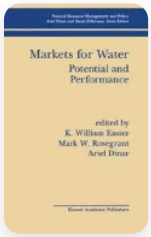
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Economic and Financial Returns from Chile's Water Markets

Chapter

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Robert R. Hearne & K. William Easter

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Abstracts

This chapter builds on the previous chapter and presents an analysis of water markets in Chile with an emphasis on areas of relatively frequent trades. It provides an estimate of the gains-from-trade and focuses on the exchange of water-use rights. This is important because the exchange of water-use rights requires more elaborate institutional arrangements than does a simple exchange of water. The latter, sometimes referred to as a "spot market" or informal market, occurs when the owner of a legal or prescriptive right to a certain volume or flow of water sells a portion of that water, sometimes outside of legal sanction, to a neighbor in a simple transaction. These exchanges are for a finite period of time — sometimes for only a few hours of irrigation. Although the unit of sales may not be metered volumetrically, both buyer and seller usually have good information on the volume involved. A more permanent transaction involves the exchange of the

water-use right itself. This generally requires legal sanctions to maintain the security of the right after the transfer. These transfers are generally permanent, but can be for a finite, but extended period of time — at least one irrigation season. The burden of uncertain supply falls on the purchaser of the right.

This chapter draws heavily on Hearne and Easter, 1997.

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Author information

Authors and Affiliations

International Institute for Environment and Development, 3 Endsleigh St., London, WC1H 0DD, UK

Robert R. Hearne (Research Associate)

Department of Applied Economics, University of Minnesota, St. Paul, Minnesota, 55108

K. William Easter (Professor)

Editor information

Editors and Affiliations

University of Minnesota, USA

K. William Easter

International Food Policy Research Institute, USA

Mark W. Rosegrant

The World Bank, USA
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