in other irrigation districts without forfeiting the right to subsidized water. In 1976, a federal court ruled in the environmentalists'

favor, and the Carter administration tried to enforce the 1902 limits.

The House bill now specifies total allowable BuRec-watered land at 960 acres, in all districts. The Senate bill, S.1867, allows farmers to own up to 1,280 acres and lease another 800 acres for a total of 2,080 subsidized acres. In addition, both bills reject residency requirements, i.e. the environmentalists' demand that the farmer live on the land in question.

The 'cost-recovery' question

While the "greenies" have been set back, the free-marketeers have made gains. The new bills specify that farmers whose acreage exceeds the limit may still purchase water—but at "full cost-recovery rates." The bills also eliminate any ambiguity about subsidized water itself: "the price of project water . . . shall be at least sufficient to recover all operation and maintenance charges which the district is obligated to pay the United States."

These provisions accordingly establish a two-tiered pricing system, which one water lobbyist in Washington described as a potential "nightmare" to regulate. The two bills also differ on full cost recovery, as the House bill stipulates payment according to interest charges on government issues at the time of construction, but the Senate version wants to pro-rate *current* higher interest charges into the formula.

The Senate bill also has a "snap-back" clause imposing the higher rate on *all* water bought for farms exceeding the acreage limit. That would mean a permanent gap between 7,000 to 10,000 acre farms, which could afford the higher rate due to economies of scale, and 2,000-acre size farms which would be subsidized, prohibiting any middle ground.

Representative Tony Coelho (D-Cal.), who helped work out this compromise, estimates that the non-subsidized water would jump from \$18 per acre-foot to \$40 per acre-foot in the Westlands Irrigation district in California's Central Valley, which contains 480,000 irrigated acres. Irrigated agriculture in California produces 50 percent of the U.S. fruit and vegetable crop.

At this point, the bills contain wording that allows districts to remain in their old framework, although this is not likely. The House also attached three conservative amendments which need to be scrutinized for their impact, should they survive the future Senate/House Conference Committee.

Water lobbies support bills

Under fire of the Malthusian attacks on "rich farmers" who produce "luxury crops," most Reclamation lobbyists support the pending legislation as the best deal they can get. They especially seek a stable system of acreage flexibility, in order to avoid costly litigation

over leasing rights, which erupted after a federal court upheld the 160-acre limit in a 1976 ruling.

However, nobody really knows what impact the new price structures will have, since each district has different formulae corresponding to the initial cost of reclaiming the land; districts also differ according to whether they produce wheat or vegetables, in terms of the crop prices.

The only thing that is clear is that most farmers will end up paying a lot more for their water, on top of already astronomical interest rates and low crop prices. And contrary to what the "free market" mystics predict, enforced water conservation in modern farming systems will only ruin the soil (by allowing mineral salts which should be flushed from the soil to remain), produce inferior crops, and eventually bankrupt the farmer.

Implications

The problem here, as with the totality of jeopardized U.S. infrastructure, is the susceptibility of the Reagan administration and many legislators to Friedmanite economics. The *Wall Street Journal* recently editorialized that a "heavily subsidized water supply encourages waste," in order to justify selling water at Paul Volcker's rate. The "free market . . . and its price mechanism is still the best way to allocate scarce resources," asserts

the *Journal*.

The real waste will be the agricultural sector decimated by these Stockmanite policies. Currently, the Congress is fiddling with conservation measures while the giant Ogallala aquifer underlying the six states of Texas, Oklahoma, Kansas, Colorado, New Mexico, and Nebraska is going dry. Herein lies the potential dust-bowl of the 1990s.

The facts show that all narrow formulae of full cost recovery are free-enterprise gimmicks designed to destroy the nation's vital infrastructure. As Senator Armstrong's testimony shows (see page 59), BuRec programs have historically generated a 3:1 profit ratio, returning \$26 billion from an increased tax base on an investment of \$9 billion in this century. The BuRec puts the ratio at 4:1. The overall solution remains the crash construction of an expanded version of the Parsons engineering company's North American Water and Power Alliance (NAWAPA) (see *EIR*, April 6, 1982) plan for using the Rocky Mountains runoff in Alaska and Canada to provide 350 million new acre feet of water annually to the continental United States. That project, alluded to by Senator Armstrong, could be combined with nuclear power development to lay the basis for an economic boom that would make the Hoover Dam's benefits look small by comparison.

Net increase in business activity, wages, and jobs caused by reclamation projects in 1979

(millions of 1979 dollars)

Type of output	Net value of output	Total tax base		Non tax base items	Total wages and net farm income	Person-years of employment (thousands)
		Personal income	Corporate profits			
Agriculture	8,627.3	5,703.0	893.0	2,031.5	4,841.6	436.8
Net crops production	4,264.7	3,041.5	297.8	925.4	2,523.9	232.5
Livestock	567.4	394.7	34.3	138.4	317.4	29.4
Food processors	3,795.2	2,266.8	560.9	967.7	2,000.3	174.9
Municipal and industrial						
Water	3,566.9	2,277.2	622.8	686.4	2,030.4	176.5
Retail water sales	204.7	104.9	12.4	87.4	34.5	2.0
Output of water-dependent industries	3,362.2	2,172.3	610.4	579.0	1,995.9	174.5
Hydroelectric power	1,765.8	745.1	321.3	699.4	543.5	48.4
Retail sales	1,396.5	524.3	276.4	594.2	189.4	11.2
Output of hydro-dependent industries	370.3	220.8	44.9	104.6	354.1	29.2
Recreation spending	318.3	200.0	34.4	75.9	176.7	16.1
Capital investment	2,284.2	1,490.3	224.9	569.0	1,286.3	108.0
Bureau of Reclamation						
direct spending	860.8	562.9	53.7	244.1	519.0	37.6
Total	17,423.1	10,986.7	2,150.1	4,286.3	9,398.5	815.4

Source: Dr. J. Gordon Milliken, Senior Research Economist for Denver Research Institute.

Sen. Armstrong discusses real cost-efficiency

From a speech by Sen. William Armstrong (R-Colo.) before the Senate Dec. 15, 1981, on the need for water resource development:

When the Federal Government puts money into carefully planned reclamation projects, it is investing in the country's continued prosperity. . . .

Western reclamation projects have already returned more money to the Federal Treasury than they have taken out, and most of these will go on paying for decades. Since passage of the Reclamation Bill in 1902, less than \$10 billion has been appropriated to existing reclamation projects. In only 38 years of that period, from 1940 to 1978, they generated \$25.6 billion in tax revenues. . . .

Wayne Aspinall, former chairman of the House Interior and Insular Affairs Committee, calls Western water the "magic ingredient" that has transformed a once-barren wasteland into some of the richest, most productive farmland in the world, producing a major proportion of some of America's most important cash crops. The return on the agricultural portion alone makes reclamation projects an attractive investment.

From 1906 to 1980, the total gross crop value from lands irrigated by water from these projects was in excess of \$78 billion. Add to that the incalculable benefits which have accrued and will continue to accrue from other aspects of water development—municipal and industrial uses, flood control, energy development, clean and renewable hydro-

electric power, and recreation—and you begin to get an idea of what this kind of investment is worth.

The \$10 billion that has been invested in Western reclamation projects over a period of 80 years has created a productive giant that not only pays back the initial investment with interest, but also generates untold billions of dollars in profits and tax revenues. In 1980 alone, this \$10 billion was repaid in the form of direct benefits. Since 1962, a total of \$100 billion has been repaid 10 times the original investment. . . .

New water, new energy: the future

We need to be developing plans today for solving water problems that are many years down the road. For us in Colorado, that task is all the more difficult due to the complicating factor of energy development and its many secondary impacts. What will our water problems be at the turn of the century? Where will additional water come from? Will technological advances keep pace with these problems? . . . The 20th century is the century of technology, and its history is the repetition of the far-fetched becoming the far-sighted. Even now, futuristic plans are being developed and considered for augmenting river flows by weather modification: harvesting the clouds. Speculation is cropping up again about diverting water from more prosperous river basins—the Missouri and the Columbia—into the heavily used Colorado River system. There is even a study of a mammoth engineering project, to be undertaken jointly with Canada, to sell and export practically untold amounts of water from Alaska and north Canadian watersheds into the American heartland [The North American Water and Power Alliance; see *EIR*, April 16, 1982—ed.]. While the engineers sit at their drawing boards, planning for tomorrow's needs, we must be out in the field solving today's problems. . . .

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