



# California Water and Infrastructure Report

Formerly, the “California Drought (and Flood) Update”

For December 27, 2018

by Patrick Ruckert

Published weekly since July, 2014

An archive of all these weekly reports can be found at both links below:

<http://www.californiadroughtupdate.org>

<https://www.facebook.com/CaliforniaDroughtUpdate>

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*Many Americans have been subjected to the myth which falsely asserts that cheap labor means lower unit-costs of production.*

## A Note To Readers

An economy is not something created by nature. It is created by human beings. An economy is how we humans organize the creative processes of our minds to transform nature to allow for us to live, to develop and to thrive. That begins with individuals discovering the laws of our universe, and then applying those discoveries to create the tools, the technologies and the social and political organization of society that further facilitates that productive process. Our quote above illustrates the idea that real productivity requires a productive labor force whose skill level must be accompanied by a rising standard of living, educational and cultural level.

Our Feature this week includes two items: First, “Turmoil In the Markets-- A Marker for Collapse;” and second, “The Meaning of World-Market Parity Prices for Food.”

This week's report begins with items on the deep and persisting drought that the Western region of the U.S. continues to experience. I include a second article, following one last week, on what now some are calling the “megadrought” that the Southwest has experienced now for 19 years.

The California Water Wars continue with the first lawsuit filed against the state's water plan which will, as has been covered frequently in these reports, divert more water from cities and farms.

Then we have the old tactic revived to stop infrastructure projects, this time with a couple of salamanders, to attempt to stop the raising of Shasta Dam.

During the five-year drought the governor used an executive order to impose rationing of water to urban areas. Some areas were told to reduce water consumption by as much as 36 percent, but all by at least 25 percent. There were “unintended consequences” to water districts, including water quality problems and financial impacts.

While wildfires have faded away with the rainy season finally beginning, the aftermath is significant. Four topics are highlighted this week: Damage Assessment, Trump Administration Orders More Logging, What One Utility Proposes, and Criminal Charges for PG&E?

The next section is: “Finance, Retool and Rebuild the U.S. Infrastructure.” That includes one video and one article.

Then the Feature completes this week's report.

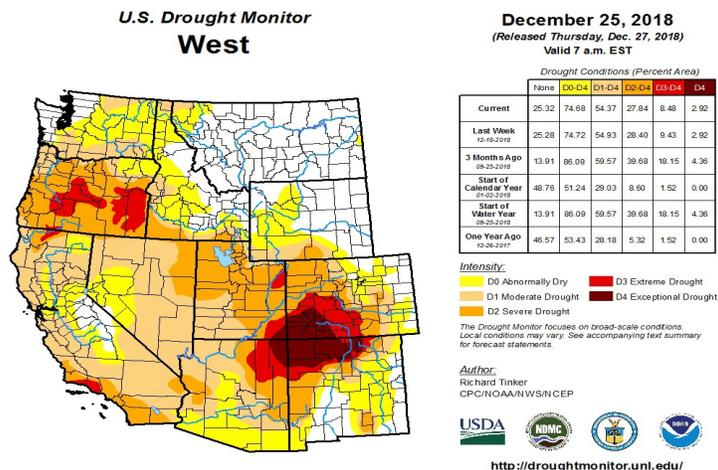
## The Drought Is Relentless

While California, Washington and Oregon have been getting some rain and snow in December it has done little to either decrease the severity of drought in those states, nor has it affected the 19-year drought that the Colorado River area has suffered.

In California 75 percent of the state remains in “Severe Drought,” and Oregon has a substantial portion of the state in “Extreme Drought.”

Last week I included in the report this article, “The Southwest May Be Deep Into a Climate-Changed Mega-Drought.” The same topic with further discussion this week underlines just how serious the Southwest drought really is. Though the mankind caused global warming underlies the article this week, the discussion is useful. This article is below.

### U.S. Drought Monitor: The West



## ***Warm, dry winter predicted for Northwest***

- *By [DON JENKINS](#)  
[Capital Press](#)*
- *Dec 21, 2018*

[https://www.capitalpress.com/ag\\_sectors/water/warm-dry-winter-predicted-for-northwest/article\\_fa31acda-04a3-11e9-9e66-5f421ca32576.html](https://www.capitalpress.com/ag_sectors/water/warm-dry-winter-predicted-for-northwest/article_fa31acda-04a3-11e9-9e66-5f421ca32576.html)

*An El Nino will bring a drier and warmer winter to the Northwest, NOAA predicts.*

*Odds are high that the Pacific Northwest will be warmer than average the next three months, and current drought conditions are expected to persist, National Oceanic and Atmospheric Administration scientists said Thursday.*

*Temperatures in Oregon, Washington and Northern California have been generally above average recently. That trend is expected to continue in January, February and March as an El Nino forms, according to NOAA.*

*"Western snowpack is generally behind average, particularly the farther west you go," NOAA climate scientist Deke Arndt said. "The Cascades have quite a bit less snow on them than is typical."*

*NOAA updated its seasonal outlook for U.S. temperatures and precipitation. More than anywhere else in the Lower 48, the odds favor above-normal temperatures in Western Oregon and Western Washington, according to NOAA. Odds in the rest of the West also lean toward higher than usual temperatures.*

*The odds favor a drier-than-average winter in Oregon, Washington, Northern California and the Idaho Panhandle, with the rest of the West having equal chances of wet, dry or average precipitation.*

*Nearly 90 percent of Oregon and nearly 33 percent of Washington were in some stage of drought, the U.S. Drought Monitor reported Thursday.*

*"Persistence (of drought conditions) is forecast for the Pacific Northwest," NOAA meteorologist Brad Pugh said. "That's related to the low snowpack currently over the Cascades and also the seasonal outlook for drier than normal conditions."*

*In Oregon and Washington, snowpacks in the Cascades ranged Thursday from 95 percent of normal near the Canadian border to 39 percent in northern Oregon, according to the Natural Resources Conservation Service.*

## ***Western Drought Ranks among the Worst of the Last Millennium***

*As temperatures warm, it becomes more likely the drought will match past "megadroughts" for length as well*

- *By [Andrea Thompson](#) on December 24, 2018*

<https://www.scientificamerican.com/article/western-drought-ranks-among-the-worst-of-the-last-millennium/>

*Scientists who study climate history have long been concerned that rising temperatures could help tip the already dry region into megadroughts (generally defined as droughts lasting 20 years or longer) again more easily in the future—a major worry in a rapidly growing part of the country that has already had trouble meeting water needs during nearly two decades of drought.*

*Park Williams, a bioclimatologist at Columbia University's Lamont Doherty Earth Observatory, had*

*always envisioned past megadroughts as having conditions unrecognizable to us today. But several years ago, he realized that the massive tree die-offs, bark beetle infestations and wildfire boom he envisioned for those past events had actually come to pass in recent years. The epiphany led him to look at how the region's recent drought compares to the megadroughts of the last millennium—and he discovered it rivals them in severity. If it continues, it could be the first megadrought of the era of human-caused climate change. Scientific American spoke with Williams earlier this month about his research, at the annual meeting of the American Geophysical Union in Washington, D.C.*

*[An edited transcript of the interview follows.]*

***When did you start thinking that this current drought might be on par with these past megadroughts?***

*In 2012 I did a study using tree records across the Southwest. I saw that the 13-year drought from 2000 through 2012 was standing out like a sore thumb—like far worse than anything in the last 400 years. It was looking a lot like the first 13 years of the megadrought in the late 1500s. So that's how I got thinking about this. And actually, if we now retrospectively still look at 2000 through 2012, that was a really, really intense 13 years. So we found that this 19-year period comes in fourth [in terms of severity] in the last 1,200 years—but that 13-year period might actually come in first in [all] 13-year periods when we look across the entire western U.S.-northern Mexico region.*

***Did climate change contribute to this recent drought, and could it cause it to continue?***

*Climate change can affect droughts in a couple of ways. One is if precipitation were to change due to climate change—then droughts would undoubtedly change. The other is if the evaporative demand of the atmosphere were to change, then droughts can change even if there's no long-term change in precipitation. And that's what we've seen in western North America, where the last century ... has not seen really big trends in precipitation. Climate models are kind of all over the place, in terms of whether or not they simulate changes in precipitation to arise as a function of increasing greenhouse gas in the atmosphere. But what has happened is that it has warmed rapidly in the last century—the western U.S., northern Mexico has warmed by about just over a degree and a half Celsius over the last 120 years. And climate models say that all of that warming is due to human-caused climate change. Warming enhances the evaporative demand to the atmosphere, causing essentially every raindrop or snowflake to be a little less valuable because it's going to be more easily evaporated back to the atmosphere. That alone can drive soil moisture down, and that's what we've seen so far.*

*We can retroactively calculate how soil moisture would have been impacted if the long-term warming trends that were caused by humans had never occurred. And in doing that, we see that this 19-year drought still would have occurred. It would still have been bad; it would compete with the worst droughts of the last century. But it wouldn't be able to compete with the droughts of the last millennium [without climate change]. We calculate that about 38 percent of the severity of the current 19-year drought was driven by the long-term warming trend, and then the other 62 percent of the drought would have still occurred anyway, just because of a [random] reduction in precipitation.*

## **California Water Wars**

### ***California 'Water Grab' Faces First Legal Challenge***

*[December 21, 2018 NICK CAHILL](https://www.courthousenews.com/california-water-grab-faces-first-legal-challenge/)*

*<https://www.courthousenews.com/california-water-grab-faces-first-legal-challenge/>*

MERCED, Calif. (CN) – Firing off the first challenge to contentious state-mandated water reductions for farmers and cities, a rural California water district sued the state Friday to freeze the week-old order meant to boost salmon populations in state rivers.

Merced Irrigation District says the State Water Control Resources Board's Dec. 12 decision is a "water grab" that will steal water from farms and disadvantaged Central Valley communities. The district claims the order will divert up to half of its take of the Merced River, cost the local economy 1,000 jobs and over \$230 million without benefiting a single fish.

"Diverting senior water rights away from the district and its customers for the benefit of others does nothing to protect the salmon and fish populations the state purports to want to protect...and does nothing to address the main stressors affecting the salmon lifecycle," the 150-page [complaint](#) filed in Merced County Superior Court states.

Capping off nine years of review and debate, last week the water board [approved](#) long-awaited updates to the Bay-Delta Water Quality Plan. The amendments require more water to be left in the Merced, Stanislaus and Tuolumne rivers during periods when salmon are returning to spawn. After over eight hours of discussion, the water board approved the update in a 4-1 vote.

## **Raising the Height of Shasta Dam Challenged by Salamanders**

### ***Trio of salamanders might stop Northern California dam project***

By Hannah Fry Tribune News Service  
December 26, 2018

<https://www.saukvalley.com/2018/12/26/trio-of-salamanders-might-stop-northern-california-dam-project/alpyhgs/>



*A trio of tiny salamander species could mean big trouble for federal officials spearheading a controversial \$1.4 billion project to raise the Shasta Dam in northern California.*

*Two environmental organizations – the Center for Biological Diversity and the Environmental Protection Information Center – filed a federal lawsuit last month asking a judge to force the U.S. Fish and Wildlife Service to determine whether the Shasta salamanders should be protected under the Endangered Species Act.*

*The move was prompted, in part, by the federal government's sudden momentum in efforts to raise the*

*Shasta Dam nearly two stories, a project environmentalists say would destroy the salamanders' habitat and put them at risk of extinction.*

*“Salamanders were historically harmed by the original creation of the dam,” Loda said. “The dam turned a pretty small lake into a very large lake and flooded their habitat. They can't survive in the water like that.”*

*In 2015, the U.S. Bureau of Reclamation completed a federal environmental analysis of the raising the dam but shelved the project at the time because the bureau wanted local and state agencies to help shore up the cost.*

*After Donald Trump's election as president, the project was injected with new life. Westlands Water District, which provides water to more than 1,000 square miles of farms in Fresno and Kings counties, offered to help fund it.*

*The California Wild and Scenic Rivers Act, passed in 1972, prohibits the 602-foot structure from getting any taller. But in an era of tension between Washington and California, the state's objection to the project isn't proving to be a deterrent for the Trump administration, which is moving forward with the plan.*

## **Water Conservation and Unintended Consequences**

This excerpted conference report demonstrates the dynamic of water management systems and gives examples of how the mandated water conservation orders from the state during the five year drought created new problems for water districts. I have just provided here a few excerpts.

### ***The unintended consequences of water conservation***

*July 18, 2018*

<https://mavensnotebook.com/2018/07/18/the-unintended-consequences-of-water-conservation/>

***Dr. Kurt Schwabe discusses the impact of water conservation on recycled water; Yorba Linda Water District GM discusses effects of 36% water conservation on his district***

*During the recent drought, conservation mandates were imposed across the state with some areas mandated to cut their water use by one-third or more. However, reducing water consumption by one-third means a significant reduction in the flow of water through distribution systems, creating challenges for water managers.*

*What were the unintended consequences of the water conservation mandates? A panel at the [Orange County Water Summit](#) discussed the unintended consequences and impacts of the conservation mandates. First, Dr. Kurt Schwabe, adjunct fellow at the Public Policy Institute of Californians Water Policy Center and professor of Environmental Economics and Policy at the UC Riverside, discussed the technical side of the effects of indoor conservation on wastewater recycling; next, Marc Marcantonio, general manager of the Yorba Linda Water District, spoke about the impacts of a 36% conservation mandate on the system and the community.*

*There are a number of unintended consequences with water conservation, something that Dr. Schwabe and others have been researching. Low flush toilets may lead to more flushing, low flow showerheads may lead to longer showers, front load washers may lead to more rinse cycles, and so on, and Jevon's Paradox states that increases in irrigation efficiency often lead to more water use, he pointed out.*

*There are also positive unintended consequences in that reducing water use may lead to a reduction in energy use. Dr. Schwabe has noted that these behavioral changes don't mean that water use increases, but rather water savings from conservation technologies may not be as large as anticipated or as suggested in engineering studies that overlook unintended behavioral changes that often occur when newer technologies are adopted.*

*Dr. Schwabe then gave his conclusions. "So I would summarize then by saying that recycling and conservation are integral parts of California's portfolio to address water scarcity and drought. The evidence does suggest that the conservation efforts in the drought and the state mandate impacted wastewater treatment influent and quality; these unintended conservation efforts may increase wastewater treatment costs, reduce recycling opportunities, and impair surface water flows and qualities, especially in effluent dominated streams. Basically it suggests that there's an argument to be made that policymakers need to recognize the potential dependence of recycling, particularly when the conservation is indoors."*

*Water providers typically charge a base fee and a consumption charge; because they reused their water prior to the drought emergency, most of the costs were recovered with the consumption charge, thereby keeping the basic service charge artificially low. "This financial model worked well for the district for over 100 years, but it failed when the state took the unprecedented action to mandate a 36% rationing of our water use or face fines up to \$10,000 per day," he said. "The sudden loss of consumption revenue put Yorba Linda Water District upside down on our bond debt covenant ratio, requiring a dramatic increase in the basic service charge. In our case, the unintended consequence was that water bills increased especially for those with low water use, since water sales were reduced 36%."*

*The district also lost revenue that was planned for water use efficiency projects. Their distribution system was designed and built over many years, and optimized to provide high volumes of water for fire suppression. Water use efficiency is good, whereas water conservation can strand expensive infrastructure assets, he said.*

## **Wildfires: Damage Assessment**

### ***The Cost Of California Wildfire Damage In 2018 Is Astronomical — And It Could Keep Climbing***

*By [Kavitha George](#)*

*December 12, 2018*

*<https://www.bustle.com/p/25-gifts-for-your-fam-that-theyll-actually-love-13098504>*

*Between the massive fires that raged this November, [19,000 homes and businesses](#) were destroyed across Northern and Southern California, according to *The San Francisco Chronicle*. On Tuesday, federal and state authorities estimated that cleanup efforts will cost \$3 billion, more than double the \$1.3 billion that the U.S. Army Corps of Engineers spent clearing debris after the 2017 fire season, reports *The Chronicle**

*Insurance companies are also a major part of funding rebuilding, though payouts this season might not be as high as last year. In 2017, according to NBC, insurers paid a record \$11.8 billion to Northern Californians affected by fires. But on Wednesday, the California Department of Insurance reported about [\\$9 billion in covered losses](#) in 2018 — with the caveat that that number is expected to increase.*

Insurance Commissioner Dave Jones warned earlier this year that damage will be harder to cover as fires get worse. "In the wake of last year's wildfires, we may see more areas of the state where [insurers decline to write](#)," he added, urging California lawmakers draft laws to "improve fire insurance availability."

## Wildfires: Trump Administration Orders More Logging

### White House Orders Up More Logging To Combat Wildfires

By [Chris D'Angelo](#)

12/21/2018

[https://www.huffingtonpost.com/entry/trump-executive-order-forest-management-wildfire\\_us\\_5c1d7c4ce4b05c88b6f8bde4](https://www.huffingtonpost.com/entry/trump-executive-order-forest-management-wildfire_us_5c1d7c4ce4b05c88b6f8bde4)

With a government shutdown looming, President [Donald Trump](#) signed an [executive order](#) on Friday to boost logging and forest thinning on more than 4 million acres of federal lands to combat extreme [wildfires](#).

"For decades, dense trees and undergrowth have amassed in these lands, fueling catastrophic wildfires," Trump's order reads. "These conditions, along with insect infestation, invasive species, disease, and drought, have weakened our forests, rangelands, and other Federal lands, and have placed communities and homes at risk of damage from catastrophic wildfires."

The order directs the Interior Department and the Department of Agriculture to identify ways to reduce "regulatory barriers" to better manage forests and get rid of hazardous fuels. It calls for "treating" 4.25 million federal acres — an area larger than Connecticut — to cut fuel loads. And it allows for a total 4.4 billion board feet of timber to be harvested from Forest Service- and Interior-managed lands in 2019 (board feet is a unit of measurement for the volume of lumber).

That would be a significant increase over the combined 3.2 billion board feet removed from those agencies' lands in 2017, the [Sacramento Bee](#) reports.

"Active management of vegetation is needed to treat these dangerous conditions on Federal lands but is often delayed due to challenges associated with regulatory analysis and current consultation requirements," the order states.

The order also calls for addressing invasive species and working to mitigate flooding and erosion risks that result from wildland fires. And it requires the agencies' secretaries to "identify salvage and log recovery options from lands damaged by fire during the 2017 and 2018 fire seasons, insects, or disease" by no later than March 31, 2019.



Salvage logging of burned forests

# Wildfires: What One Utility Proposes

## *SCE Publicly Releases CPUC Submission on the Woolsey Fire*

• Dec 6, 2018

[https://www.westplainsdailyquill.net/national\\_news/article\\_d2ddfa17-2467-5e29-b901-288fc4f59e86.html](https://www.westplainsdailyquill.net/national_news/article_d2ddfa17-2467-5e29-b901-288fc4f59e86.html)

### *Comprehensive Policies Still Needed to Address the Growing Threat of Wildfires*

*With the increasingly serious, ever-growing wildfire threat to California, it is unmistakably clear that further urgent work is needed to develop thoughtful, comprehensive policies to address this statewide problem. SCE strongly supports the increased funding for fire suppression and improved forest and land use management policies included in SB 901(Dodd, D-Napa).*

*While the state legislature has taken an important initial step to mitigate wildfire risks through the passage of SB 901, much more is urgently needed to address the critical issues of fire prevention, suppression efforts and liability allocation. SCE believes the state can do more, including ensuring the proper allocation of legal responsibility — including SCE's where appropriate — for the often-tragic consequences of wildfires.*

*The new Commission on Catastrophic Wildfire Cost and Recovery established under SB 901 provides an opportunity for a thoughtful, in-depth examination of how state policy allocates liability and compensates for fire damage. Without continued focus, the wildfire threat will only become more acute as our climate continues to change.*

### *Edison's Efforts at Managing the Wildfire Threat in California*

*Safety is the company's top priority and a core value for SCE. Its employees work vigilantly year-round to strengthen the electric system and protect the public and SCE's employees against a variety of natural and man-made threats. SCE has long taken substantial steps to reduce the risk of wildfires in its service territory and continue to look for ways to enhance its operational practices and infrastructure. SCE employs design and construction standards, vegetation management practices and other operational practices to mitigate wildfire risk and has collaborative partnerships with fire agencies to maintain fire safety.*



*Burying power lines*

*SCE has proposed a \$582 million [Grid Safety and Resiliency Program](#) (GS&RP) consisting of additional measures to enhance wildfire safety in a Sept. 10 filing at the commission.*

*Under the GS&RP, SCE is incorporating leading mitigation measures to enhance the significant*

*practices already in place to reduce the risk of wildfires. Key elements of the plan include reducing the risk of sparks that can ignite fires by replacing nearly 600 miles of overhead power lines in high fire risk areas with insulated wire (often referred to as covered conductors) by the end of 2020 and another 3,400 miles of overhead lines with insulated wire between 2021 and 2025.*

*SCE also is installing nearly 15,700 “current limiting” fuses that reduce fire risk, installing cameras and up to 850 weather stations to help monitor high-fire weather conditions across the utility service territory and has proposed additional operational best practices to mitigate fire risk.*

## **Wildfires: Criminal Charges for PG&E?**

***PG&E broke laws in 12 NorCal wildfires, Cal Fire found. Prosecutors may not file charges***

*By [Tony Bizjak](#) and [Dale Kasler](#)*

*December 21, 2018*

*<https://www.mercedsunstar.com/news/state/california/article223213665.html>*

*PG&E has already been convicted in criminal court for a recent deadly tragedy. Could the utility soon find itself as the defendant in a dozen more cases, charged with breaking state laws?*

*In the wake of massive utility-caused Northern California wildfires, a handful of district attorneys in flame-scarred counties are pondering whether to charge the utility company in criminal court for misconduct.*

*Cal Fire, the state’s fire protection agency, sent investigative reports to seven counties this summer saying it believes PG&E likely violated state public resources and health and safety laws in 12 blazes.*

*Cal Fire spokesman Scott McLean said it is up to local prosecutors in Sonoma, Napa, Yuba, Nevada, Lake, Humboldt and Butte counties to make independent decisions on whether to use the fire agency’s investigative conclusions to file criminal charges.*

*“We saw cause, and we gave it to the DAs to figure out,” McLean said. “Whether they are going to prosecute, that is up to them.”*

*The decisions on whether to charge Pacific Gas and Electric Co. could have a major impact on the company. The utility currently is subject to court-ordered federal monitoring stemming from a criminal conviction for the 2010 San Bruno gas-line explosion that killed eight.*

*A violation of PG&E’s probation in the San Bruno case — such as a criminal act — could lead to what one former prosecutor said would be an added layer of “onerous” controls. And, arguably even more troublesome, new criminal charges could give the utility giant a public black eye that would exacerbate its mounting financial woes.*

## **Finance, Retool and Rebuild the U.S. Infrastructure**

***Retooling America: Using the Machine Tool Principle to Rebuild America's Infrastructure***

*<https://larouhepac.com/20181221/retooling-america-using-machine-tool-principle-rebuild-american->*

## infrastructure

*With the recent plant closures by General Motors, emergency action is needed to place these idled plants into receivership and retool them to build components for maglev rail, nuclear power plants, and spacecraft. We are joined today by Richard Freeman, contributing author to Executive Intelligence Review, and Bill Roberts, former Congressional candidate from Detroit MI, to discuss the urgency of applying Lyndon LaRouche's "Economic Recovery Act of 2006" to the present day. The original text of that proposed legislation can be found here:*

[https://larouchepub.com/other/2006/site\\_packages/econ\\_recovery\\_act/3349era\\_draft.html](https://larouchepub.com/other/2006/site_packages/econ_recovery_act/3349era_draft.html)

*A 54 minute video*

This excerpted article begins with an anti-Trump theme, but the discussion of an infrastructure bank is the right direction:

### ***How Democrats Can Affordably Fix America's Infrastructure Trump's plan is a Wall Street giveaway. Here's a better idea.***

*by [Leo Hindery, Jr.](#)*

*December 26, 2018*

<https://washingtonmonthly.com/2018/12/26/how-democrats-can-affordably-fix-americas-infrastructure/>

*Within an hour of winning the House, Democrats were talking about infrastructure. "We will deliver a transformational investment in America's infrastructure to create good paying jobs," Nancy Pelosi declared after victory was assured. By the next day, politicians on both sides of the aisle were hailing infrastructure as a good place for compromise. On Wednesday, Senate Majority Leader Mitch McConnell [told reporters](#) that infrastructure was "the one issue" where "there could be a possible bipartisan agreement." The incoming chairman of the House Transportation Committee, Peter DeFazio, [praised President Trump](#), who has regularly talked about working with Democrats to fix America's infrastructure.*

*"Donald Trump is a builder," DeFazio said. "He gets it."*

*But he doesn't.*

*Since Inauguration Day, the Trump administration's infrastructure plan has been a one trillion dollar "public private partnership," funded with \$200 billion from Congress and with \$800 billion in loans from Wall Street institutions like Goldman Sachs and Blackstone. The \$200 billion paid by Congress would be quickly spent. But Wall Street [says it would demand](#) an annual interest rate of 10 to 12 percent on their loans. Getting a return on these large, Wall Street-funded infrastructure projects would be very expensive. It would be so expensive, in fact, that the women and men intended to use these new rail lines, benefit from new broadband networks, cross repaired bridges, or fly out of upgraded airports won't be able to afford to do so.*

*Trump's plan is a slap in the face to the mayors and governors who have been waiting decades for help funding infrastructure projects that their constituents need. Even if it weren't prohibitively costly for communities, Trump's plan doesn't provide the full \$1.5 trillion which the American Society of Civil Engineers (ASCE) [believes is](#) outside the current capabilities of the states and municipalities. Trump has proposed a half-baked half-measure which won't affordably solve our current problems, let alone address our future needs.*

*As a term, "infrastructure bank" might sound boring. But the idea can be elegant and ingenious. The*

*federal government first establishes a bank and seeds it with billions of dollars—a lot of money, but still only a small fraction of what Trump is proposing. Next, the bank invites outside investors to add more money—orders of magnitude more than what the government provided. The bank would then finance infrastructure projects across the country, so long as they pay for themselves over time through user fees or associated taxes. States or cities could apply to fund projects ranging from passenger trains and toll roads to electricity grids and sewage pipes. And unlike Trump’s proposal, an infrastructure bank would not be a one-off funding initiative. Rather, once seeded, it would be self-sustaining, as loan repayments from earlier projects allow the bank to lend money for future ones.*

*I believe that a proper national infrastructure bank must instead be a wholly owned government corporation with non-partisan directors appointed by the president and confirmed by the Senate. These directors should be experts when it comes to infrastructure and macroeconomics. They should include women and men with proven expertise in heavy construction, business, labor and government policy. And in order to make the bank as informed as possible about America’s diverse infrastructure needs, the bank should, like the Federal Reserve, be regionalized into operating districts.*

*Finally, the bank has to avoid leaving cities and states drowning in high-cost debt. To make sure this doesn’t happen, my proposed bank avoids Wall Street entirely. Instead, complemented by support from the U.S. Treasury, the bank would be primarily capitalized with and find its liquidity from \$1.5 trillion in long-term loans from America’s large state and municipal pension plans, as well as by some of the world’s large overseas sovereign wealth funds (like Norway’s massive oil-rich permanent fund). The interest rate on these loans would be in the range of 3 to 4 percent. This may appear low, but it is actually consistent with the interest rate these plans and funds earned over the last decade on their fixed-income assets.*

## **Feature: Market Turmoil and Parity Prices for Food**

### **Turmoil In the Markets-- A Marker for Collapse**

#### ***Subjecting the Hysteria Defending the Fed, to LaRouche’s Wisdom***

*Dec. 23 (EIRNS)—On Saturday night Dec. 22 Treasury Secretary Steve Mnuchin tweeted a comment from President Donald Trump: “I have spoken with the President and he said ‘I totally disagree with Fed policy. I think the increasing of interest rates and the shrinking of the Fed portfolio is an absolute terrible thing to do at this time, especially in light of my major trade negotiations which are ongoing, but I never suggested firing Chairman Jay Powell, nor do I believe I have the right to do so.’ ”*

*By then, however, the eruption of anxiety from Wall Street directions, that Trump might cut down the authority of Fed Chair Jay Powell or of the Federal Reserve as a whole, had perhaps exceeded even that of neo-conservatives over the President’s order to withdraw troops from Syria.*

*Typical of the wild assertions was Senator (and Wall Street veteran) Mark Warner (D-VA), however: “Any action taken to dismantle the independence of the Fed would ... threaten the institutions that protect our rule of law.”*

*But the Federal Reserve’s record since at least 1987, when Alan Greenspan took over from Paul Volcker, has been a continuous game of debt bubble pumping, financial crash, pumping up larger bubble, another crash, and so forth.*

*Lyndon LaRouche, in an April 26, 2006 article in EIR entitled “Characteristics of the Current Crisis: How the World Has Changed,” wrote that six days earlier, “I issued my warning that, unless a drastic policy-change intervened, the world as a whole was now on the course toward a systemic monetary-financial collapse”—the*

*so-called Great Financial Crash which was in full view a year after LaRouche wrote. Moreover, reviewing “four stages of decline” since the policies of President Franklin Roosevelt, LaRouche attributed the fourth stage to Alan Greenspan and the Federal Reserve.*

*“This Fourth Phase came into being during 1987, in the 1929-style, October collapse of the New York stock bubble. That stock-market crash occurred on the watch of Federal Reserve Chairman Paul Volcker. Volcker’s nominated successor, Alan Greenspan, took charge. It was Greenspan who crafted the Fourth and fatal phase, leading into the presently threatened, imminent general collapse of the world’s present monetary-financial system.*

*“The Greenspan ‘bubble,’ otherwise known as the ‘financial derivatives’ scam, which has been cast in the tradition of the John Law bubbles of early Eighteenth-Century Europe, has become a highly complicated structure; but, the essence of the problem it represents can be fairly summarized as follows.*

*“The included effect of the process leading into the 1929-style, October 1987 stock-market crash, was the depleting of the cash available to the private banking system. Greenspan’s engineering used the Federal Reserve pumping of a mortgage-based securities bubble in Fannie Mae and Freddie Mac operations, as a way of pumping cash back into the banks. This, and the associated boom in inflationary real-estate speculation, has represented the principal axis of an accelerating inflation in the U.S. and Europe, among other locations. This, combined with the role of Japan’s virtually zero overnight lending rate, has emerged as the base for the build-up of a highly inflationary, implicitly cancerous mechanism known as ‘the carry trade.’ This operated within a global environment shaped by Greenspan’s role as architect of a system of gamblers’ side-bets, known as financial derivatives, including so-called credit derivatives.”*

The following article appears in the [December 14, 2018 issue](#) of **Executive Intelligence Review**.

### ***The Meaning of World-Market Parity Prices for Food***

*by Lyndon Hermyle LaRouche, Jr.*

*June 18, 1980*

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*Issued by LaRouche as a 1980 Presidential Candidate in the Democratic Party, and published by Citizens for LaRouche, New York, N.Y.*

#### **Excerpt from the article:**

*Many Americans have been subjected to the myth which falsely asserts that cheap labor means lower unit-costs of production. We explore that myth here for the case of agricultural production.*

*Once we recognize that the net-profit component of true parity values for agricultural products is the margin of investment on which technological improvements in unit-cost of production depend, we begin to comprehend the fact that such net profits are not an amount in excess of the “true cost” of production.*

*If we are to maintain an adequate supply of food at stable prices, not only must the total investment in agricultural production increase, the average capital investment per acre will also be increased. It is investment in agricultural improvements per acre, including land improvements, equipment and ratio of energy-consumption per acre my agricultural production, which is key to reductions in the unit-costs in agricultural output.*

*Since the improvement of marginal land is more costly than maintenance of prime land, the tendency is for agricultural costs and prices to rise, unless costs are kept down by increased efficiencies of the sort*

*which can be realized only through capital-intensive, energy-consuming forms of technological improvements. Therefore, a certain rate of net profit on agricultural products is required even simply to maintain the volumes and productivity of production.*

*If we, then, examine what appears to be cheap food production in other nations from this same standpoint, we immediately note the following fact. What rate of net profit do those countries require to bring their productivities up to U.S. standards over periods ranging from ten to fifty years (according to the relative backwardness of each such economy)? This calculation proves that the required amount of unit net profit for food production in those countries brings the true cost of that food production up to approximately U.S. parity-values!*

*This proof of parity-values for world food production also applies in the same way to all basic categories of commodities in the world market. The mathematical proof of this fact was developed by a joint product of the Fusion Energy Foundation (FEF) and the once-a-week **Executive Intelligence Review**.*