



“What the country needs is...”

In May of 1944, the conservative *New York Daily News* published an editorial, complete with picture of TVA Chairman David E. Lilienthal, saying: “What the country needs is more TVAs.” It was the fleeting height of TVA’s popularity. The agency had driven private utilities out of the Tennessee Valley, built dozens of dams and steam generating plants, cut the price of electricity by 75 percent, made possible a vast expansion of aluminum production, and supplied the energy required to build the first atomic bomb. Top New Deal officials were talking about getting TVA into the aluminum business and setting up regional TVAs from coast to coast. Lilienthal wrote in his journal that month: “The TVA idea now has a good chance to become one of the important, fresh and vital ideas of my time.”

It didn’t work out that way, of course. When the war ended, the federal government turned over its enormous aluminum investments to Alcoa, Reynolds and Kaiser. Legislation to establish regional TVAs died in Con-

gress under intense pressure from private utilities. TVA itself was prohibited from selling electricity outside its existing service area, and the “important, fresh, vital” idea of competitive public enterprise vanished from the political scene. Only now it has returned, thanks to lowered thermostats, long lines at gas stations, and soaring oil company profits.

The case for public development of energy resources has always been a strong one, except that nobody until recently seemed willing to make it. The non-competitive nature of the oil industry is well-known. So, too, is the takeover by oil companies of competing fuels—natural gas, coal, uranium, shale and geothermal steam. Yet despite the fact that at least half, and probably two-thirds, of all domestic energy reserves are located under public lands, the obvious alternative to oil company exploitation—the development of public resources in the public interest, on a not-for-profit basis—was either unthinkable or unmentionable for nearly a generation.

The renewed interest in public energy development comes in the form of a bill introduced by Senator Stevenson of Illinois. Stevenson is no radical, but he reads newspapers, listens to suggestions, and is financially independent of oil company contributions. As chairman of a subcommittee dealing with natural gas regulation, he planned a series of hearings to explore the oil companies’ claim that greater economic incentives—e.g., deregulation of natural gas prices—are needed to stimulate production. In preparation for the hearings Stevenson met with Lee C. White, former head of the Federal Power Commission and presently spokesperson for an energy coalition funded by consumer, labor and public power groups. White outlined a plan for public development of energy resources on public lands. Stevenson was interested, and asked the Senate Commerce Committee staff to draft a bill. The result was proposed legislation, introduced in the form of an amendment to the Natural Gas Act, that would create a Federal Oil and Gas Corporation modeled after TVA, with authority to enter into the exploration, development, refining, transportation and distribution of petroleum and gas products.

At first Stevenson had little hope that the bill would get very far. He had lined up the usual small coterie of liberal co-sponsors—Senators Hart, Kennedy, McGovern, Mondale, Abourezk, et. al.—but didn’t really believe the country was ready to challenge the private sector’s exclusive “right” to develop resources on public lands. But, as is often the case, popular opinion was well ahead of where Washington liberals thought it would be, and the bill began to move.

Senator Warren Magnuson, chairman of the Commerce Committee, responded sympathetically. Majority leader Thomas P. “Tip” O’Neill, Republican Silvio O. Conte and a flock of other New Englanders supported the bill in the House (New England has for years gotten the short end of the stick from the oil companies). Congressman Jerome Waldie, who is running for governor of California, converted the idea into a proposal for a state-level energy corporation; Edmund G. Brown, Jr., also in the gubernatorial race, followed suit with a similar proposal. Ralph

by Peter Barnes

Senator George Norris at TVA dam under construction, Knoxville, Tenn., 1935.

Nader began plumping for a federal energy corporation and found audiences enthusiastic. The UAW backed the idea, and George Meany went even further, calling for nationalization of the oil industry. Now Stevenson thinks the bill will get to the Senate floor this year, and just might pass. Its prospects in the House are dimmer, but a Democratic sweep next November could change that.

The legislation is not without its shortcomings. Lee White's original idea was to get the federal government into all aspects of energy production—coal, geothermal shale and solar as well as oil and gas; Stevenson's bill applies only to oil and gas. The bill limits the federal corporation to 20 percent of the oil and gas reserves on federal lands, authorizes appropriations of only \$50 million a year, and restricts the corporation's ability to refine and market crude (only if it is unable to sell its crude to independent refiners would the corporation be allowed to operate its own refineries, and it could not retail directly to the public). Some of these restrictions may be modified when the bill is considered by the Senate Commerce Committee, or by the Senate as a whole. But even if the bill remains unaltered and, for the present, unpassed, its emergence into the realm of political acceptability is cause enough for modest celebration.

The public power movement in America was born on the western prairies in the 1880s; by 1892 the Populist Party was demanding government ownership of electric utilities, railroads, telephone and telegraph companies. These demands were co-opted by such turn-of-the-century reforms as the Sherman, Federal Trade Commission and Clayton Anti-Trust Acts, and by the parade of regulatory agencies created, ostensibly, to keep an eye on the private monopolists.

Interest in public enterprise, at least in the energy industry, revived again during the New Deal, when Senator George Norris of Nebraska, together with FDR, converted a government-owned nitrate plant and dam at Muscle Shoals, Alabama, into the nucleus of a full-fledged Tennessee Valley Authority. While FDR talked of blanketing the country with TVAs, Harold Ickes'

Public Works Administration financed dozens of municipal power systems, and the Rural Electrification Administration subsidized rural electric and telephone cooperatives with two percent loans.

To the Populists' argument that "natural monopolies" in energy, communications and transportation should be publicly owned because of their power to extort vast profits, the New Deal added the concept of "yardstick competition." The "yardstick" argument ran something like this: Since regulation of private industry doesn't work (the regulators are quickly taken over by those whom they are supposed to regulate) and anti-trust laws are a tedious sham, the only way to preserve competition is to pit the public sector against the private sector. That way there will be economic checks and balances against too much private greed. If private corporations try to restrict supplies or artificially raise prices, the public will not only have enough facts to prosecute them under the anti-trust laws; it will also have the economic capability to increase supplies and bring prices down. "One TVA aluminum yardstick would be worth a dozen anti-trust suits against the Aluminum Company," was the way Thurman Arnold put it when a TVA aluminum plant was proposed.

Unfortunately, the New Deal's domestic program was largely sidetracked by World War II, and Truman's attempt to revive some of it was thwarted by the Republican congressional sweep of 1946 and the subsequent red-baiting of the McCarthy era. It has taken a full generation, plus an energy crisis, to get us back to the front lines of the 1930s—or perhaps it is the front lines of the 1890s.

Other countries have not been nearly so phobic about public enterprise. Stevenson himself points out that countries with publicly owned oil companies are more numerous than countries without them. British government control of British Petroleum dates back to 1914, when First Lord of the Admiralty Winston Churchill decided that the British Navy ought not to be left to the mercy of private corporations. The British Gas Council, a Crown corporation, is producing natural gas on government holdings in the North Sea, and the new Labor gov-

ernment has announced plans to nationalize North Sea Oil production. France has its *Compagnie Française des Pétroles*, Italy its *Ente Nazionale Idrocarburi*, Norway its *Norwegian State Oil Company*, Mexico its *Pemex*, Brazil its *Petrobras*, India its *Oil India*, British Columbia its *B.C. Petroleum Corporation*. Libya, Iraq and Venezuela have nationalized, or will soon nationalize, the private oil companies operating within their borders, and most other oil producing states plan to acquire at least 51 percent equity within the next few years. Only in America are we struggling just to catch up with our past.

There are dangers as well as opportunities ahead. One danger would be to create a federal oil corporation that is too weak to stand up against the private energy giants, and the Stevenson bill, as presently drafted, might do just that. A hamstrung federal corporation—one that was underfinanced, lacked its own refineries and retail outlets, had only a small share of the market, and couldn't acquire existing private facilities—would not only fail to be an effective force within the energy industry, but might well discredit the entire concept of public enterprise. That would be a major setback, given the proven failure of anti-trust laws and government regulation. On the other hand, there are dangers in complete nationalization of the energy industry, as advocated by George Meany and others. Even the generally positive experience of TVA shows that a giant state monopoly, which TVA is within its service area, can become unresponsive to people's concerns; TVA's obsession with strip-mining, for example, is as tenacious as any private utility's.

Nevertheless, if the U.S. moves now to catch up with its past in this one area, there is no telling what might happen next. A public energy corporation, or a series of them, might be followed by competitive public enterprises in other critical areas: autos, steel, aluminum, drugs, banking and insurance readily come to mind. The possibilities are exciting; but given the track record of the past century, celebration is premature.

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The Great American Doom Machine

The crisis managers and war gamers have returned to the Pentagon. Forced into the background during the early Nixon years, when an Era of Negotiation was supposed to be replacing the Era of Confrontation, they are back in the saddle. The result is perfectly clear: a mounting effort is underway to rekindle the public's fears of the Russian menace, and revive the specter of nuclear war.

For the past few years, there has been little public debate on nuclear issues: partly because those who struggled against nuclear tests, against ABM, and against MIRV were exhausted; partly because attention shifted to the Vietnam War we were fighting rather than the nuclear war we could hardly even think about; and partly because both sides seemed to be accepting the nuclear stalemate. Now, however, the Nixon Administration is trying its best to stir up the old fears.

Last June, James Schlesinger was

appointed secretary of defense, in the wake of Elliot Richardson's temporary shift to the Justice Department. Schlesinger had taught economics, written a book on national security and systems analysis, and spent most of the Sixties at the Rand Corporation studying defense strategy for the Air Force. He joined the government in 1969, serving first as the Budget Bureau's expert on military matters, then as the hard-nosed chairman of the Atomic Energy Commission. He had a brief stint running the CIA. Having made the rounds of the national security apparatus, Schlesinger still described himself cryptically to *Time* magazine as a "revivalist." What he seems to be reviving, though, are the dead doctrines of the past, preparing us for a nuclear Day of Judgment.

Early in January, Schlesinger announced that a change in nuclear strategy had taken place. The Defense Department now had "targeting options"

which were "more selective" and which would not "necessarily" involve mass destruction on both sides. The Pentagon had started to retarget some of its missiles towards military installations, in addition to the cities that were already targeted, in order to give the President "greater flexibility and selectivity." Schlesinger was also moving ahead with plans to put more warheads on U.S. missiles, increase their explosive yield, improve their guidance systems, enable them to maneuver toward a pinpoint target, and introduce an entirely new intercontinental missile. All this was going on because the Russians might someday acquire the capability to carry out "selective attacks against targets other than cities," and the Defense Department had an "obligation" to see that the United States had a "comparable capability." In short, the Pentagon was getting ready to fight "limited" nuclear war.

by Leonard Rodberg

Illustration by Patrick Oliphant