

Nation Rejects Bush-Cheney Assault on California

by Harley Schlanger

In a page-one interview in the *Los Angeles Times* on May 5, Vice-President Dick Cheney made it clear that the Bush Administration is toughening its hard-line ideological stance on the energy crisis gripping California.

After President George W. Bush stated in mid-March that his administration would do nothing to aid California—a statement characterized by major press as “Bush to California: Drop Dead”—Cheney went one step further. He told the *Los Angeles Times* that he is so completely opposed to the Federal government taking any action which might interfere with “market forces,” that he would do nothing to aid California, even if the energy crisis there threatened the national economy. This hands-off approach was described by one high-ranking Democrat as “deregulation *über alles*.”

The same imperial perspective characterized the Cheney National Energy Policy Report released May 17, consisting of a mish-mash of 105 “recommendations” amounting to lists of measures to serve the energy cartel, while the population and economy be damned. The Cheney document, and Bush too, came in for instant ridicule. The program of the “GOP—Grand Oil Party,” was the description by the Democratic Policy Committee of the House of Representatives. Lyndon H. LaRouche, Jr. called Cheney’s report “fakery, even if it had had 200 recommendations.”

With hot Summer temperatures beginning to hit California, with projections of up to 700 hours of rolling blackouts between June and September, a \$5.7 billion rate hike approved by the state Public Utility Commission, and gasoline prices in the state jumping to over \$2 per gallon, Bush offered his magical formula to ease the crisis. As if to prove LaRouche’s comment that this Presidency is characterized by lunacy, Bush said, “The best way to make sure that people are able to deal with high energy prices is to cut taxes, is to give people more of their own money, so they can meet the bills, so they can meet the high energy prices.”

Does this mean that the real reason for the huge tax cuts proposed by Bush, is to ensure that his leading supporters in the oil, gas, and electrical power industry, can be paid any level of extortionist prices?

Arrogance of Power

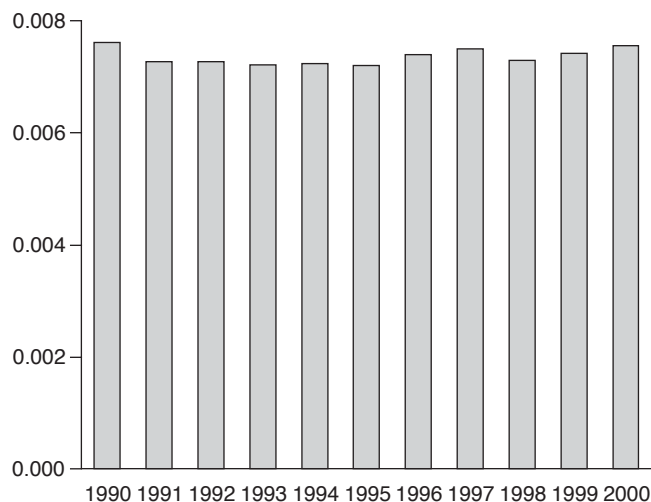
Commenting on these statements, LaRouche remarked that Bush and Cheney exemplify an arrogance of power, which will be their downfall. Their triumphalism, which is

that of petty swindlers proud of the loot they are openly extracting, will draw the hatred of the population, especially from their right-wing populist base. These right-wing populists, LaRouche said, don’t mind swindles, as long as they are the ones profiting.

In this case, it is not the populists who are benefitting, but the Bush-Cheney cronies in the energy business, who are acting with an arrogance of “imperial intoxication.” They are more than happy to make super-profits from tearing down what is left of the physical economy and infrastructure of the United States, while charging such outrageous rates for electricity that the utility companies have been driven to bankruptcy, and families will have to choose this Summer between high-priced medical care and high-priced air conditioning.

The claim of the robber-baron power marketers, which has been embraced whole-hog by the Bush Administration, is that rising demand and insufficient supply are causing the energy price triplings, quadruplings, etc. which are neatly omitted from the Consumer Price Index (CPI) every month. This claim is even phonier than the CPI as an inflation indica-

FIGURE 10
California Electricity Consumption Per Capita □
(Gigawatt-hours)

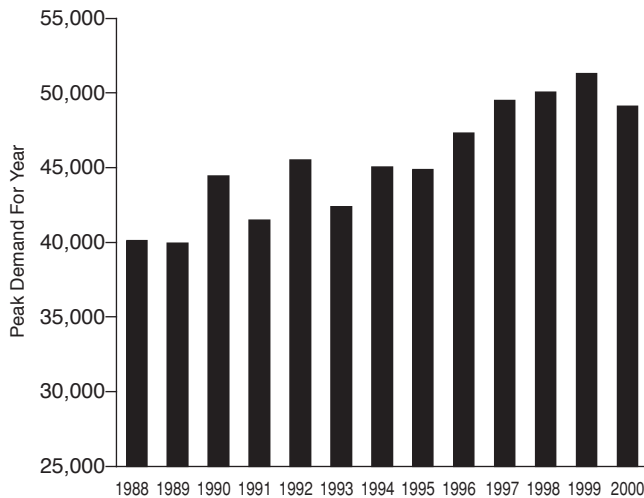


Source: California Energy Commission.

FIGURE 2□

Blackouts Despite Lower Demand in 2000□

(Megawatts)



Source: California Energy Commission.

tor, and has been rejected in Congressional debate in recent weeks.

The fraud is indicated in *EIR*'s charts published here. California's power consumption per person per year is actually lower than a decade ago **Figure 1**. The single highest day's peak demand for 2000 (and for 2001) falls below that of each of the three previous years, when there were no blackouts and reasonable prices **Figure 2**. The real joker emerges in **Figure 3**: the outrageous peak prices charged for electricity by the power marketing barons, have driven skyward as those same power marketers deliberately took more and more of the power generation they owned, offline!

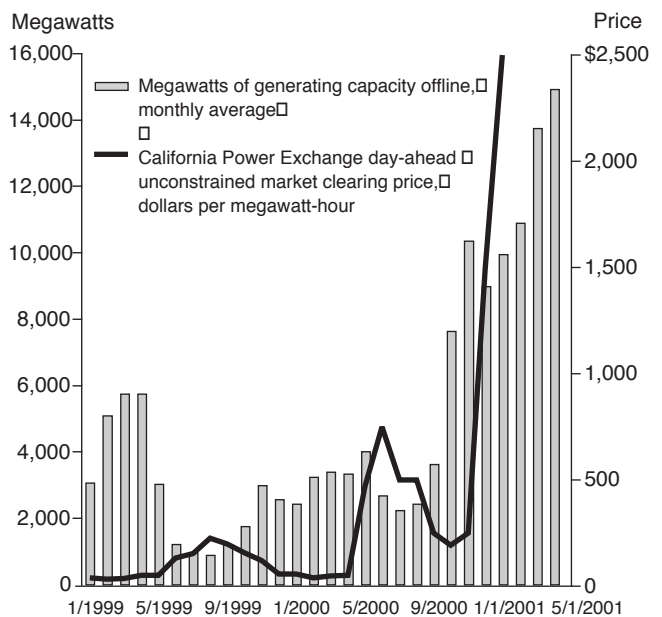
The Bush policy of "malign neglect" has provoked a sharp reaction from California Gov. Gray Davis (D), who has been trying to hold things together, without breaking with the policy of deregulation, which is the root cause of the crisis.

Davis's approach to providing electricity to consumers has been to use the state budget surplus to purchase electricity from the power marketing companies such as Reliant, as the two major utility companies, Pacific Gas & Electric (PG&E) and Southern California Edison (SCE), can no longer afford to do so. PG&E filed for bankruptcy on April 6, while SCE narrowly evaded bankruptcy through a forbearance agreement reached on May 16. The state is paying as much as \$70 million per day for the electricity it is purchasing.

This cost of the energy crisis, when combined with the crash of California's high-tech sector, centered in Silicon Valley, has created a budget crisis for the state. Tax revenues have fallen, as the capital gains taxes from New Economy stocks have fallen. The Governor was forced to revise the budget he presented in January, cutting \$3.2 billion in expenditures. Add to this the additional millions of dollars in interest

FIGURE 3□

Energy Pirates Withhold Electricity to Jack Up Prices in California□



Sources: California Energy Commission; California Power Exchange; University of California Energy Institute.

it will now cost the state to float bonds, since Moody's rating service downgraded the state credit rating, citing "increasing financial risks associated with the continuing energy crisis," and it is obvious that the actions taken by Davis have been inadequate.

Reliant Under Fire

As the crisis has escalated, Davis and his allies have begun to name names. At a press conference on May 7, he said of the Bush-Cheney policy that it would be a "grave mistake" for the administration to "rigidly adhere to ideology, even if it meant hardship for California." In a commentary in the *Washington Post* on May 16, Davis wrote of Cheney's remark that he would never support federal action. "With all due respect to the Vice-President, that is one of the most irresponsible statements I've ever heard."

While intensifying his attacks on the Bush Administration, Davis has not spared the energy pirates who have been looting the state. On ABC's "This Week" on May 13, Davis blasted Reliant Energy of Houston for charging the state \$1,900 per megawatt-hour in the first week of May, when the state was desperately looking for electricity, in order to avoid blackouts. This price was five times the prevailing, already outrageous, market price.

"That's obscene," Davis told ABC's George Stephanopoulos. "No one can defend that. The company is named Reliant. It's in Texas. It's a big buddy of President Bush and

Vice-President Cheney, and they can't just sit back and say, 'Hey, it ain't our problem.' ”

Davis was referring to the fact that Reliant's CEO, Steve Letbetter, was a "Pioneer," i.e., a Bush campaign donor who raised at least \$100,000 for the Presidential campaign. Reliant also contributed more than \$200,000 to the GOP. Reliant's wholesale energy earnings jumped from \$43 million in the Summer of 1999, to \$319 million in 2000, following the implementation of deregulation in California. This huge increase in profits was matched by other Houston-based energy pirates, such as Enron and El Paso Natural Gas, which has been accused of "anti-competitive" contracts, a major factor in the increase in natural gas prices by 489% from March 2000 to February 2001.

Davis continued this offensive on May 16, when he signed a bill creating a state power authority. At the signing ceremony, he warned electricity suppliers, "If they don't want to see their plants seized [by the state, under eminent domain procedures], they should make sure their plants are up and running this Summer."

Davis's forceful language was echoed by California Senate President Pro Tem John Burton, who said, "Sooner or later, we've got to let these buccaneers know that we're not going to tolerate what they're doing to us. The only thing these exploiters would understand is a little counterterrorism."

Turning to a Real Solution?

Such uncharacteristic language has been prompted by the growing realization that the state's economy is plunging into an abyss. Contrary to the popular media image as the state whose prosperity is due to constant sunshine, endless beaches, trendy fashions, and the virtual reality of Hollywood, the wealth of California was created by major infrastructure—water and power projects—which facilitated unprecedented productivity in industry and agriculture. In the postwar period, the California economy was centered around auto and auto-related production, aerospace, and the most productive agriculture in the world. This, in turn, allowed for the population growth which made it the largest, as well as the wealthiest state in the union.

While the combination of the New Age post-industrial philosophy and radical environmentalism has destroyed the industrial base of the state, deregulation is wrecking the infrastructure needed for future growth. One example of this is the destruction of the skilled labor force required for an industrial economy. According to Dan Davis, President of the Utility Workers Union 246, which represents workers at SCE, 1,000 of the 2,000 members of his local have lost their jobs due to cutbacks mandated by deregulation. Another example is a release issued by the Department of Health Services, which warned that water may be unsafe to drink following blackouts. Outages at pumping stations could lead to water becoming contaminated, thus threatening lives. Further, water-supply and sewage-treatment systems rely on electric pumps to keep raw waste-water from spilling out of utility holes and into the streets. These pumps are *not* exempted from blackouts!

Many lives are being placed at risk, so that the buddies of Bush and Cheney can make their billions, while the institutions and tools of government, such as regulatory agencies which were created to promote the General Welfare, are eliminated. It will take more than strong rhetoric to defeat this menace.

Lyndon LaRouche has again reiterated two specific measures for energy production to reverse this slide into a New Dark Age. First, there must be an immediate end to deregulation, and a return to the system of regulation which served this nation well, from the time it was implemented, by President Franklin D. Roosevelt at the time of the Great Depression, until free-market ideologues began ripping it apart during the Carter Administration. This must include the setting of reasonable price caps, as part of a reasonable price structure, to ensure an adequate supply of energy. Second, there must be an extension of long-term, low-interest credit for new plant construction, combined with a special tax-incentive for investment in new construction.

There is no longer any doubt that the Bush-Cheney administration is unconcerned about the destructive results of their policies. The only question that remains to be answered, is: When will the American people demonstrate the good sense to defeat these insane policies?

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