

Arnie Demands Budget Blood: 'This Is Only the Beginning'

by Harley Schlanger

George Shultz's American Pinochet, Gov. Arnold Schwarzenegger of California, issued a warning to citizens of the state on Feb. 15, after the state legislature enacted the first round of budget cuts he demanded. "There is much more to come," he growled, while signing the bills. "This is only the beginning."

These bills are the first phase of a plan he is pursuing, under a declared state of fiscal emergency, to cover a budget shortfall of more than \$3.3 billion in the remaining four months of fiscal year 2007-08, and a \$14.5 billion-and-growing shortfall for fiscal year 2008-09. What he signed is less a solution, than a manipulation of figures, with the really brutal cuts yet to come. The ink from his signature had barely dried when, on Feb. 20, the state's nonpartisan Legislative Analyst announced that the deficit is continuing to balloon—it has now hit \$16 billion, and revenues continue to shrink.

The cuts/manipulations in this first round include: 1) \$1 billion slashed from the current fiscal year, and \$1.2 billion more from 2008-09; 2) selling another \$3.3 billion in previously approved bonds, even though Schwarzenegger had promised, when he asked voters to support these bonds as part of adding \$15 billion in "new" debt to cover previous debt, that he would not borrow again to pay debt; 3) rescinding a planned early debt payment of \$1.5 billion, which was included in next year's budget; 4) shifting more than \$400 million in transportation funds to the general fund.

Ryan Ratcliffe, an economist at UCLA's Anderson Forecast, told the *Los Angeles Times* that these first cuts are "shell games," which will "not really change the reality of the deficit."

Cuts That Kill

The cuts already approved include \$507 million from the state education budget for the current fiscal year, and a 10% cut in spending after July 1 for Medi-Cal reimbursements.

This money will be withheld from doctors who treat Medi-Cal patients, making it likely that many doctors will no longer accept such patients. California already has the lowest Medicaid reimbursement rates in the nation. Health-care officials are warning that further cuts will lead to much unnecessary suffering and preventable deaths.

In addition to even more murderous health-care cuts coming in the state budget, the *Los Angeles Times* has been reporting on plans by the Los Angeles County Board of Supervisors to shut down all but one of the county's dozen clinics, and reduce services at its six comprehensive outpatient health-care centers, to deal with the \$195 million deficit of the county. These cuts will have disastrous effects on those without insurance, magnifying the devastating impact of the cuts in the state budget demanded by Schwarzenegger.

Other cuts will hit the elderly, poor, and disabled. The Governor's plan includes postponing modest cost-of-living increases to the aged, blind, and disabled. Dental and eye care programs for impoverished youth are threatened, as well as state insurance programs for children from poor families with chronic disease.

As for education, the \$507 million in cuts for the remaining months of the 2007-08 fiscal year is only the first salvo. The Governor's budget could cut as much as \$4.8 billion in education funding over the next two years. School districts are preparing to take drastic measures, including closing down schools, and mass layoffs of administrators, custodial workers, counselors, and teachers. One school district, the Rialto Unified District, has already sent notices to 305 employees, including teachers, informing them they may not have jobs next fall. The Long Beach school board voted this week to close an elementary school, while the Los Angeles Unified School District faces minimally a \$560 million deficit.

Commenting at a recent school board meeting, Los Ange-



LPAC

George Shultz (left), who, with Felix Rohatyn, imposed the fascist Augusto Pinochet regime on Chile in the 1970s, looks fondly on one of his current projects, the American Pinochet, Gov. Arnold Schwarzenegger, beaming, with his paw on the shoulder of Milton Friedman. The LaRouche PAC pamphlet was published in February 2005.

les Superintendent David Brewer said, “When I first saw the Governor’s proposed budget, quite frankly, I was in a state of shock.”

There are many more horror stories which can be added to the list of cuts proposed by the former steroid-popping body builder and bad actor, who has acknowledged, on several occasions, that he knows these cuts have murderous implications. For example, before his State of the State address, in which he presented his budget reduction scenario, he said, “I can see every single person hurt by those cuts, and I understand how difficult they will be for many, many people.” However, he added, there is no alternative.

He repeated this formulation in the Jan. 8 State of the State address, speaking of “painful choices,” and “facing our budget demons.” He added, that he sees that “the consequences of cuts are not just dollars, but people.... I mean talking about fiscal responsibility sounds so cold when you have a representative for AIDS patients or poor children or the elderly sitting across from you. Yet fiscal responsibility, like compassion, is a virtue because it allows the necessary programs in the first place.”

And where, a sane observer might ask, is the virtue in consigning the most helpless in society to a human scrap heap?

The Schwarzenegger Project

The Democrats in California—even the best of them—have failed miserably in grasping what Arnold Schwarzenegger is. For the last four-and-a-half years, they have been unwilling to face the obvious: that Schwarzenegger has gleefully taken up a role offered to him, to play a dime-store Mussolini, acting on behalf of the London-centered financial interests associated with the Stanford University-based fascist George Shultz, and Shultz’s Democratic partner, fascist Wall Street financier, Felix Rohatyn.

Shultz and Rohatyn have a long, dirty, public history behind them, one well known to readers of *EIR*. Their most important collaboration, prior to the Schwarzenegger project, was in the imposition of the military dictatorship of Gen. Augusto Pinochet in Chile, through a brutal 1973 coup pulled off under the direction of real live Nazis, who had been placed in South America after World War II, to be deployed for precisely this purpose, in Operation Condor. The Pinochet regime was placed in power to establish the legitimacy of privatizing an economy, to benefit corporate cartels, through the aggressive looting of a beaten down, terrorized population.

The economic hit man given responsibility, by Shultz, to coordinate the imposition of this fascist economic model, enforced at gunpoint by Pinochet’s forces, was Milton Friedman of the University of Chicago, the same Milton Friedman who Arnold Schwarzenegger has claimed as his mentor in economics!

This “Chilean model” was promoted during 2005, in the failed effort by another Shultz product, President George W. Bush, to privatize Social Security. This same team is the driving force behind the effort today to pull off a fascist coup, to place New York City Mayor—and Schwarzenegger “soulmate”—Michael Bloomberg, in the White House. Behind the recent public proclamations by Schwarzenegger and Bloomberg in favor of “public-private partnerships” for infrastructure, is the Shultz-Rohatyn team, committed to deploying slave laborers to build privately owned toll roads, bridges, prisons, etc., modeled on the corporatist/fascist infrastructure policies of Mussolini and Hitler.

Yet, despite the obvious role Shultz has played for more than four decades, as the leading architect in the dismantling of the U.S. economy, in favor of a broken down, post-industrial junkheap; and despite his continuing visibility as a controller of Schwarzenegger, Democrats persist in treating the “Governor” as if he were a real person, offering legitimate alternatives, who should be taken seriously as a credible governor!

Sabotage From Within

The surrender of Democrats in California to the Shultz-Rohatyn Golem Schwarzenegger is not just a matter of being star-struck, of being awed by the bigger-than-life persona, which made Arnie a box office hotshot in Hollywood—though it has undeniably played a part in their inability to protect Californians from his drive for fascist austerity.

Nor can it be blamed on the media, which has been fawn-

ing over Arnie's every move, doing the work usually assigned to a governor's public relations' staff. (A shameless example of this is the recent book, "Party of One," by political columnist Daniel Weintraub of the *Sacramento Bee*, who admits to being fascinated by Schwarzenegger; in pushing Arnie as an example for an incipient "post-partisan/independent" Presidential run by Bloomberg, he demonstrates his incompetence as a journalist by gushing that Schwarzenegger "has done a terrific job on the biggest issue that prompted his election as governor: managing the state's budget"!)

The Democratic Party opposition to Schwarzenegger has been sabotaged from within, by Shultz's Democratic submarine, Rohatyn, and his minions. One of the key lies the saboteurs tell, is that the only alternative to Schwarzenegger's cuts is to raise taxes, which would not only be politically unpopular, but counterproductive in the depressed economy. Yet every California legislator knows, from the interventions of the LaRouche Youth Movement (LYM), if not otherwise, that a real solution requires Federal action, and that of the nature already laid out by LaRouche's Homeowners and Bank Protection Act, and Emergency Recovery Act. Mobilization of California's powerful Congressional delegation behind those measures would give them a major boost.

Instead, the state's leading Democrats have done just the opposite. When Schwarzenegger was reeling from a significant defeat in November 2005, when his four ballot initiatives were beaten decisively by the voters, mobilized against them by a relentless campaign run by members of the LYM, he bounced back, with a major "infrastructure" package, a Mussolini-style "public-private partnership" venture, crafted by Shultz and Rohatyn. Instead of exposing it as a Pinochet-style transfer of public investments to private corporatist interests, the Democrats stood by, flat-footed, outflanked, eventually adopting a misguided, and impotent "me-too" posture.

Rohatyn's sabotage has been aided by two other elements inside the Democratic Party. One is a section of the Kennedy family, whose funds have been managed by Rohatyn, which has backed Schwarzenegger's political ambitions. He is, through his marriage into the Kennedy family, as some astute observers have quipped, the Austrian fascist grandson which Joseph P. Kennedy—a notorious, open backer of fascism in the 1930s and early 1940s—always wished for!

Rohatyn's other operative in disarming the Democratic Party is U.S. House Speaker Nancy Pelosi, from San Francisco. Pelosi has served Rohatyn well, both in Washington, D.C., and in California, in stifling opposition to the fascist agenda of Shultz and Rohatyn, and suppressing motion to bring the Party back to the anti-fascist policies of Franklin D. Roosevelt.

The Shultz-Rohatyn duo are now moving to take their Schwarzenegger Project to the White House, using Arnie's pal and collaborator Bloomberg, to impose Mussolini-style fascism on the nation. Americans should heed the words spoken by the Governor, as he has initiated killer cuts in California: "This is just the beginning."

Austerity Threatens Veterans, Too

by Carl Osgood

When the austerity mongers among Republicans and the "post-partisan" Bloomberg crowd talk about "entitlement reform," they usually mean slashing Social Security, Medicare, and Medicaid benefits. Hardly anybody talks about veterans' benefits in the same vein, saying openly that they must come under the budget act as well. However, veterans have been under attack, in fact, just as much as the elderly, the sick, and the poor have been. In its first budget submission after winning re-election in 2004, the Bush Administration proposed that those in the Veterans Administration (VA) health-care system should pay higher enrollment fees and prescription drug co-pays than they were already being charged, a move the Department of Veterans Affairs calculated would result in 213,000 fewer veterans in the system than otherwise would be the case. At about the same time, Undersecretary of Defense David Chu was quoted by the *Wall Street Journal* complaining that veterans' benefits had grown so much, that "they are taking away from the nation's ability to defend itself." While his comments caused a stir at the time, Chu was only echoing the argument that is made about Social Security, Medicare, and other entitlement programs: that if their growth is not "restrained," they will crowd out all other spending in the Federal budget.

While no one dares to openly advocate slashing veterans programs—the budget cuts couldn't get through Congress—nonetheless, the administration has gone forward with measures to reduce the number of veterans receiving benefits, including health care, and generally provide them poorer service. Evidence presented in a class action lawsuit against the VA, and in a Feb. 14 hearing of the Subcommittee on Disability Assistance and Memorial Affairs of the House Veterans Affairs Committee, suggests a pattern of entrenchment by the Bush Administration against meeting the needs of veterans. The pattern includes the inability to process disability claims in a timely manner, a disability ratings process that rewards worker productivity at the expense of accuracy, and the denial of due process rights to veterans when they appeal disability ratings decisions. While some of these problems stem from the structure of veterans' benefits law, veterans' service organizations are reporting an increased pattern of abuse from the Bush Administration itself.

VA: Medical Care Is 'Discretionary'

Perhaps the most extraordinary piece of evidence was provided by the government, in response to the class action