

California Energy Crisis, LaRouche Solution Spread

by Harley Schlanger

Over the weekend of April 7-8, the tragic dimensions of the energy crisis immediately facing California, began to appear. Following the declaration of bankruptcy of the state's biggest utility—Pacific Gas and Electric (PG&E), looted of many billions of dollars by electricity “robber barons,” including its own holding company—the operator of California's electricity grid forecast 35-40 days of blackouts over the next six months. That's one day every week, and if there is hotter-than-usual weather, it will be more. Blackouts hit the state in March, when electricity demand had reached only 30,000 megawatts, although in 1999 and 2000, the California power industry had been able to meet 45,000 MW of peak demand without interruptions. This is the destruction that deregulation, and the Texas-based energy conglomerates feeding on

it, have wrought.

To stop a declaration of bankruptcy two days later by the other large, looted-out utility, Southern California Edison, Gov. Gray Davis (D) committed nearly \$3 billion more of the state's funds to a bailout purchase of SoCalEdison's electrical transmission lines. No sooner was this “deal” announced than a consumer group in the state put out a researched estimate, that California's total costs for electricity will approach \$50 billion over the Spring and Summer alone: Industry analysts told National Public Radio on April 10 that “these are credible estimates.” An astronomical, economically and fiscally devastating price to pay for blackouts, for a state whose electricity costs only three years ago were \$6-7 billion a year, without blackouts.

With the destruction wrought by deregulation now spreading to the economies of the other Western states (see *Energy Update* in this issue), Davis and other California leaders have to acknowledge that the solutions have been on their table since January—and that they failed to act to stop the total looting of the state's budget and its economy.

The solutions required telling the citizens and the nation the truth—that the economy is in a depression and requires depression-recovery measures like those of FDR in the 1930s; that immediate *re-regulation* of energy industries was urgent, and that the Bush White House, with its Texas “robber baron” friends and patrons, was the problem in this; and that the state had to use its powers of bankruptcy reorganization and eminent domain to ensure energy production and pricing for the general welfare.

These emergency actions, put on the desks of California's leaders by Lyndon LaRouche and his FDR-PAC activists since January, became known in California as “putting the toothpaste back in the tube,” alleged by the state's legal and



Gov. Gray Davis' approach to the California crisis has not worked, for fear of action against the problem posed by the Bush Administration.



LaRouche's re-regulation policy has been on California leaders' table; he explains the consequences of not acting.

other advisors to be impossible (though, as LaRouche pointed out, people who know how to produce toothpaste, do it every day). Now it has become clear, that the state's leaders had no other choice but to take these actions. Their months of hesitation cost them far more than time.

From the Salton Sea . . .

On the morning of Feb. 3, 2001, Lyndon LaRouche addressed by phone, from Germany, a weekend conference of youth gathered at a camp outside Indio, California, near the Salton Sea. In that address, LaRouche presented an in-depth strategy for reversing the deepening energy crisis which has been imposed on California by a coalition of murderous "free trade" ideologues and rapacious power companies, which had pushed electricity deregulation through the state legislature in 1996.

The first, full effects of that policy hit San Diego in the Summer of 2000, when electricity prices jumped between 50% and 200% in that city. The rest of the state received a similar jolt soon afterwards, when speculators jacked up the price of natural gas in mid-December, as the power companies, such as Enron, Duke Energy, Williams, and others, used the spike in natural gas prices to gouge the utility companies. The latter were forced, by deregulation, to purchase electricity from them.

In several statements issued during January 2001, LaRouche proposed measures, which were presented to state officials, by which California Gov. Gray Davis could act to defend the general welfare of the citizens of the state, who are the ones who will ultimately pay the loot—in the form of higher utility rates—to the predatory power companies. Cen-

tral to LaRouche's approach, was the precedent of Franklin D. Roosevelt, when he took on the same Wall Street interests in the utility companies during the Depression in the 1930s: return to regulation of the power companies and utilities, and put the presently bankrupt utility companies through orderly Chapter 11 bankruptcy proceedings, to ensure the delivery of reliable, abundant, and inexpensive energy to the citizens, businesses, farms, and industries in the state.

LaRouche developed his argument further in an article published in *EIR* on Feb. 2, "A New Voyage to Laputa: California Takes a Swift Look at Today's Economists." His Feb. 3 address to those gathered at Indio served as the basis for a strategic doctrine for reversing this crisis. It was published as a mass pamphlet by his Presidential campaign committee, LaRouche in 2004, under the title, "LaRouche on the California Energy Crisis: As Seen and Said by the Salton Sea." Several hundred thousands

of these pamphlets are circulating in California and nationwide.

Loss of Time and Position

In numerous town meetings across the state, and lobbying days in which constituents came to Sacramento to meet with elected officials, representatives of the LaRouche movement kept up a drumbeat for these policies. There were interventions in public meetings, rallies in the major metropolitan areas, and meetings with legislators from both parties, as well as with senior state officials. LaRouche's alternative was well known to all involved.

However, as the situation worsened, at each branching point which cried out for action, there was indecision, then inappropriate actions. The efforts of Governor Davis to purchase electricity with state funds, to lock in a lower rate, forced the state to spend more than \$60 million per day—\$2 billion a month in state funds alone, on top of the rising bills of businesses and households—in what amounted to protecting the bankrupt utilities from being put into bankruptcy reorganization. The state's surplus reserve fund, once the nation's largest at \$8.5 billion, has now been used up.

Despite the commitment of the state to spend enormous sums of money to purchase electricity, it could not ensure that blackouts would not occur, as they did on March 19, when more than 1.3 million customers lost power for up to two hours at a time, during a Stage 3 alert. A new study predicts there will be at least 34 days of rolling blackouts this Summer, while a private study circulating in Sacramento projects more than that many in late April, May, and June alone.

Though the Governor spoke often and publicly of deregu-

lation as a “colossal failure,” he nevertheless attempted to maneuver within the constraints of the deregulated system. Though there were private discussions of acting to re-regulate, putting the utilities into bankruptcy, and even use of eminent domain by the state to take over and operate the plants, state officials were told by lawyers and political and financial advisers, that such action would be tied up in the courts for years. It would, the advisers said, eventually pit the state against a Federal judiciary run by opponents of the General Welfare clause of the Constitution, such as Supreme Court Associate Justice Antonin Scalia; against the power of the federal government in the hands of Bush, and his Bush-league pals, such as Kenneth Lay, the chairman of the board of the leading “power marketer” robber-baron, Enron Corp.

Thus, instead of taking on these private interests, which were holding the state hostage under the deregulation laws, which legalize looting, the Governor stuck to the rules they had written, throwing state funds into their coffers, and preaching conservation as the alternative.

The rug was finally pulled out from under him, first with

a ruling by the Public Utilities Commission to grant a rate increase of between 23% and 46%, and then by the bankruptcy filing on April 6, PG&E, one of the three large utilities in the state. The Governor, who had tried to work with PG&E, felt betrayed by this action, by which PG&E expects to convince the bankruptcy judge to grant them even larger rate increases, leaving the state with few options but to hope for a favorable ruling from the court.

... To the San Bernadino Mountains

On the weekend of April 7-8, LaRouche again addressed the problem, with a kind of battle report, to another conference of some of the same young organizers, and many new student activists and others—this time, in the San Bernadino Mountains. He told them that abiding by the counsel of the lawyers and financial advisers not to act pre-emptively, California officials had lost time and position.” And, LaRouche explained from a strategic standpoint, how the battle to reverse the collapse of California, and of the nation’s economy, can still be won.

‘Facing, on the Surface, A Great Disaster’

Lyndon LaRouche’s opening remarks to 50 new LaRouche activists in California on April 7, 2001. Following his remarks, LaRouche, who was speaking by phone, engaged them in a dialogue for two and a half hours.

You are now sitting, you’re looking down at the situation in California. You’re up there, where you probably get the maximum amount of light, which is probably the safest place from which to seek light in California. But what you’ve seen recently, is that—remember the starting of the dereg crisis in California, which erupted, obviously was going to erupt, when Bush came into power, and did erupt right in that period, while he was coming in. Now at that point, we made a number of proposals, along the lines that I’d made earlier on, on energy policy, which were *not adopted* by the government of California, or others, even though they were not entirely unsympathetic to receiving some of these suggestions.

Now, the result of their failure to adopt the most immediately critical of the things we proposed they do, they’ve not only lost time, but they’ve also lost position. And we now are faced with, what is on the surface a great disaster.

The reasons for the disaster, as reflected in the reports there, is the legal and related advice, pressure on the government, to say, “Don’t do this and don’t do that because you’ll be defeated in the courts.” And that argument—that you

might be defeated in the courts if you do the right thing—has a basis in reality, though it is not acceptable. That is, if the government of California had proceeded with what we proposed, and the courts, under the influence of the Department of Justice, and the Scalia types in the Federal court system, had slapped it down, would that have been a mistake? *No*. It was a mistake not to take that risk. Because if the courts had slapped it down, then you would have created a Constitutional crisis around the dereg issue, the energy issue. Exactly what you want.

U.S. Invaded by Cannibals from the Bushes

What’s the problem? We have a United States, which has been taken over, not by invaders from outer space, but by cannibals from the Bushes. Now, when you have this kind of invasion, which has taken over institutions of government—the majority of the Congress, the Supreme Court, the Federal court system generally, the Department of Justice, much of the party structures of both parties—what do you do? Well, you say, “These are invading cannibals who have occupied our country.”

What do you do? Do you sit back and say, “Is the case hopeless? Shall we submit? Shall we sit back and wait to be eaten?” Or, “What are we going to do? Can we make an immediate, instant coup tomorrow morning to get rid of the cannibals?” Well, perhaps not. Or do you make a strategic plan for overthrowing the cannibal invaders? No. You adopt a strategic doctrine, for mobilizing your nation to liberate itself from the occupying cannibal force. Now, that’s what we don’t get from most of the politicians, who are strictly short-term thinkers. They don’t think in terms of—they’re like what the argument I had with some of our people on