

## Agriculture by Suzanne Rose

### Budget ax hits rural electrical coops

*The midwestern floods have heightened the need to rebuild farm belt electricity supplies, but Congress is marching in reverse.*

**T**he flood emergency in the Midwest has created an urgent need for infrastructure repair, including the replacement and repair of power systems damaged by the flooding and windstorms which have wracked the food production belt.

At the same time, one of the nation's premier sources of funds for rural power is facing the budget ax. On July 21, the House-Senate Budget Reconciliation Committee agreed to restrict the funds available to the Rural Electrification Administration (REA), the agency established in 1936 by executive order of President Franklin Roosevelt. Unless this is reversed, the REA will lose its access to 2% loans and will only have limited access to 5% loans. Otherwise, the REA will have to borrow at the same interest rate as municipal bonds, in some cases with a 7% cap, and in other cases at the municipal bond rate with no cap.

This credit squeeze is designed to produce a savings to the government of \$154 million over five years. The reality is that low-interest funds for infrastructure repair should be dramatically increased. Economist Lyndon LaRouche is calling for a package of \$3-5 trillion over a several-year period, which would be made available to entities like the rural electrical cooperatives, through a national bank authorized to lend such funds at the lowest rate.

Under the current regime of the Federal Reserve System, the government is forced to subsidize funds which are borrowed at rates dictated by private money-center banks. Now, this subsidy is under attack.

The REA provides electricity to over 12 million Americans. The member rural electrical cooperatives are able to borrow at below-market, fixed-interest rates from the federal government to provide electricity to areas which historically were not served by private utilities. Until 1973, that interest rate was fixed at 2%. The low-interest money the coops receive is used to build, maintain, and improve utility systems. Without access to this money, many will go under, and it is doubtful whether private utilities would take up the slack. Per capita, electrical power is more expensive to provide in the rural areas.

The leading sponsor of the REA legislation to make it a permanent program, after President Franklin Roosevelt signed the initial Executive order as a part of his work relief efforts, was Sen. George Norris (R-Neb.). Norris, a 40-year veteran of the House and Senate (1903-43), championed the need for a government role in infrastructure, particularly the power development of the nation. In this he was opposed every step of the way by private monopoly interests and proponents of "free enterprise," who claimed that if the government supported cheap energy, it would take away their profits. Norris understood that infrastructure was the particular purview of the federal government, and that government support for cheap electricity would only encourage further use.

Norris had earlier been instrumental in establishing the Tennessee Valley Authority which brought cheap electricity to the population of that

backward area. Norris saw the REA as a natural followup to the TVA, to make the right to electricity national in scope. In his autobiography, *Fighting Liberal*, he reports, "From boyhood, I had seen first-hand the grim drudgery and grind which had been the common lot of eight generations of American farm women, seeking happiness and contentment on the soil." He saw electricity as a right and as a step for emancipation of farm women.

The development of the REA was one of the greatest national government undertakings of this century. Farmers' cooperatives would be set up to build transmission lines and distribution systems to bring electricity to farm homes within their districts. They generally bought power from existing generating plants at rates which would incorporate the cost of building the lines. The coops would apply to the government to borrow money at low interest rates.

Norris led a fight prior to the passage of the legislation to keep the REA and its administrators clear of partisan politics, and establish it as an independent agency similar to the TVA. He also fought to keep the interest rate for REA money under 3%, because without this provision, he said, the project would be financially unsound. When opponents stonewalled these two provisions, Norris threatened to make the issue a national referendum. However, the REA was eventually placed under the jurisdiction of the Department of Agriculture, and what Norris feared did occur.

REA, or 2% money as it became known, was deposited in certain banks as political payoffs by the partisan interests controlling the White House. Notoriously, in the 1960s it came under the control of Democratic Party-allied mob interests around Minneapolis financier Carl Pohlad in the Dakotas and Minnesota.