

EIR Feature

Flood of '93 washes out economic experts

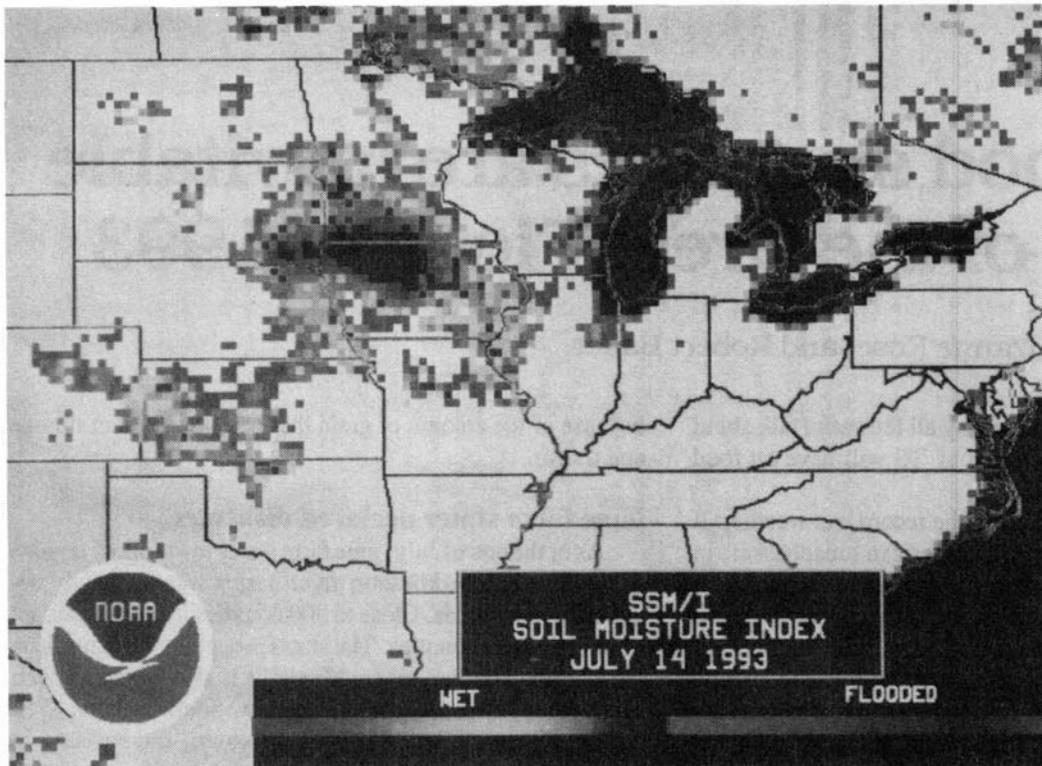
by Marcia Merry

During the month of July, a new natural wonder formed on the continent of North America — the “Great Lake of Iowa.” Record summer rains so saturated the soils that thousands of square miles of land were engulfed, centered on the state of Iowa, with satellite photos showing the area as a lake about 240 by 300 miles across, a sister to the existing Great Lakes of the upper Midwest (see map).

At the same time, thousands of miles of river channels of the extensive upper Mississippi and Missouri river systems overflowed their banks from Minnesota — whose state nickname is “Land o’ Lakes” — south to Missouri and Kentucky. The epic scale of devastation to towns, crops, transportation, and animal life was clear for all the world to see. According to hydrologists, the Flood of '93 is a “500-year” flood. More than 1,000 levees were breached, 20 million acres of farmland were under water, and 38,000 homes were damaged or destroyed. Nine states were designated as official disaster areas in July, and counties in more states are now being added to the casualty list. Yet a chorus of so-called economic experts has chanted that the effects on the economy will be minimal. Mahidhara Ram, senior research associate at the Chicago Federal Reserve Bank’s think-tank, the Regional Economics Applications Laboratory, said that “it was a disaster” for agriculture, “but for the overall economy it won’t be that bad.” Chief economist for Chicago’s Northern Trust Co., Robert Dederick, said, “As painful as [the flood losses are] to the individuals involved, in the aggregate, that’s very small. In the macroeconomic sense, it seems to be a blip.”

On Aug. 4, the Federal Reserve System put out its periodic review of the national economy, which played down the impact of the floods, saying damage was “highly concentrated” in nine midwestern states, and that it would not “threaten overall economic expansion,” which the Fed said would proceed moderately.

On Aug. 11, the U.S. Department of Agriculture put out its first crop report of the 1993 season, and minimized the impact on crops. While forecasting that corn production will be down 22% from last year (a record crop year), it said soybeans



The composite satellite picture, compiled by the U.S. Commerce Department's National Oceanic and Atmospheric Administration, shows the that the soil in a large portion of Iowa became so waterlogged, that it formed a veritable new "Great Lake" comparable in size to the real ones.

will be down "only" 13%, and asserted that the impact would be small because of adequate existing stocks.

These "expert" economists and forecasters are all washed up. Take just one of the obvious areas of drastic impact: food supply and future output potential. The nine-state disaster area accounts for over two-thirds of the U.S. soybean and corn crop. The U.S. crop in turn accounts for over 40% of the world's annual output of corn, and 35% of soybeans globally.

In the first round of damage to the 1993 corn and soybean crop in the nine states, an estimated 3-40% of each state's crop acreage was ruined by direct flooding or ponding. New rounds of damage will now come as August brings less-than-perfect growing conditions (such as too little sun, or too many plant root diseases), and September may bring early frosts to a retarded crop. Therefore the eventual crop losses can be far greater than the Aug. 11 USDA forecasts. Moreover, the USDA notoriously overestimates stocks on behalf of private commodities interests; and this year the USDA is *underestimating* water damage to stored grain.

The reaction to the disaster? The derivatives trade wing of international finance has positioned itself for a financial killing from speculation scarce food commodities. That is why, prior to the Aug. 11 "routine" USDA crop report, all kinds of lies were spread that there would be nil flood impact on food. Over July and early August, prices for corn and soybeans rose, but not by an amount commensurate with the obvious crop damage.

The Federal Reserve has been arguing that little or no money should be spent to rebuild infrastructure; and there is a related campaign by the philosophically fascist "Mother Earth" lobby, that no flood control systems should ever be built, because the rivers must be "free to roam."

Against this insanity, a series of initiatives are calling for rebuilding, and "building it right." In the first week of August, representatives from the Upper Mississippi Flood Control Association went to Washington, D.C. to lobby for rebuilding levees to cope with a 500-year flood level. Rep. Neal Smith (D-Iowa) blasted the 10-year go-slow policy on levees on the Raccoon and Des Moines rivers which swamped Des Moines, saying, "If those levees had been up, it would have saved the area." Rep. Richard Durbin (D-Ill.) and a dozen co-sponsors have introduced legislation calling on the Army Corps of Engineers to produce an overall plan for what should be done.

The most comprehensive "build it right" approach was released in March 1992, on nationwide television by Democratic presidential candidate Lyndon LaRouche, who called for a massive national infrastructure-building program, including refurbishing and completing waterworks of all kinds, to create 8 million jobs and revitalize the physical economy. As a first requirement, this approach requires nationalizing the Federal Reserve, and moving on a raft of emergency economic measures. Such a program will cost far less than the boundless misery which is otherwise in store for American citizens if they fail to act decisively to ensure its adoption.