

Op-Ed

Submitted by the
Libertarian Party

2600 VIRGINIA AVE., NW, SUITE 100
WASHINGTON DC 20037 • PHONE: (202) 333-0008 x222

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CALIFORNIA'S POWER CRISIS: DON'T BLAME DEREGULATION

IT'S NOT THE FREE MARKET AT WORK; IT'S THE GOVERNMENT

BY TONIE NATHAN (692 WORDS)

Take a look at this headline: "Deregulation Ends In Failure."

Or this one: "The Perils of Deregulation: Can the Free Market Keep the Lights On?"

And this: "Deregulation Sets Utilities Up for Failure."

The fact is, those headlines are false, misleading, and calculated to develop antagonism to deregulation, a process by which American citizens can get unnecessary government intrusion out of their lives.

Although there was no real deregulation of California's electrical industry, the label "deregulation" was haphazardly slapped on a process whereby the state government regulated purchases, prices, and sales of electricity. The result? Wholesale public distrust for the idea of deregulation.

But California has never had real deregulation of its electrical industry. None. What they have had is socialism, and it doesn't solve problems — it creates them. Let's look at some of the false statements being made.

James Williams, who teaches history at De Anza College in Silicon Valley, gives us a textbook example of blatant distortion:

"California's electricity deregulation experiment, which makes electricity fully subject to the free market, reverses a century of sound experience. The state's crisis shortages, rising rates and threatened utility bankruptcies should be a stern warning for the rest of America. Electric power deregulation is a result of exaggerated pride and faith in the free market that now threatens the very foundations of California's prosperity and even that of the rest of the nation."

Bunk! Enacted in 1998, the so-called California deregulation plan forced certain private utilities to sell some of their generating plants. They had no choice. *Is this deregulation?*

The plan ordered certain private utilities to deliver power to a centralized "Power Exchange." They had no choice in the matter. *Is this deregulation?*

The plan compelled certain private utilities to buy from sources dictated to them. They cannot search the market for better buys. *Is this deregulation?*

Worst of all, the plan set the price that utilities can charge their customers. *Is this*

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deregulation? Is this the free market at work?

Obviously, the free market was *not* operating in California. The so-called deregulation plan merely fiddled with existing government controls.

Yet *The New York Times* published an article on December 10 stating, "California's blind faith in markets has led to an electricity shortage so severe that the governor has turned off the lights on the official Christmas tree."

The article so outraged George Reisman, Professor of Economics at Pepperdine University and author of the prestigious *Capitalism: A Treatise on Economics*, that he quickly responded.

Reisman noted that ". . . the actual cause of the (California) fiasco is not at all the free market but rather, from beginning to end, destructionist *government* policy, in large part inspired by environmentalist fanaticism."

When wholesale power costs in California shot up because of high demand and government-restricted supply, the retail utilities could not raise their rates to cover their increasing costs — because they were forbidden to do so, thanks to the so-called deregulation plan.

After blackouts started rolling through the energy grid and consumers screamed, Energy Secretary Bill Richardson intervened and substantially reregulated California, removing many of the requirements of the plan mentioned earlier.

However, Reisman does not believe reregulation is the answer. In fact, he offers a solution for the problem that's the exact opposite of what is being considered.

The solution, he says, "is the immediate decontrol of power prices throughout . . . California and, indeed, throughout the whole Western-states region, which shares a more-or-less integrated power grid.

"The effect of such decontrol would be an immediate substantial increase in the supply of electric power available . . . and thus, probably within days, if not hours, a sharp drop in the price of electric power . . ."

Supporting many of Prof. Reisman's views is columnist Tony Blankley. He points out: "The reason California has been hit so hard is that for 25 years environmental extremists have forced the closure of atomic energy plants and insisted on excessive reliance on always more natural gas for electricity generation. In the last 20 years no net new power has been brought on line."

And Blankley ends up where I started. "This isn't a free market, it's a governmentally rigged market."

Nuff said, I hope.

About the author: Tonie Nathan is a former businesswoman, broadcast journalist, and columnist. She is also the first woman in U.S. history to win an Electoral College vote as the Libertarian nominee for Vice President of the United States (1972).

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NOTE: A photograph of Ms. Nathan and an electronic version of this essay are available. Call Press Secretary George Getz at (202) 333-0008 Ext. 222 for more information.