

## Irrigation—Hydropower's Expensive Partner

A great and often-neglected issue of the times is the development of vast new irrigated areas for agriculture as part of power and water-control projects. Billions of dollars have been and may in the future be poured into these projects. The money comes not only from taxpayers of the affected areas but, in greater amounts, from taxpayers elsewhere in the nation. Mr. Moley has conducted a detailed study of such projects and, in particular, the kind of bookkeeping they involve. In this article, an expansion of his regular column, *Perspective*, he gives his own views on the huge, costly irrigation-power projects now under consideration in Congress—the so-called Upper Colorado River Basin project:

by Raymond Moley

With the full support of the President, Secretary McKay's Interior Department has shown that cooperation rather than conflict will be the keynote in the relations between the government and private power companies. The withdrawal of the department's opposition to the private development of Hell's Canyon has encouraged not only private enterprise but economy-minded people of all sorts.

But those people are wondering whether the victory for economy on the Snake will not be more than balanced by defeat on the Colorado. For the President and the Interior Department have presented to Congress two immense projects which together will cost, for construction alone, two and a half times the estimate for Truman's abandoned Hell's Canyon project. They are the Upper Colorado storage and irrigation proposal and the Frypan-Arkansas transmountain diversion plan. The following discussion relates to the former. I shall consider the latter at another time.

**Hoover By-passed:** The urgency with which the Administration has asked that these be authorized has been a shock and a disappointment to the new Hoover commission task force on public works and reclamation headed by Admiral Ben Moreell. Most, if not all, of that group of distinguished students of the subject, feel that the proposal for the development of the Upper Colorado should have been reviewed by them before its submission to Congress. The Administration's action, according to some of the members, has cut the ground from under efforts for a new look at reclamation policy.

The first great achievement of Theodore Roosevelt's Administration was the Reclamation Act of 1902. That act directed that the land benefited by Federal irrigation should, so far as possible, pay the cost thereof without interest.

Since then, the cost of putting water on arid land has increased enormously, not only because of inflationary prices and wages, but because projects have become more and more remote from natural water supply. Some of them require long channels, tunnels, and water lifts. The construction cost of some of the older projects was \$100 an acre. On some of the new ones, the cost will run to \$1,000 an acre. Congress progressively

will extend repayment without interest for hundreds of years.

There has also been a rehabilitation program—an additional subsidy.

**Pay Time Extended:** Extensions of time have meant immense subsidies which have become larger because deficit financing has made it necessary for the government to borrow to pay interest on these investments. An easy way to illustrate that is to consider the E Bonds of the second world war. In ten years the outlay by the government grows one third. Then consider how it will grow in 20, and 30, and 40, and 50, and maybe more years. The investor's dollar and the government debt will be more than \$4 in 50 years.

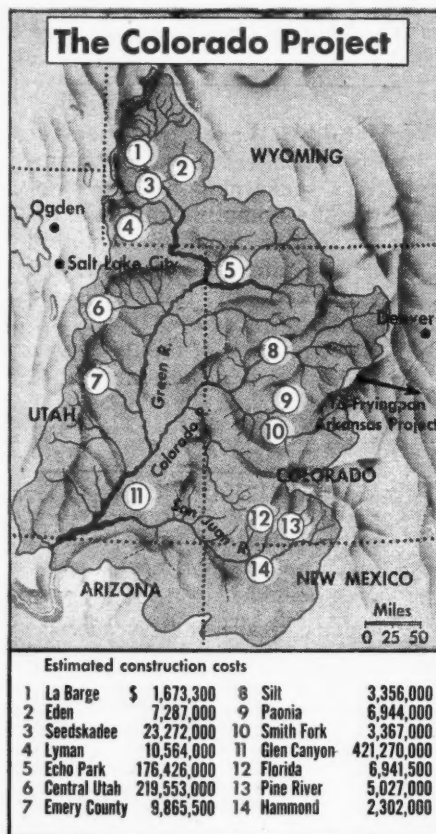
This dim account relates for the most part to experience with projects undertaken in the earlier years of reclamation—projects with more justification than those undertaken recently or now proposed.

Not long after the original reclamation act in 1902, irrigation acquired a junior partner—the hydroelectric plants incidental to dams and reservoirs. By the time F.D.R. took office the junior became the overshadowing partner. Expenditures mounted. Total appropriations for reclamation during the first 44 years were \$1,250,000,000. In the seven years after 1946 they were \$1,700,000,000. And that does not include appropriations for the Army Engineers.

Efforts to increase subsidies for irrigation projects have eagerly turned to the money from the sale of the hydropower. It has become a main support of the partnership.

**Bookkeeping Gimmicks:** In seeking economic justification for hydro-irrigation projects the Interior Department has persistently attempted to have Congress adopt a bookkeeping gimmick called a "benefit-cost ratio." Thus, 2:1 means that the benefits are twice the cost. The trick is to fatten the "benefits" with intangible and indirect items. Three years ago this practice was denounced by an Engineers Joint Council, a group of distinguished engineers representing the five big professional societies. The law, the judgment of engineers and of accountants refuse to recognize any justification except repayment in dollars. Any other method would be subject to unlimited abuse.

It is therefore passing strange that in justifying the Upper Colorado project Budget Director Dodge, who, I am sure, would have tolerated no such nonsense in private banking, approved "benefits" other than repayment in dollars. In answer to a blunt letter from Congressman



Newsweek—Mag III

relaxed the conditions of repayment. In the 1902 act the period of repayment was ten years; in 1914 it was extended to twenty; in 1926, to 40; and in 1939 a "development" period of ten years was added, making the real repayment period 50 years. Since 1946, individual projects have been given even more generous terms, some of them running to 76 years or "the life of the project."

But even with these liberal terms there has been a quite general failure to live up to the contracts. Hence, there have been renegotiations, some of which