

able cash-balance type of plan; and 3) tell employees to make do with voluntary 401(k) savings plans.

The Bush pressure on the most-stressed employers can't work, Congressional sources say. "On the one hand, you do want employers to increase their funding; but more employers will terminate their plans, or recalculate their finances and declare bankruptcy." One concluded, "There is no solution for the collapse of the private pension system except reindustrialization of the United States."

How to do that, was the subject of Lyndon LaRouche PAC's million-circulation campaign pamphlet issued in August 2004, *It's the Physical Economy, Stupid!* LaRouche now insists that beating Bush—badly—on his all-out attempt to steal Social Security, will discredit him and make possible the emergence of such a recovery strategy by a new political combination.

Arnie Tries To Dismantle CalPERS

by Paul Gallagher

With George W. Bush's scheme to privatize Social Security under nationwide attack, leading "privatizer" ideologues have turned their eyes to the "muscle" of California's populist/fascist Governor Arnold Schwarzenegger. Ahnuld, they hope, will force the replacement of the \$177 billion California Public Employees Retirement System (CalPERS) by private 401(k) accounts, and do it hard and fast enough to put Bush's multi-trillion-dollar Social Security privatization swindle back on the political track, by example. Wall Street, and Schwarzenegger's patron George Shultz, need his immediate success.

National right-wing operative Grover Norquist, of Wall Street's American [wealthy] Taxpayers' Union, said on Jan. 25, "It's nice when good policy also has star quality," referring to Schwarzenegger's Hollywood violence-cult celebrity. The head of Wall Street's Club for Growth, Stephen Moore, left the Club on Jan. 10 to become an economic advisor to Schwarzenegger, complaining on Jan. 24 about the President's scheme that "the chance of getting reform done this year is starting to look unlikely."

The strong West Coast LaRouche Youth Movement (LYM) is mobilized to defeat Schwarzenegger in the state, as it defeated him in Los Angeles and Oakland in the 2003 Recall, and as the LYM is mobilized to defeat Bush's privatization nationally. California's labor movement and Democratic legislators will try to stop Arnie's drive to dismantle CalPERS. AFSCME union official Richard Ferlauto told the Jan. 22 *New York Times*, "The debate around private accounts will be fought in California before the outcome of the Social Security debate is determined. The attempt in California is the stalking horse for whether private accounts can be sold to

the American public."

Schwarzenegger is ahead of Bush in "creating the crisis" necessary to privatize. He is using the brute-force "Chile model" of drastically cutting and underfunding CalPERS, while giving California public employees an "offer they can't refuse" to opt out of it into private 401(k)s, or face lower pensions and much higher mandatory tax contributions. Margaret Thatcher's first government took the same course with Britain's old-age pension system in the early 1980s, and stampeded nearly 4 million British workers out of it into private stock and bond accounts; they fared so badly that Tony Blair's government had to order them compensated 15 years later, as if they'd been hit by a hurricane.

The last decade's stock and bond collapses have obviously cut CalPERS trust fund's returns. But it is California's own economic meltdown, brought to it in 2000 by Dick Cheney's and Ken Lay's "Enron electricity deregulation," which has hit CalPERS hard; some busted municipalities have been defaulting on their payments to the pension fund, leaving it for the first time slightly underfunded over the long term.

Schwarzenegger directly benefited from that collapse—it was used by George Shultz, Warren Buffett, and Ken Lay to make him governor. He made it far worse in his one year in office, ballooning the state's debt by 50% and opening an \$8-9 billion budget deficit. In early January, he submitted a two-year state budget which cuts the state's contributions to CalPERS (including the state teachers' pension fund CalSTRS) by \$765 million. That cuts nearly 10% of the funds' total employer contributions, from state and municipalities combined, in 2004.

With that blow, Republican assemblyman Keith Richman, backed by the populist Taxpayers' Association, introduced legislation to move all public employees hired after 2006 out of CalPERS' guaranteed-benefit plan, and into a risky 401(k) with a low cap on the state's matching of their contributions. Essentially, they'd be on their own in the falling markets. They'd lose CalPERS' extraordinarily low 0.2% average administration fee, and instead pay mutual fund operators 1-3% or more.

Schwarzenegger's budget goes beyond this, to force *existing* public employees to "opt out" of CalPERS as well. His budget resolution says that public employees who stay in CalPERS will have to double their own tax contributions to it, while the state's contributions—and probably the benefits—are cut. If they "opt out" into a 401(k), they'd get a one-year state "good-bye" payment as a bribe.

This is exactly how Thatcher moved in Britain in 1981-4; and before her, how fascist Gen. Augusto Pinochet and his Labor Minister José Piñera moved in Chile in 1978-81. The result, in both cases, is recognized now as a disaster for the pensioners.

Schwarzenegger says he'll do this by legislation—or by referendum. His move to pre-empt Congress for Bush, is his calling-card as fascist Presidential candidate for 2008. Defeated, it will change the U.S. political map.