

# News Release

THE FEDERAL RESERVE BANK *of* KANSAS CITY

1 Memorial Drive • Kansas City, MO 64198 • Phone: 816.881.2683

**FOR IMMEDIATE RELEASE**  
**Feb. 26, 2009**

**CONTACT: Tim Todd**  
**816/881-2308**  
[timothy.todd@kc.frb.org](mailto:timothy.todd@kc.frb.org)

## **CAN MARKETS IMPROVE WATER ALLOCATION IN RURAL AMERICA?**

Water, a fundamental component of economic activity, covers three-fourths of the earth's surface, but only 2.5 percent of that amount is considered freshwater. In the U.S., freshwater is relatively abundant, but rising demand and drought—especially in the Great Plains—have left some states with questions as to whether there is enough water to go around.

Jason Henderson, vice president and Branch executive, and Maria Akers, assistant economist, both with the Omaha Branch of the Federal Reserve Bank of Kansas City, examine how the emergence of water markets has affected water rights holders and rural communities in their article, “Can Markets Improve Water Allocation in Rural America?” The article appears in the fourth quarter edition of the Bank's *Economic Review*.

Water markets allow for the equitable transfer of water rights from low-value agricultural uses to higher-value uses, but many rural communities view water markets as a threat to their economic foundation and future growth. Henderson and Akers conclude that other tools, in combination with water markets, might be needed to improve the efficiency of water allocation and to compensate communities for lost economic activity.

The article is available on the Bank's website at [www.KansasCityFed.org](http://www.KansasCityFed.org).

###

