The Economic Value of Water: An Introduction

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This publication provides an introductory look at estimating the benefits of water resources in economic terms. It is designed to provide educators and resource professionals with a better understanding of water valuation fundamentals. While water resources are plentiful in Wisconsin, it is still considered scarce because the supply cannot match unrestricted demand. This is even more so in our modern society where water use has increased the pressure on this resource.

Figuring out how individuals use water is important in establishing the total economic value of water. This is based on two categories: use and non-use values of water. Use values have three aspects:

- Direct use - drinking, waste disposal and industry
- Indirect use - recreation and tourism
- Ecosystem function - sustains environment and other life forms

Non-use value is based on the appreciation of water even when it is not in use and has three main aspects:

- Existence value - individual places value on the fact that water, and the functions it supports, exists; preserve wilderness areas
- Future option value - individual is willing to pay to preserve water as an option for future use
- Bequest value - individual places value on preserving water for future generations to use

Therefore, the total economic value of water consists of the different types of value individuals place on Wisconsin water resources. All of these factors should be incorporated when making decisions in water management policies.