

Mother Nature didn't cause our economic collapse

by Richard Freeman

The *Philadelphia Inquirer* on Jan. 20 ran a banner headline, "The Deep Freeze," with the subheading, "Record Cold Strains Area Power Supply." The newspaper reported on below-zero Fahrenheit weather; the imposition by the local power utility, Peco, of rolling blackouts of anywhere from 30 to 90 minutes; the declaration of a state of energy emergency by state political authorities; and the closing of all Philadelphia government office buildings, and of many businesses in the Philadelphia area. Other stories describing the near icing-over of the Delaware River, upon which brings a significant portion of the ship-borne fuel deliveries to a good part of the East Coast, were fairly typical of myriad reports being run in newspapers from Minnesota to New Hampshire, from Kentucky to Ohio, during the cold snap of Jan. 14-22.

It was certainly cold in Philadelphia. On Jan. 19, it had reached -5°F at the Philadelphia International Airport, the coldest temperature recorded there in nine years. The states of Ohio and Indiana recorded very low temperatures, in many locations in the range of -20°F . Yet the Jan. 20 *Philadelphia Inquirer* stories contained a fallacy of composition, attributing the power shutdown to *the cold*. That is simply not true. The local Peco power utility would have had sufficient reserve capacity to handle peak demand, above its baseline power supply, had this cold snap occurred 25 years ago, or even 10 years ago. Back in the 1960s, U.S. power utilities maintained minimum reserve capacity of 17-20%, above baseline energy provision. Often they maintained reserve capacity of 30% or more. To use a phrase which is very well known in the aerospace industry, this reserve capacity represented a healthy "redundancy" in the system. Today, reserve capacity is one-third to one-half of 1960s standards. In fact, some of the nine principal electric power regions into which America is divided, have, for brief periods, reduced reserve capacity to as low as 6%, the danger threshold level defined by the North American Electric Reliability Council (NERC).

Power utilities are regulated. The regulators are drawn mainly from the ranks



A bridge in West Virginia. The collapse of U.S. infrastructure of all types, as a result of the insane policies of free-market economics, has created catastrophes just waiting to happen.

of financiers and environmentalists. Together, they have imposed stringent requirements on the utilities, functioning like a straitjacket on the electric power industry's ability to build new plants. The regulators have ganged up to enforce the backward dictum that it is cheaper to conserve, than to build new 250-1,000 megawatt power plants. The power of Wall Street can be seen in a 1993 court decision in Chicago, in which Commonwealth Edison of Illinois, the nation's biggest nuclear utility, was fined for having built a new plant, thus building "excess" capacity, rather than refunding to its customers part of the costs of building the so-called excess capacity.

What the United States was viewing during the Jan. 14-22 cold snap, and also during the Jan. 17 Los Angeles earthquake, was not the result of "natural catastrophes" at all. Nature was not to blame. Rather, America was viewing the results of the lack of redundancy in every conceivable part of its obsolete infrastructure network: from electricity generation, to the water main and clean water piping systems in the earthquake zone, inadequate rail and postal service, and the inability of tens of thousands of American factories to function during the cold snap.

America's infrastructure network is a junk heap. This is the price we pay for bending to 30 years of badly flawed policies; 30 years of the insane "free market" budget balancing of the sort recommended by fascist Milton Friedman and his epigone, Sen. Phil "Landfill" Gramm (R-Tex.); 30 years of treating infrastructure as waste and a "pork barrel," rather

than as the underpinning and driver of the economy that it really is. Infrastructure, as well as Hamiltonian national banking, and fundamental science, are three pillars of the American System of National Economy, which America has abandoned.

This report will prove that, although January had some very cold days, this was not, historically, a very cold January. In the previous 12 years, there have been three colder Januaries—1982, 1985, and 1988. We will also prove that a huge part of the damage in California—the broken buildings, the collapsed highways, and so forth—could and should have been prevented.

Chain reaction of disasters

Let us look at what happened, as disasters were multiplied in chain reaction fashion. Had the cold snap lasted several weeks, instead of only eight days, the problems would have been magnified severalfold. They showed the thin margin on which infrastructure functions, and how it dysfunctions during even normal times:

Freight traffic: Conrail is the leading—and in many places, sole—rail freight hauler in 14 states in the Northeast and Midwest. But during the cold snap, Conrail barely functioned. Among the problems: cracked rails, signal failures, locomotive breakdowns, and an inability of crews to drive to work. The railroad ran shorter trains, because current designs of air brakes don't work properly in the deep cold—a problem that would not exist if the nation had committed itself 10

years ago to a maglev train system. Many rail and freight shipments ran between 12 and 36 hours behind schedule. This intersected the lack of infrastructure in industry, because many industries, due to cost-accountants' fanatical cost-cutting procedures, adopted what are called "just-in-time production schedules." This means that companies keep almost no inventory on hand, and order only the week before what they need for the next week's production schedule (this is supposed to save money on the overhead costs of stocking inventory). The result: With Conrail service collapsing, and no inventory on hand, factories closed.

Electricity: On Jan. 20, the electricity demand of Virginia Power Co., which covers Virginia and a part of North Carolina, hit 14,800 megawatts, and Virginia Power was unable to handle that demand. Virginia Power, as well as utilities in Washington, D.C., Maryland, New Jersey, Pennsylvania, and other states, imposed "rolling blackouts" from 15 minutes to as long as 90 minutes in certain regions, in order to handle the energy load. They were prepared to impose daily blackouts of two, three, or four hours. We will examine the matter of electricity generation and power supply in greater depth below.

Package Service: The U.S. Postal Service was semi-privatized a number of years back, and this made mail delivery service worse. Many people, no longer trusting the U.S. Postal Service, turned toward UPS, Federal Express, and other private systems for package delivery that has a chance of delivering a package somewhere within a week. But UPS built its hub in Louisville, Kentucky, where, during the period of Jan. 16-21, the airport was shut down, as were all the interstate highway routes into and out of the city. UPS chief executive Oz Nelson exclaimed Jan. 19, "A major storm has shut us down."

Water: On Jan. 20, a 135-year-old water main in Brooklyn, New York broke, turning a several-block area into a lake, damaging homes along the way. The rupture of water mains in Philadelphia became so serious that by Jan. 24, the city had only one-third the 1 billion gallons of water capacity level in its reservoir system that it required. In response, Philadelphia's water utility cut down water supply to a trickle to 547,000 of its citizens, and cut off water altogether to others.

Earthquake exposes inadequate infrastructure

Parallel to the cold snap of Jan. 14-22, on the morning of Jan. 17, at 4:31 a.m., the earth in the San Fernando Valley of California trembled. An "upper thrust" earthquake, measuring 6.6 on the Richter scale, ruptured the earth's crust, causing heaving and dislocation, especially in the sprawling city of Los Angeles, for approximately 30 seconds, before subsiding, followed by a series of aftershocks. The damage from the quake was extensive: 4,000 homes demolished; major highway-freeway systems, including the Santa Monica Freeway, the busiest in America, with 289,000 passenger

cars per day, extensively damaged (the Santa Monica Freeway will take 12-18 months to repair); 300 schools severely damaged; two major water mains ruptured, cutting off water to 50,000 customers; electricity cut off to 40,000 homes; and bridges, hospitals, businesses, and other structures damaged.

By Jan. 27, as we go to press, it is ascertained that 54 people have died from the quake (had it not occurred at 4:31 a.m., but during rush hour, hundreds or thousands would have died), and at least 109 have died from the infrastructure breakdown occurring during the cold snap (and probably hundreds of elderly people who died from hypothermia, due to inadequate heating, were not counted). It is estimated that the total damage between the two disasters is \$35-37 billion, with the bulk of it associated with the earthquake.

However, just as with the cold snap, which was reported as one of the coldest in decades, when it wasn't, the quake was portrayed as extraordinarily powerful, when it wasn't. The 1985 earthquake in Mexico, for example, which measured 8.1 on the Richter scale, was more than 50 times more powerful than the Los Angeles tremor.

Between one-half and three-quarters of the damage resulting from both the cold snap and the earthquake could have been prevented. Japan, which has 130 million people and a land area less than California, lives on several earthquake faults every bit as dangerous as those in California. But it has gone way beyond the United States in developing new scientific infrastructure to deal with earthquakes, as well as better applying infrastructure that has been around for a while. The idea that mankind is simply helpless in front of earthquakes is preposterous. Yes, a few deaths of those directly swallowed up by the quake, and death by kindred quake-induced accidents, are not preventable. But most such quake deaths and most structural damage are completely preventable.

Planned deindustrialization

Why weren't the preparations made, especially since southern California has experienced six quakes of approximately 5 on the Richter scale or greater since 1987, indicating that the pace of quakes is increasing? For the same reason that preparations were not made to protect the Upper Mississippi River, above Cairo, Illinois, from flooding, and thus \$20-25 billion worth of flood damage occurred on the Upper Mississippi during the Flood of '93. This was not an act of nature. The U.S. Army Corps of Engineers knows how to build standardized levees, river diversion channels, spillways, cutoffs, and other flood control measures on the Upper Mississippi, but was prevented from doing so. During the 1930s and early 1940s, it built such structural features on the Lower Mississippi, below Cairo, Illinois, which was much more prone to damage from flooding than the Upper Mississippi. During the Flood of '93, the Lower Mississippi experienced no damage, unlike the Upper Mississippi. Four-fifths or more of the damage from the Flood of '93 was preventable.

The Anglo-American bankers and their environmentalist friends don't want infrastructure built. Their real purpose is to deindustrialize and depopulate the United States. If this policy continues, the United States will disintegrate as a nation. These forces are trying to revert the agriculturally and industrially developed Mississippi flood plain back to swamps and buffalo preserves. They will attempt to turn California, which holds so much of America's agriculture and its highly skilled aerospace sector, into a sunny tourist land, after perhaps dividing it into three parts. They are deurbanizing the urban centers of the eastern and midwestern United States, which are suffering from power shortages not only in the winter, but also in the summer. Broken water mains, untreated and disease-transmitting sewage systems, bridges in disrepair, the breakdown of schools and hospitals, all of these factors are forcing the shutdown of civilized urban life.

Moreover, the United States has not repaired significant damage from previous disasters. For example, according to an article in the Aug. 23, 1993 *Journal of Commerce*, one year after Hurricane Andrew had hit Florida, in the neighborhood of Southwest Homestead, only 27 out of 494 buildings—5%—were being repaired. Hundreds of thousands of people living in South Dade County, which Andrew pulverized, face the ugly prospect of losing their insurance sometime during 1994, since the insurance companies are unloading their policies. Were another Hurricane Andrew to hit, these people, the lucky ones who were insured then, would be out in the cold.

Unless a vicious cycle is broken, the deterioration of infrastructure, and thus of the national economy, will accelerate. It is budget cutting and monetarist "free enterprise" which are responsible for this crisis.

This report will proceed in the following manner to document the lack of infrastructure redundancy and the infrastructure breakdown.

First, we will examine the catastrophes of January, bringing out the real untold story behind the treacherous policy that led to the worse damage during the Los Angeles earthquake. It will also look at the real frightening picture that characterizes U.S. electricity generation, power supply, and fuel consumption.

Second, we will take a longer historical look. Using the highest scientific standpoint, the LaRouche-Riemann economic model, which is rooted in the concept of the rate of change of relative potential population-density, we will examine the underlying causes of the decline of the last 30 years, which have precipitated the infrastructure breakdown today.

Third, we will examine the monetarist budget-cutting mentality which is responsible for the infrastructure crisis.

Finally, we will present the positive program, developed by Lyndon LaRouche, to end and reverse the crisis, ushering in a new era of growth through infrastructure development.

Milton Friedman and the California quake

by Richard Freeman

What does free-market economist Milton Friedman have to do with the devastation caused by the Los Angeles earthquake? Plenty. The earthquake was a natural incident, but it was in no way the cause of the disaster that ensued. Nor did the disaster start on Jan. 17, 1994, but 20 years earlier, when Friedman's policies of usury and monetarist budget cutting took hold—as we shall see.

The Los Angeles earthquake was not an exceptionally powerful quake (see **Table 1**). An expert in the field, Richard McCarthy of the California State Seismic Commission, stated simply, "This is not a big earthquake." But he added, "We shouldn't have had so many failures." A member of the California Department of Transportation, Jim Drago, said, "We had what you would call a catastrophic collapse. *This was a surprise.*"

For now, it may be impossible to physically halt earthquakes, and difficult to predict them, but it is still not inevitable that large damage must result. Apartment complexes, water mains, aqueducts, electricity lines don't ever have to crumble; homes, businesses, and critical highway overpasses need never collapse again. At least \$20-25 billion of the damage of the quake of Jan. 17 could have been avoided. There exist 1) state-of-the-art technologies that should have been applied to structures throughout Los Angeles, and weren't, and 2) emerging advanced technologies whose research should be adequately funded, and whose final product should be built in earthquake zones. The Japanese, who are the most advanced in the world in seismic structural engineering, are already doing this.

The gutting of California infrastructure

In 1980, *EIR* founding editor Lyndon LaRouche co-authored a book entitled *The Ugly Truth About Milton Friedman*, which exposed Friedman's brand of usury-driven free-market economics. Friedman ruled out all dirigistically directed physical economic growth in which government credit-generation plays a role in expanding manufacturing, agriculture, and infrastructure. Such growth increases the tax revenue base, while expanding social services, without increasing taxes. In reality, this Hamiltonian approach is the only way to balance the federal budget. Instead, Friedman considered only the money flows in the economy as important. Friedman declared that drug-money dependent Hong Kong was his model of the best economy in the world, and