

Arnie's Lies Can't Hide Shultz's Fascism

by Harley Schlanger

When George Shultz threw his not inconsiderable weight behind Arnold Schwarzenegger's candidacy for Governor of California, it was said that he did so because he agreed with former Gov. Pete Wilson, that Arnie "has the stomach" to impose the harsh medicine that Wall Street has prescribed for the state's economy.

Shultz, who co-chaired the campaign and runs the Governor's Council of Economic Advisers, has given Arnie his marching orders: Impose drastic austerity, through budget cuts targetting health care, human services, and education; take power out of the hands of the legislature, through use of referenda/plebiscites, and a redistricting scheme like Rep. Tom DeLay carried out in Texas; tear down the government, through "administrative reform," which Schwarzenegger calls "blowing up the boxes"; and loot the state, through re-imposing electricity deregulation, and "pension reform"—i.e., privatizing the state public employee pension funds.

In his first year in office, Schwarzenegger's main accomplishments were adding \$15 billion to the state's total debt, and paralyzing the state legislative process, through intense partisan attacks against Democrats (remember his charge that those who opposed him are "girlie men"?), and threats to use his celebrity status to force reforms through by referenda, to "go over the heads" of elected legislators.

It was in his State of the State address on Jan. 5, 2005, that Schwarzenegger made it clear that he would implement Shultz's fascist austerity policies, looting what was still viable in the state's physical economy, and grabbing whatever income stream was still flowing.

The most crucial piece of Shultz's agenda was the pension grab, for the same reason that Shultz's other golem, George W. Bush, was fixating on privatizing Social Security: to divert the funds, which had been promised to retirees, to the bankrupt Wall Street predators.

The Great Pension Swindle

As details of the public pension "reform" plan touted by Schwarzenegger begin to emerge, the would-be Terminator of government is being confronted by growing opposition. At every stop of his fundraising tour the week of March 7, in Ohio, New York City, and Washington, D.C., he was greeted by aggressive demonstrators, while on the home front, in California, Democrats are becoming bolder in taking on the lies which flow effortlessly through Arnie's synthetic teeth.

At the forefront of the opposition is the LaRouche Youth Movement (LYM), which is committed to circulating 1 million copies in the coming months of the LaRouche PAC pamphlet, "Bush's Social Security Fraud: Stop George Shultz's Drive Toward Fascism!" The pamphlet features the parallels between Schwarzenegger's pension reform and the plan to steal Social Security being pushed by President Bush—parallels which are not surprising, given that the mastermind of these two scams is the same George Shultz who coordinated the theft of the pension funds of the Chilean people under military dictator Gen. Augusto Pinochet, beginning in 1981.

As *EIR* has been documenting, there is little that the Governor says, in pushing his plans, that is true. From the outset of the Recall election against Gov. Gray Davis in 2003, his campaign was based on lies. His pledge that he would not accept contributions from entities with an interest in policies was broken almost the minute he made it. His statement that contributors to his campaigns would have no influence on his policies was just another lie, as was his oft-repeated boast that he is the "people's Governor," working against "special interests."

In his first year in office, he betrayed many promises he had made, including his pledge to restore more than \$2 billion in education funds in his 2005-06 budget, if teachers accepted no increase in his first budget. However, for Fiscal Year 2005-06, he did not restore the funds. He also reneged on his agreement to lower the patient-to-nurse ratio, threatening to "kick the butts" of nurses if they protested. Instead, his butt was kicked, as a court ruled against him the first week of March, in favor of the nurses.

With this record, it should therefore surprise no one that his claim that his program to overhaul the state's public employees' pension system is designed to save the state money and give retirees a better future is nothing but another lie. An investigation of the pension "reform," proves it is nothing but a scheme to hand billions of dollars to the Wall Street allies of Shultz.

Schwarzenegger's Lies Refuted

Schwarzenegger insists that his only concern is to make the pension fund more efficient, giving state employees "ownership" of their retirement funds, while lowering the cost to the state.

A review of the record of the two state funds he intends to privatize, CalPERS and CalSTRS (the general state employees' fund and the teachers' fund, respectively), shows that the two funds are already highly efficient. A report produced by George Diehr, a professor of business administration at California State University, San Marcos, and a member of the CalPERS board, offers evidence of that efficiency. The assets of CalPERS grew from \$28.6 billion in Fiscal Year 1984-85 to \$161.4 billion as of Fiscal Year 2003-04. In those 20 years, the average return was 11%, which is above the average of most privately run funds, including those which

would be handling the individual 401(k) plans if Schwarzenegger's initiative passes.

Diehr points out that CalPERS administrative cost is 18¢ per \$100 invested, while the brokerage and securities firms which would handle the privatized funds charge \$2 per \$100 invested. Thus, money would be diverted from the retirees to the investment firms, many of which are big contributors to Arnie.

Schwarzenegger's contention that the cost to the state is becoming prohibitive is refuted by figures compiled by Diehr. In the last decade, 76.2% of the fund growth has been made from investment returns. An additional 12.7% came from employee contributions, while employers—i.e., the state agencies—provided only 11.1%. Thus, the overall increase in costs to the state is less than that which is paid by the employees.

Schwarzenegger was stung by another analysis released by Attorney General Bill Lockyer, whose official summary of the Schwarzenegger pension reform plan shows that it would eliminate death and disability benefits, because it would eliminate the system which provides the benefits.

Killing the State

Lockyer's analysis came under attack immediately by Arnie's teams of psychological warfare specialists, which tried to dismiss the criticism by whining that this is just a partisan attack, and that such matters could be "worked out later." Lockyer's position was defended by his spokesman Nathan Barankin, who told the *Los Angeles Times* that Arnie "thinks governing is like marketing, like we're some late-night infomercial peddling the latest get-thin-quick scheme."

The president of the Los Angeles Police Protective League, a union which represents Los Angeles Police Department officers, backed up Lockyer's contentions. He pointed out that eliminating the death and disability benefits, which are part of the current public system, "would leave the family of a slain officer nearly destitute." He and others point out that no insurance company would provide the degree of services and benefits that the current system can. Eliminating these benefits would make it more difficult to attract qualified people to public service.

This new exposé provides additional evidence that the Governor cares nothing about the "people," whom he insists he is defending against "special interests." Instead, he intends to destroy government programs which offer the last line of defense against the real special interests: those funding Arnie.

Schwarzenegger defiantly confirmed this in an interview with the *Sacramento Bee*. He said, on Jan. 19, "We don't want to feed the monster. We want to feed the private sector, and we want to starve the public sector."

This paraphrase of Hitler's favorite philosopher, Nietzsche, who called the state the "cold monster," accurately reflects the view of California's Governor. It is not enough to defeat his "four reforms": He must be brought down with them.