freedom of thought, the freedom of assembly," and so forth and so on.

But I do make a fundamental point there, namely this: that there will have to be a "lexical" ordering between the first principle and the second principle of justice. That is to say, that before we attend to the imperatives of the first principle of justice, [should there be a condition of famine, or position where famines occur] then the morally conscientious state, or the state that is guided by some kind of moral economy, will have to immediately attend to the removal of the causes of famine and hunger, which is another way of saying that these human beings who suffer from famine, are entitled to food, shelter, clothing, and health.

Before we satisfy that condition, I argue, in a lexicological way, we cannot move to the second principle of justice, but it is a sort of a privileged articulation of what human beings should be entitled to. Namely, freedom of speech, freedom of thought, freedom of assembly. We have to feed them, clothe them, shelter them, and give them biologically functional bodies, and then, at the same time, invoke the second principle of justice, so that we can also allow them to speak, to think, to grow, and to flourish as human beings.

Getachew: Look at the crisis of AIDS. One writer for *EIR* documented that it is estimated that AIDS won't reach its peak for another 40 years, unless there is something done to address it, and stop it.

Now, in your view, what is the economic dimension? South African President Thabo Mbeki was criticized for addressing the link between the spread of AIDS and economic conditions. That criticism is absurd. I think he is right on this.

Kiros: Absolutely.

Getachew: Do you have anything to say on this in terms of the dynamics in East Africa?

Kiros: If you notice, for example, the first principle of justice says that all human beings are entitled to food, shelter, clothing, and health—I added health, as a matter of fact, after AIDS fully sprouted in that part of the world .

The first principle of justice, if operational, will have to treat AIDS very much like it will have to treat food, shelter, and clothing. We will have to come up with money—God knows by what means and how—and make it an imperative for the victims of AIDS to be taken care of. Period.

Hyperinflation Spreads to Electricity Sector

by Marsha Freeman

The electricity sector of the U.S. economy, upon which citizens depend for their very existence, is joining gasoline, fuel, and food, in a hyperinflationary spiral which has already put electric power out of reach of millions of Americans.

Thousands of households are falling behind in bills; cut-offs are increasing. At the same time, electricity is becoming less and less reliable, as the system's capacity for power generation, transmission, and maintenance declines.

An immediate factor in the rising retail electric rates, is the pass-along of the out-of-control costs of the energy, from which electricity is made—coal (more than 50%) and natural gas (20%), in particular. The rest of the electricity in the United States is produced by nuclear (20%) and hydroelectric power.

But the special dynamic in electricity hyperinflation, is the last ten years of deregulation of the sector, in which the U.S. power system was taken over by financial speculators for the purpose of looting. The same financial interests that fostered waves of speculative bubbles, now blowing out, bought into the formerly regulated U.S. power sector to make a killing off the captive customer base. Beginning in 1996, with California and Pennsylvania, 21 states passed dereg laws, under which an orgy of mergers, acquisitions, and de-structuring took place, under Federal government approval. The Enron chapter in this story (from 1985 until its bankruptcy in December 2001), is legendary for the blatant gaming of power supplies, and rip-offs of California and other states, and millions of customers.

Nevertheless, in 2005, Congress repealed the 1935 Public Utility Holding Company Act, which had protected the public's right to plentiful and affordable electricity. Now the situation is in crisis. On the supply side, the ratio of generating capacity per household and unit area is declining; power is more and more unreliable. Last year, wind power was the largest type of new

TABLE 1
Households in Arrears to Utilities

	March 2008	March 2007	Increase	
Arrearages*	$4,958	$4,318	$640	14%
Households**	15.6	14.260	$1.348	9.5%
% Total Households	14.8%	13.5%		1.3%

* $ Millions

** Millions of Households

Source: National Energy Assistance Directors' Association.

More than 50 million Americans are behind in their payments to utilities for electricity and natural gas service, and face shut-offs in the near term.

TABLE 2
Second Quarter 2008 Oil Company Profits

	Profits ($ Billions)	% Increase over 2007
ExxonMobil*	$11.6+	14%
Royal Dutch Shell	11.6	33
British Petroleum	9.4	28
Total	7.3	38
Chevron	5.8	11
Schlumberger	1.4	13

While the speculative increase in petroleum prices, reflected in oil company profits, has been felt most at the gas pump, and will be felt in home heating oil prices, oil is not used to generate electricity. But since the dergulation of natural gas in 1978, that price has been artifically tied to the rises in the price of oil. About 20% of U.S. electricity is fueled by natural gas.

generating mode that came on line in the U.S.! A bipartisan roadshow of Al Gore and T. Boone Pickens is getting top billing for more of this lunacy. Meantime, Duke Power and others are campaigning for carbon swaps and other insanity (see *Science & Technology*, p. 58).

Many on the user side—from households, to hospitals, to farms and factories—cannot pay their utility bills. In many parts of the country, the temporary caps put on retail prices years ago, are now coming off. Sudden, double-digit rate increases are hitting the economy, at the same time as hyperinflated costs for food, gasoline, health care—everything.

Several states are skirmishing to deal with the situation in whatever rearguard ways they can, given the inaction by Congress. But even nationally, no "reforms" or quick fixes for this breakdown situation will work. What is required is twofold: First, emergency restoration of Federal and state regulation, with measures to keep the system functioning. Second, a large-scale infrastructure improvement program for new, high-tech generating capacity, transmission grids, and modernization of the grid throughout. This will involve re-tooling, and re-creating industrial capacity in the U.S., along with thousands of highly skilled jobs.

This is embodied in Lyndon LaRouche's emergency program, the Homeowners and Bank Protection Act, now in wide circulation by the LaRouche Political Action Committee.

'People Will Die . . .'

The National Energy Assistance Directors' Association (NEADA) reports that electricity and natural gas service cut-offs to customers have increased at least 15% in many states, as households cannot pay their inflating bills. In economically devastated regions, such as Detroit, Mich., this figure is a 56% increase from last year. More than one in five Detroit Edison customers were behind in their electric bills in May.

NEADA reports that this year 15.6 million households—more than 50 million Americans—are almost *$5 billion* in arrears to utility providers, making them vulnerable to service cut-offs (**Table 1**). These households are not only those on fixed incomes, or the unemployed. NEADA's figures show that 8% of those earning incomes between $33,500 and $55,500 are "in arrears." "It's hitting people in the suburbs with two cars and two kids," NEADA's head, Mark Wolfe, stated. "It's moved from a problem for the poor, to the middle class."

Recognizing that the cut-off of electricity is a threat to life, states have enacted laws to try to protect their most vulnerable citizens from losing their heat in the Winter. On Aug. 1, Illinois Gov. Rod Blagojevich signed into law a bill passed unanimously by both houses of the General Assembly, to prevent utility shut-offs also during extreme Summer heat. It covers both gas and electricity, when either is the sole source of power for air conditioning.

Undoubtedly, Illinois lawmakers recall that in July 1995, more than 580 people in the city of Chicago died in a heat wave. Investigators from the city and the Centers for Disease Control concluded that air conditioning could have saved these lives, but nearly all of the heat-death victims were too poor to afford it. Those who had air conditioning had not turned it on, for fear of not

being able to pay the electricity bill.

The Low Income Home Energy Assistance Program (LIHEAP) provides Federal help for those threatened with shut-offs. The number of households receiving Federal help to pay their back bills is now at a 16-year high, at 5.8 million. While the Bush Administration cut funding for this program by 22% for this fiscal year, Senate bill S. 3186, which has not been acted on yet, is an attempt to restore some of that funding. At the same time, cash-strapped states, reeling from the elimination of millions of jobs, are running out of energy assistance funds, scrapping aid.

While LIHEAP monies can help prevent the life-threatening cut-off of electricity, at best, this is an ameliorative measure. Beyond facing gas pump hyperinflation, households need aid for multiple energy and fuel bills.

"This is the first time that I have felt in years that people will die this Winter because they can't stay warm," said Joe Kennedy, from Citizens Energy Corp., at the end of June. "We've gotten to the point where a year ago, a family could sacrifice to pay their bills," said Wolfe. "Now, [oil heat alone is] more than their monthly income."

In upstate New York, county managers are considering setting up shelters this Winter for elderly citizens who cannot afford heat. Emergency services director for Essex County, Raymond Thatcher, said he is expecting more house fires because more people are going to burn wood. "Some people last year did without prescription medicines to buy fuel.... It's only going to be worse this Winter."

'Increase in Rate Increases'

This situation is clearly intolerable, yet more electricity rate hikes are in the works cross country. The Energy Information Administration (EIA), reports that in May and June, 20-30 electric utilities started requesting rate increases. There is an "increase in rate increases," as reported in a headline by the *EnergyBiz* magazine (July/August 2008). These come on top of a sequence of rising cases of rate increases, year by year under, dereg. "The total number of cases in 2007 was the largest since 1993."

Examples include:

• **Mississippi**. The President of Entergy told the *Commercial Appeal* newspaper on July 28 that the utility would be requesting a 28% rate increase for its nearly half-million customers in Mississippi. "Sixty-five percent of our operating cost is the fuel for the generating plants," he stated. About 60% of Entergy's capacity is generated from natural gas, and the spot market price has doubled over the last 12 months. The utility is regulated under state law, so the increase will be a dollar-for-dollar pass-through for fuel cost increases only.

Twenty percent of Entergy's capacity in the state is coal-burning, which has doubled in price. Only the 20% of its generation which is nuclear has remained stable in price.

• **Virginia**. In July, Dominion Virginia Power implemented an 18% rate increase. The utility reports that since July 2007, it has paid $697 million for inflated fuel costs that remains uncollected from ratepayers. Between 2004-07, that figure of uncollected fuel costs was $1.5 billion. The rate increase is allowed under state law to recoup increased fuel costs, which it passes through to customers with no markup for profit.

Terrified of the disaster that was sure to befall consumers when caps on prices were scheduled to be lifted, the General Assembly dumped deregulation, and reinstituted regulatory oversight by the Virginia State Corporation Commission in 2007.

• **West Virginia**. American Electric Power has filed for a 12% fuel adjustment increase, plus an additional 17% increase in rates in the state, because the pollution control equipment they are required by law to install has skyrocketed in cost, along with other capital goods. "Power poles are up 39% since 2003," an AEP spokesman explained, and "copper wire has more than doubled."

Capacity Additions Drop

Thus the hyperinflationary spiral is whizzing to the point that the 'lights go out.' Not an accident, this "blackout" policy is inherent in deregulation, in which looting, not serving the public good, is the governing principle. Look at the plunge in new additions of power capacity to the grid over the past five years. In 2003, there were 32,626 megawatts (mw) of new capacity added, and 21,759 mw added to expand capacity in existing plants. By 2007, these figures had drastically fallen, to 7,063 mw of new capacity, and 5,286 from expansions.

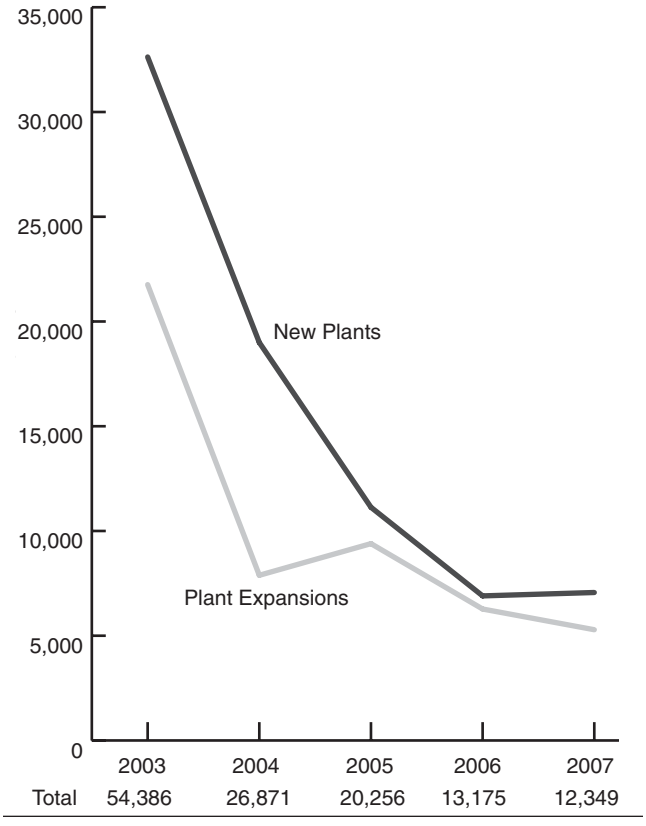
Figure 1 shows this period of 2003-07. This data was charted by *EnergyBiz* (July/August 2008).

The North American Electric Reliability Council

FIGURE 1

Electric Capacity Additions Approaching Zero

Added Capacity (Megawatts)



Source: Edison Electric Institute.

Deregulation removed the legal mandate that utilities must provide affordable, universally available, reliable electricity. Since a deregulated company can make more money creating shortages than increasing capacity, deregulation, plus the real physical economic collapse, have brought new capacity additions nearly to a halt.

(NERC) estimates that by 2015, an additional 140,000 mw of generating capacity will need to be added to meet an expected 19% increase in usage. So far, only 57,000 mw are even on the drawing boards.

"It can't be done," is the plaint of the spokesmen for the existing, expiring, deregulated system, pointing to the spiral of costs involved. In its own terms, their defensive argument is logical, but that just means that the public policy, and economics of energy generation, must be changed back to an FDR-style American System.

The Federal Energy Regulatory Commission (FERC) reports that projected capital costs for building new generating capacity have risen from an index of 100 in the year 2000, to 182 this year. For capital-intensive nuclear power plants, estimates for costs of construction from the same 100 index have more than doubled. In 2004, the estimated cost of building a new nuclear plant was in the range of $2,000 per kilowatt of installed generating capacity. This year, the estimate is $5-8,000.

The cost of construction-grade steel is now more than double what it was four years ago. Cement has risen at about half that rate. Of the four key metals required for new plants, transformers, and other equipment—copper, zinc, nickel, and aluminum—all have increased in price. The price of cooper is up more than *five times* the price of four years ago. Copper is now so valuable, there are reports that thieves have been cutting *live* electric cables to steal it.

What this dismal arithmetic shows is that the global financial system is finished. In making a break to a new credit system, electricity will rank high in infrastructure priorities for rebuilding national economies, and the apparently "insoluble" can be overcome, as it was in the FDR projects of the 1930s.

The Intent of Deregulation

The problem with talking about the electric utility industry in its own terms today, is that deregulation has transformed the industry into something very different from what it was before. Though Enron failed as a business, its model succeeded in taking over the industry. The old power station-to-consumer model has been broken up, with power generation divorced from marketing, and from transmission. The pirateers have moved in to buy up choice pieces, with the old "Morgan utilities" reconsolidating, to the point where fixing the system as a whole, must involve the re-passage of PUHCA (Public Utility Holding Company Act), and the restoration of the FDR-era utility structure. The market-based approach has to go, and the production-based, public service approach has to return. A 1920s cartoon from FDR's New York State governor's campaign shows the principle involved.

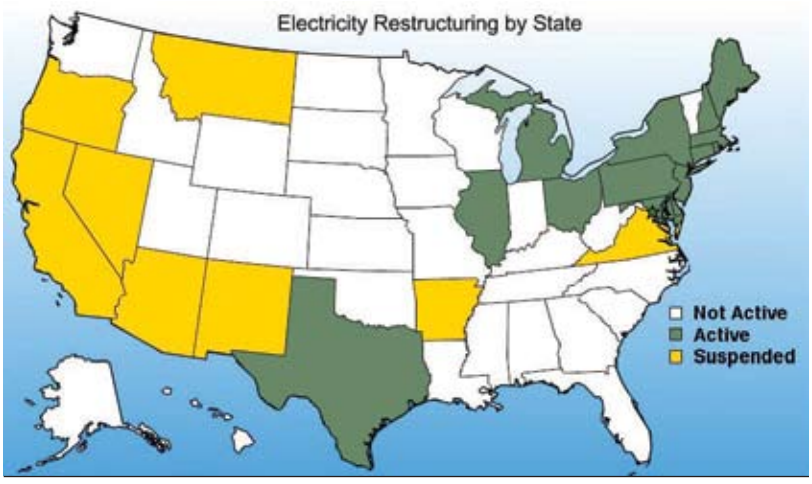
The electric utilities, as they exist in the present-day environment, cannot be profitable, because they have no control over their fuel costs, and the economy cannot afford the rates which would be required to make a profit. The issue which has to be addressed is not the profit of the utilities, but the production and distribution of electricity, in sufficient quantities to meet the demands of the economy, at the cheapest rate

possible consistent with the proper functioning of a properly regulated industry. The goal should be the "too cheap to meter" philosophy of the early nuclear planners.

Enron may have crashed, but the bankers behind it won, in that PUHCA is gone, the electric-utility model has been smashed, and the industry taken over by the fast-buck crowd. *The energy sector has merged into the financial sector.* The current speculation/hyperinflation occurs on top of this financialization of electricity.

Since 1999, mergers and acquisitions of U.S. electric and natural gas companies have totaled more than $160 billion. The largest deal so far, is the 2007 $44 billion buy-out of TXU in Texas, by a private equity consortium led by Kohlberg Kravis Roberts, and Goldman Sachs Capital Partners. Emblematic of the predators is Macquarie Infrastructure, the Australia-based old-line British imperial firm, associated with Cintra de Concessiones de Infrastructures in Spain. In 2007, it bought up the retail-billing operations of Pittsburgh-based Duquesne Light Holdings; and it is in the process of acquiring Washington State-based Puget Energy.

FIGURE 2
Status of Electricity Deregulation
(April 2007)



Source: Energy Information Administration.

By mid-2007, eight states that had passed legislation to deregulate their utility industry had either suspended or reversed this failed policy. These were Montana, Oregon, California, Nevada, Arizona, New Mexico, Arkansas, and Virginia. Although 15 states are shown here as deregulated, one year later, many of them are considering reversing their deregulation "experiment."

The role of rapacious financiers in the electricity industry has always been problematic, from the days when the Morgans started funding power plants as a way of locking up business, to the days of the Morgan and Insull cartels. FDR smashed that and restored some order; public regulation and oversight kept the companies more or less in line . . . until deregulation.

Only a LaRouche/FDR Approach Will Work

It's long past time to eliminate the idea that electric utilites are profit centers, and return to the concept of public service—adequate profit and not a penny more. In return, we must provide them with a stable environment in which they can operate.

Legislation enacted during FDR's Administration recognized that reliable, affordable access to electricity, for every citizen, is an economic "right," not a luxury. Laws were enacted to make sure that the sector of the industry that is in private hands is heavily regulated. Companies were required to provide universally available, affordable power. In return, they were guaranteed a fair rate of return, allowing utilities to obtain the credit to build the generating and transmission capacity that was needed to meet their responsibilities.

Deregulation turned electricity into a "commodity" that could be traded, hedged, speculated upon, bought and sold on spot markets, and priced as high as the "market" would bear. As a result, we have a tens of billions of dollars deficit in replacing aging infrastructure, little new capacity is being built to meet demand, and millions of citizens can no longer afford electricity in their homes.

State lawmakers now grappling with the situation are hopeless without Federal action. Five states have suspended or withdrawn from deregulation programs, and five states failed to implement laws that were under consideration (**Figure 2**). Debates are underway in the remaining deregulated states to try to "put the genie back into the bottle."

One point is clear: Price caps are a morass—whether to postpone, stop, or impose them. They solve nothing: Either you blow out the customer or you blow out the utility, in which case, nobody wins.

For the record, a Michigan State University economist (emeritus), Harry Trebing, tracked the comparative price rises of electricity over a five-year period in states with deregulation or where still regulated. (*Journal of Economic Issues*, June 2008). Overall, Professor Trebing estimates that, between 2002 and 2007, the price of electricity in regulated states increased 19.4%, approved by state officials, in order to cover increased costs and needed capital investments. In eight deregulated states, the caps on rates expired over the five-year period that had been put into place by legislatures to protect consumers until low prices would materialize under "competition"—the dereg sophism. The average rate increase in these eight states was 39.7%, or double the increase in regulated states.

State Debates

The following are updates of the current battles in three state capitals.

• **Texas**. In the Lonestar State, where that economic genius, then-Gov. George W. Bush, signed the deregulation bill into law in 1999, promising consumers would benefit, Texas is the only one in the nation with no maximum price for energy. And, similar to a number of other states' rules, in the Texas wholesale market, the last power plant which comes on line—typically one of the older, costlier plants—determines the price of power for the whole market. Last year, legislators tried, but failed, to restructure this insane system.

In May of this year, an emergency meeting of Texas regulators was called when an "unexpected spike" in wholesale prices hit. While typically wholesale prices are around $100 mw (already three times what they were before deregulation), prices hit the $2,250 mark in late May. In early June, $3,000 was reached—shades of California. One consultant remarked: "You'd have to be burning Louis XIV furniture in your power plant to justify the prices."

As for the "competition" which Enron et al. promised would lower rates—it never materialized. Smaller companies found that they could not compete with incumbent providers, which had mushroomed into huge, unregulated monopolies. By June, four electric retailers had failed, one having collected payments from customers, without ever delivering any electricity.

As deregulation in Texas got underway in the late 1990s, what had been the Texas Utility Company, began to purchase assets overseas, and became TXU. Under a holding company structure, it separated its energy delivery and its "competetive" energy businesses. It began losing money hand over fist. By 2002, TXU found it necessary to "strengthen its balance sheet," and discontinued its European operations. Two years later, it had divested itself from all non-electric business. Yet, with the fabulous increase in unregulated electric rates providing a rising income stream, TXU recorded a $1 billion profit in 2006.

Finally last year, ripe for the pickings, TXU was bought out by a Wall Street consortium, putting the electricity supply of millions of Texans directly in the hands of financiers, without any middlemen—a deregulation success story.

Last October, state Rep. Sylvester Turner, a Houston Democrat, insisted, "Yes, you can put the genie back in the bottle. If you can deregulate, you can regulate." He is proposing a return to price controls for residential and small business customers.

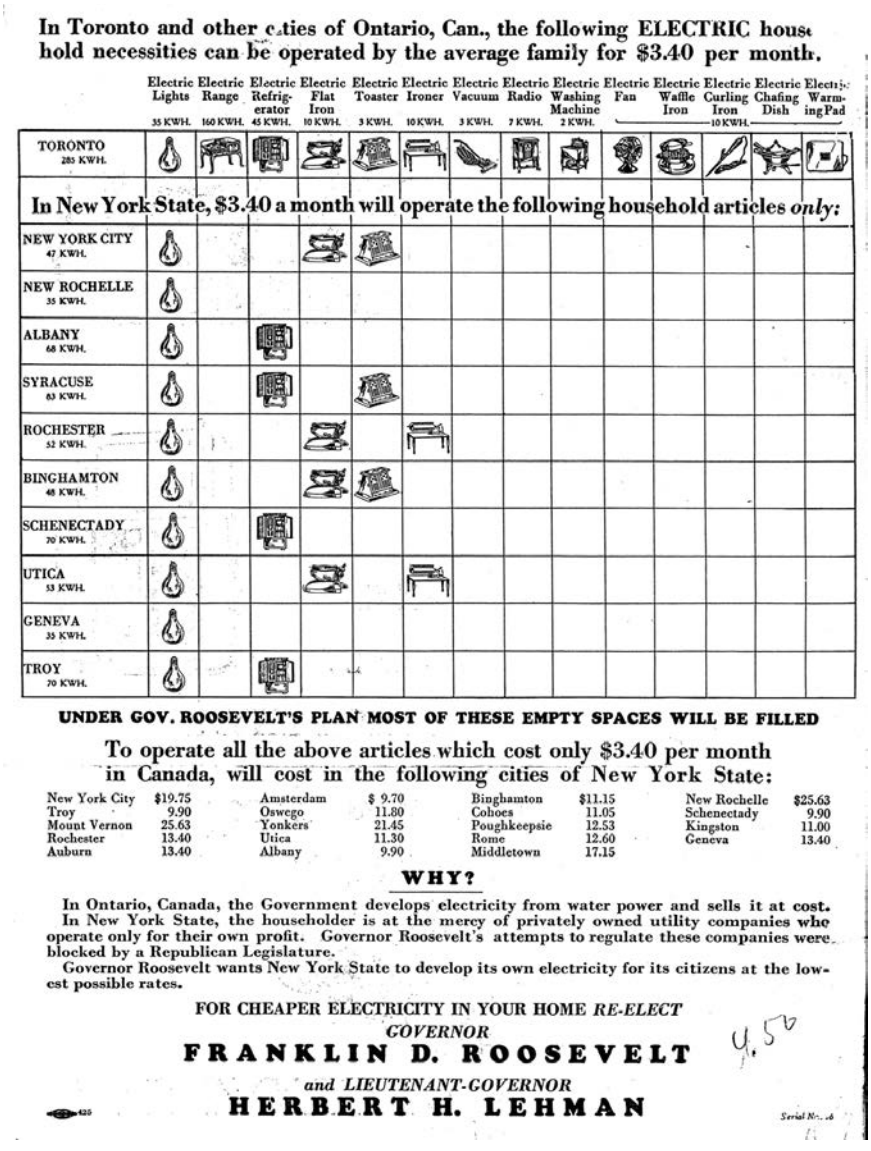
• **Pennsylvania**. The alarm has been sounded in Pennsylvania. After the state's deregulation law was passed at the end of 1996, rates were frozen at the 1997 level. When the electricity rate caps expire in Jan. 1, 2011, 85% of that state's citizens face price hikes. The deregulation law also criminally allowed utilities to terminate Winter service due to arrears in payment, which the legislature is now trying to overturn.

Describing the coming expiration of the electricity rate caps as "the biggest tax increase in the history of the Commonwealth since Ben Franklin," State Sen. Vincent Fumo (D-Phila.) is proposing that rate caps be extended for another ten years. In northeastern Pennsylvania, utility bills shot up 75% when caps expired in 2006. When Duquesne Light Company had its caps lifted in 2005, rates jumped between 35% and 60%. Soon after, Macquarie bought up Duquesne Light's billing base.

State Sen. Lisa Boscola (D-Northampton) warned the CEOs of the state's energy companies that "this legislature enacted deregulation. And it's up to this legislature to fix it—because it's not working."

On Aug. 1, Boscola fired off a letter to the Public Utility Commission. She referred to commissioner Robert Powelson as "a liar and a fraud," following testimony before the Commission, where he had stated that "we need to understand and trust the marketplace." She said that he should be impeached for perjury, since he had earlier stated that the Commission would have "effective oversight over the utility industry."

The Pennsylvania state legislature plans to consider



In Toronto and other cities of Ontario, Can., the following ELECTRIC household necessities can be operated by the average family for $3.40 per month.

	Electric Lights 35 KWH.	Electric Range 160 KWH.	Electric Refrigerator 45 KWH.	Electric Flat Iron 10 KWH.	Electric Toaster 3 KWH.	Electric Ironer 10 KWH.	Electric Vacuum 3 KWH.	Electric Radio 7 KWH.	Electric Washing Machine 2 KWH.	Electric Fan	Electric Waffle Iron	Electric Curling Iron 10 KWH.	Electric Chafing Dish	Electric Warming Pad
TORONTO 285 KWH.														

In New York State, $3.40 a month will operate the following household articles *only:*

NEW YORK CITY 47 KWH.														
NEW ROCHELLE 35 KWH.														
ALBANY 68 KWH.														
SYRACUSE 63 KWH.														
ROCHESTER 52 KWH.														
BINGHAMTON 46 KWH.														
SCHENECTADY 70 KWH.														
UTICA 53 KWH.														
GENEVA 35 KWH.														
TROY 70 KWH.														

UNDER GOV. ROOSEVELT'S PLAN MOST OF THESE EMPTY SPACES WILL BE FILLED

To operate all the above articles which cost only $3.40 per month in Canada, will cost in the following cities of New York State:

New York City	$19.75	Amsterdam	$ 9.70	Binghamton	$11.15	New Rochelle	$25.63
Troy	9.90	Oswego	11.80	Cohoes	11.05	Schenectady	9.90
Mount Vernon	25.63	Yonkers	21.45	Poughkeepsie	12.53	Kingston	11.00
Rochester	13.40	Utica	11.30	Rome	12.60	Geneva	13.40
Auburn	13.40	Albany	9.90	Middletown	17.15		

WHY?

In Ontario, Canada, the Government develops electricity from water power and sells it at cost. In New York State, the householder is at the mercy of privately owned utility companies who operate only for their own profit. Governor Roosevelt's attempts to regulate these companies were blocked by a Republican Legislature.

Governor Roosevelt wants New York State to develop its own electricity for its citizens at the lowest possible rates.

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FRANKLIN D. ROOSEVELT

and LIEUTENANT-GOVERNOR

HERBERT H. LEHMAN

This poster from Franklin D. Roosevelt's 1930 campaign for re-election as governor of New York is a harbinger of his New Deal programs as President to provide electricity for the nation. He demonstrates here how New York State lagged behind Ontario, Canada.

options to prevent the hyperinflationary rise in electricity rates when caps are due to expire, when they return to session in the Fall.

• **Maryland**. In 1999, Maryland passed legislation deregulating its utility industry. Utility companies joined 12 other states and the District of Columbia in the PJM (Pennsylvania, New Jersey, Maryland) consortium system, which operates the buying, selling, and delivery of wholesale power throughout a region that stretches from North Carolina to Illinois. PJM coordinates the supply of electricity and its transmission throughout a region encompassing 51 million people, and is "similar to a stock exchange" establishing a "market price" for electricity, by its own description.

When caps came off electricity rates four years ago in Maryland, rates started to climb. In June of this year, the Public Service Commission (PSC), started to consider a partial re-regulation of the industry. It noted that residential rates are 85% higher in the state now than they were before deregulation.

On May 30, the PSC, joined by and state utility regulators, large power buyers, and consumer advocates in New Jersey, Pennsylvania, Delaware, the District of Columbia, and Ohio, along with the U.S. Department of Defense, filed a complaint with FERC against PJM, alleging that its policies led to overcharges of up to 10% to consumers.

Since without regulation, utilities have no legal mandate to provide power, when PJM determined in 2005 that the region faced an energy shortfall, a way had to be found to make it "profitable" to entice companies to build new capacity. Claiming that prices were too low to attract private investment, PJM got the pro-dereg FERC to allow utilities to jack up revenues, collecting "capacity payments," or customer surcharges, supposedly to encourage investment. Since no new plants were built, consumers were essentially ripped off to the tune of about $12 billion, over the past three years, which went straight into utility coffers.

In his report, Trebing gives a comparable figure, stating that, "about $4.2 billion per year more in profits than would be earned by [previously] regulated companies," will be garnered by the companies in the PJM system.

Maryland is debating changes to its deregulation framework.