



**Date:**

**Thursday, March 25, 2009**

**Time:**

2:55pm - 3:20pm

**Presenter:**

***“Microeconomics of Urban Water Supply”***

William L. Holahan

Professor and Chair, Economics, University of Wisconsin - Milwaukee

This will be a presentation of some of the elements of microeconomics that are valuable in formulating water policy in older cities along the Great Lakes. Due to out-migration, these cities have excess capacity to supply water and face decisions on water pricing, sales to suburbs, and the use of water as an economic re-development tool.

The presentation will begin with demand elasticity. Demand elasticity differs for different uses but is generally far less than one, indicating that revenue increases as price rises. Non-linear marginal-cost pricing of water permits separation of the relatively more essential (low volume, low demand elasticity) uses of water from the more optional (high volume, higher demand-elasticity) uses of water. On the supply side, many sources of water are shared in “common” and therefore unregulated markets will tend to deplete and degrade sources of water at rates greater than the efficient rates. Efficient prices would cover not only infrastructure costs but also the costs of common pool externality and of depletion and degradation.

Reliable water supply serves as a comparative advantage for older cities, a major attractor for business growth as other parts of the country increasingly suffer drought. Because the demand for water is inelastic, the city can increase the revenue from water sales by raising price. The increased revenue can be used to foster a broad mix of residential and business.

**See presenter  
biography  
next page**



### Presenter Biographies:

#### **William L. Holahan**

Chair of Economics at the University of Wisconsin-Milwaukee.

Dr. Holahan earned his B.S. in Physics from the University of Notre Dame and an M.A. and Ph.D. in Economics from Brown University. He has served in numerous University of Wisconsin - Milwaukee faculty leadership positions, most notably chairing the UW System search for UWM Chancellor. His efforts have also contributed to the establishment of two interdisciplinary majors -- Global Studies and Economics/Business/ Mathematics. Dr. Holahan also serves on the founding executive committee and the faculty of the new UWM School of Freshwater Sciences and has served as Associate Director of the Center on Economic Education at UWM

Dr. Holahan has received two university awards for teaching excellence. His teaching-focused research has been ranked nationally among the top fifty in "Ranking Economics Journals, Economics Departments, and Economists Using Teaching-Focused Research Productivity," Lo, et al, Southern Economics Journal 2008, 74(3). Dr. Holahan's research interests are in applied microeconomics and public policy. He has written on social security, spatial pricing, location theory, urban sprawl, negative income tax, environmental taxes, and baseball labor contracts. In addition, he has co-authored two textbooks on microeconomics. His research papers have appeared in numerous journals, including the American Economic Review, the Journal of Economic Theory, the International Economic Review, the Southern Economic Journal, and The Journal of Regional Science.