TABLE 1
U.S. Auto and Truck Production

	Year-to-Date Through May 12, 2001	Year-to-Date Through May 13, 2000	Percent Change 2000 to 2001
Cars	1,914,711	2,175,068	−11.0%
Trucks	2,466,763	2,966,055	−16.8
Cars and Trucks	4,381,474	5,141,123	−14.8

permanently eliminate 2 million tons of hot-rolled steel capacity from America's economy. The United Steelworkers of America union is talking with LTV to try to keep the plant open, but there is little chance that they will succeed in doing so.

Auto: For the year to date through May 12, U.S. producers of motor vehicles produced 4.38 million cars and trucks, compared to 5.14 million in the same period last year, a fall of 14.8% (**Table 1**).

Semiconductors: In April, new orders for semiconductor equipment produced in North America declined to $711.8 million, a plunge of 41% from March's level, and of 74% from April of last year, according to May 23 report of the Semiconductor Equipment and Materials International (SEMI). The United States produces most of North America's semiconductor equipment. The book-to-bill ratio in the semiconductor equipment sector fell to 0.42 (that is, for each $100 in shipments, there is only $42 in new orders). SEMI President Stanley Myers asserted, "The severity and depth of this industry correction is unprecedented."

In parallel, in April, new single-family homes sold at an annualized rate of 894,000, a decline of 9.5% from March's annualized rate of 988,000. This represents the biggest one-month drop since April 1997. As the levels of layoffs and unemployment increase, and the "wealth effect" from capital gains from the stock market bubble dissipates, Americans are increasingly pulling back from buying homes.

State Budget Crises Grow

The blowout of the New Economy and the physical economy is leading to the collapse of U.S. state budgets. Last year, only seven or eight state budgets were in crisis; already this year, 20 states are having budget crises, and this number could grow to 40—or even all 50—by year's end. On May 14, California Gov. Gray Davis announced that his state's budget for this fiscal year and next year combined, will show a staggering revenue shortfall of $4.6 billion. But if the nearly $7 billion which the state has forked over so far to pay for energy, is not covered by a new bond issue, the state will have an additional $7 billion in revenue shortfalls. This potential $12 billion hole could only be "balanced" by the most savage budget cuts.

The pattern is the same in all other major industrial nations throughout the world.

Germany: According to the May 23 German financial daily *Handelsblatt,* the Berliner Bankgesellschaft, which is in trouble because of both past speculation and the current economic slide, will require a rescue package of at least 4 billion deutschemarks ($1.75 billion), to avert immediate collapse. At the same time, the Federal Statistical Office announced on May 23 that German producer prices in April were up 5.0% compared to one year ago, the highest annual price jump recorded in any month in 19 years. This is a sure sign of the worldwide hyperinflation.

Japan: On May 21, Japan's Finance Ministry announced that Japan's trade surplus, at 666 billion yen ($5.4 billion) in April of this year, had fallen by 41.6% from April of last year. Japan's economy depends on its trade surplus, and this is one of the few features of the Japanese economy which has operated well up to this point.

Unless that economic-financial crisis is addressed at its root cause, as LaRouche does, it is bound to accelerate over the coming weeks.

America's Poor Forced Into 'Energy Bondage'

by Mary Jane Freeman

To keep the utilities on, millions of American families are now entering into virtual "energy bondage," by signing exorbitant payment agreements with energy or utility companies. Between 7 and 10 million low-income families are at risk of being disconnected, because of huge bills which accumulated this Winter, as the energy bandit companies, such as Reliant and Enron, charged more, and raked in record profits.

When the poorest 20-40% of American households are considered, it becomes most clear that these super-profits are being run up at the expense of human life. This enslavement will only cease when a national, regulated energy policy is in place for all Americans, thereby putting an end to the energy pirates' gaming-the-market swindle.

"All households faced unexpected financial pressure from rapidly rising energy costs last Winter, but low-income energy consumers faced true hardship," reports a May 3 survey, "The Winter Behind, The Summer Ahead: A Harsh Spring Faces Low-Income Energy Consumers," issued by the non-profit Economic Opportunity Studies, Inc. (EOS), of Washington, D.C. It reports that, on average, *27 million out of America's 29 million low-income households will need to spend from one-fifth to one-quarter of their annual income to pay energy bills received from October 2000 to September 2001.* All other so-called "non-poor" households are paying, on average, $500 more this year than in 1997, but that is only

4.6% of their annual income.

Clearly, the Bush Administration's so-called new energy policy is anything but "affordable" for all but the super-rich. Giving a tax cut so that one can pay more for fuel, is the height of indifferent arrogance and thievery.

When the poor, disabled, and elderly have to choose between paying for utilities or for food or medicine, they must go without one of them. Meg Power, PhD, EOS president and author of the survey, told *EIR* that in a normal Winter, "more than 1.1 million low-income families have their heat shut off for ten days or more . . . because they could not pay. This year, with a colder Winter and much higher energy bills, it is much worse." Power says exact numbers are impossible to get, because most companies and utilities do not want to reveal the number of disconnections made. Noting the "outrageous service payment agreements" people are now signing in order to keep the lights on, she explained that they have no choice. "After all, Social Services will take away their children if the utilities aren't on."

Energy Prices Catastrophe

This EOS survey is an update of its December 2000 "Winter Energy Outlook" report. The picture remains bleak for these citizens. Power's analysis of the U.S. Department of Energy's 1999 Residential Energy Consumption Survey, and the Energy Information Administration's "Short-Term Energy Outlook," of April 6, 2001, provides these facts: "Heating oil prices were 36% higher than in the 1999-2000 Winters and over 50% higher than the 1998-99 Winter; residential natural gas cost 42% more per cubic foot than in 1999-2000. These figures represent a near catastrophe for the poor," because their incomes are "low and generally fixed." Indeed, over 50% of the 29 million low- to moderate-income households use natural gas, and thus have accumulated huge bills—not because they are using more, but because the bandits have hyperinflated the retail price of natural gas far more than that of any other energy source.

The real impact on these households is usefully measured by what is called "the energy burden"—the percentage of annual income expended for all energy bills. That includes not only fuel for heating and cooling, but also utilities. **Table 1,** based on projected billings using Department of Energy (DOE) data, compares the average total energy bill for both low-income and all other consumers, with their energy burdens. While the absolute amount ($1,531) for low-income families is less than for all others ($1,912), the percentage of the total annual income to be expended by low-income families is a cruel 19.5%, as against 4.6% for all other households. We will see, below, what this means in practice.

But, as Power points out, taking national averages and smoothing out the fuel source dependence, distorts the picture of the impact on the vast majority of these people. This is true, moreover, because the DOE data, which are compiled from a statistical sample of low-income homes, are weighted to reflect all types of fuel use, as well as the wide range of poverty incomes, from a low of $6,000 to a high of $21,000 for a family of three. Considering that 94% of all low- to moderate-income families use either fuel oil, natural gas, or electricity for their heating, cooling, and appliances, it is instructive to take a look at the energy burden by fuel source, and to make the same comparison to all other consumers.

Table 2, again projecting the total energy bills for low-income homes in the October 2000-September 2001 cycle, shows that fuel oil users will have to pay 21% of their annual income, natural gas users 24%, and propane users 22%—all well above the national average for low-income households, noted above as 19.5%. All other consumers of fuel oil and natural gas will pay 5%, and propane users 6%.

TABLE 1

Residential Energy Expenses and Energy Burden for Low-Income Households and Other Consumers

(Projected October 2000-September 2001)

	Average Low-Income	Average All Others
Total Estimated Bills, All Fuels	$1,531	$1,912
Energy Burden (Bills/Annual Income)	19.5%	4.6%

Source: Economic Opportunity Studies, Inc. Survey, "The Winter Behind, The Summer Ahead: A Harsh Spring Faces Low-Income Energy Consumers," May 3, 2001.

TABLE 2

Average Energy Costs by Fuel Source for Low-Income and All Other Consumers, and Their Energy Burden

(Projected 2000-01)

	Low-Income Consumers		Other Consumers	
Fuel Source	Total Bill	Energy Burden	Total Bill	Energy Burden
Fuel Oil	$1,672	21%	$2,274	5%
Natural Gas	$1,806	24%	$2,133	5%
Electricity	$1,086	13%	$1,369	3%
Propane	$1,963	22%	$2,741	6%
Kerosene	$1,270	15%	NA	NA

Source: Economic Opportunity Studies, Inc. Survey, "The Winter Behind, The Summer Ahead: A Harsh Spring Faces Low-Income Energy Consumers," May 3, 2001.

Winter Bills Portend Cut-Offs

Focussing on just the Winter energy bills, allows us to more clearly see the catastrophe which Power alludes to. On average, all households spend 35-40% of their energy budget during the months of May through October, and 60-65% in the Winter months. **Table 3** shows, in the second column, what percentage of low-income households use

TABLE 3
Energy Costs and Burden for Low-Income Consumers
(Winter 2000-01)

	Percent of Low-Income Households' Use of Fuel Source	Average Heating Fuel Bills, Oct. 2001-Mar. 2001	Average Total Bills, Oct. 2000-Mar. 2001	Winter Energy Burden
Fuel Oil	9.4%	$725	$1,087	27%
Natural Gas	53%	$960	$1,102	29%
Electricity	32.7%	$264	$543	13%
Propane	4.6%	$1,050	$1,279	29%
Kerosene	1%	$406	$845	20%

Source: Economic Opportunity Studies, Inc. Survey, "The Winter Behind, The Summer Ahead: A Harsh Spring Faces Low-Income Energy Consumers," May 3, 2001.

what types of fuels. The third column is the average heating fuel bills incurred from October 2000 through March 2001; the fourth column gives the total bill for all energy used for that fuel type.

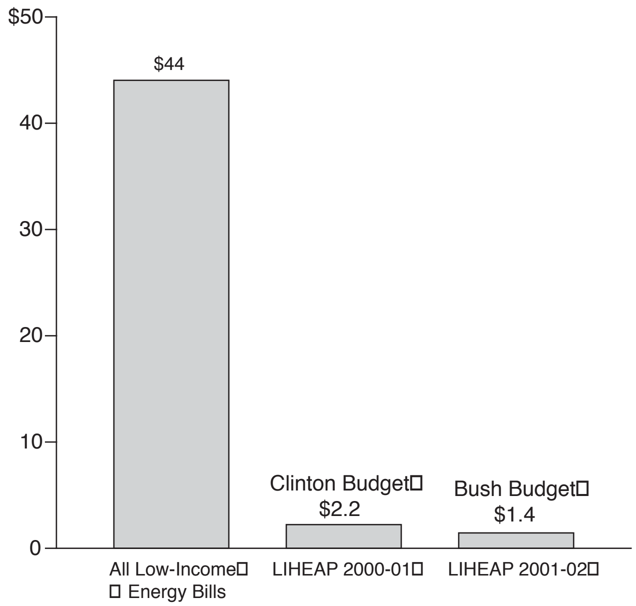
Here it is clear how outrageous speculation in fuel prices has decimated the wherewithal of America's poor. Rather than the average 60-65% for Winter bills, low-income natural gas and propane users were billed over 80% just for the heating portion of their total energy consumption this Winter, and fuel oil users 66%. This translates, as seen in the fifth column, into nearly 30% of their Winter income, for all but electricity users.

Indicative of the "energy bondage" of America's low-income families, is a Knoxville, Tennessee resident. The May 25, 2001 issue of *EIR* showed the agreement signed between this resident and the municipal utility, Knoxville Utility Board (KUB). As of mid-January 2001, the household energy debt had accumulated, and service was cut off. To get the services restored, an agreement to pay $411 per month to the KUB was signed, even though this person's monthly gross income is $602.74. In all, 68% of their monthly gross income must be paid to the utility.

National Safety Net Is Cut

The only real solution for these Americans in particular, and for all Americans, is to re-regulate energy, making it actually affordable by all. In the meantime, in the interest of the general welfare, a safety net for the nation's have-nots does exist. But "compassionate conservative" President Bush, despite the energy bandits' increased demand which cuts gaping holes in safety net, has cut its budget. The Federal Low-Income Home Energy Assistance Program (LIHEAP) was funded at the level of $2.2 billion by the last Clinton Administration. Bush's budget for the 2001-2002 cycle calls for $1.4 billion. But the projected total energy bills for the 29 million households for the October 2000-September 2001 period is expected to be $44 billion (**Figure 1**). Even more telling, is that the $2.2 billion budget was only able to serve 4 million households out of the 29 million eligible for LIHEAP.

FIGURE 1
Energy-Bill Aid Needed by the Poor, vs. LIHEAP Funds, 2000-2001
(Billions $)



Source: Economic Opportunity Studies, Inc. Survey, "The Winter Behind, The Summer Ahead: A Harsh Spring Faces Low-Income Energy Consumers,"

Spring is the time when disconnection cutoffs accelerate, as states' and/or companies "Winter moratoria" on disconnects end. EOS's Power told *EIR* that a small portion of LIHEAP funds are held in reserve for this period to assist people with service cutoffs. Power said, "People are being denied LIHEAP payments because the arrears are so high, that the little [LIHEAP aid] payment would not get service reconnected." So far, Arkansas, Indiana, and Illinois have reported this phenomenon to EOS.

As National Community Action Foundation executive director David Bradley put it when releasing the EOS survey, "The new market realities have created the condition in which the nation's historic commitment to utility universal service is all but dead. . . . Today's patchwork of regulation provides no guarantee of universal service. It only offers 'show me the money' service."

Both the NCAF and the EOS stop short of calling for full re-regulation of the nation's energy policy, but they recognize that the "assumption of the ability to pay is an anachronism" when dealing with the "free market." Full-scale energy re-regulation, combined with launching LaRouche's worldwide economic recovery, is the only means to lift these Americans out of the depression conditions they are suffering.