

California in the Lead: The Killings Have Already Begun

by Harley Schlanger and Nancy Spannaus

June 27—For the last six months, California’s fascist Gov. Arnold Schwarzenegger has threatened that, if the murderous budget cuts he is demanding are not passed, the state will collapse into a financial Armageddon, and the functions of state government will come to a grinding halt. With the beginning of a new fiscal year just days away—July 1—and the state facing a budget deficit of more than \$24 billion, that outcome looks increasingly likely.

Nor is such a shut-down scenario limited to California. Nineteen states face bankruptcy on July 1, and several, including Arizona and Pennsylvania, have no immediate prospect of finding a short-term solution. These states could face payless paydays for state employees and contractors, as well as cuts in vital social programs and infrastructure.

In fact, in the face of an Obama Administration which has concentrated on saving the banks, not the people, many states have already been slashing their social safety nets, especially in the health-care program for the poor, Medicaid. If the President’s health-care “reform” goes through, this situation will get even worse, because Obama has called for Federal cuts of \$950 billion, starting with Medicare and Medicaid, the programs on which the most vulnerable U.S. citizens depend.

California, of course, is by far the biggest disaster on the scene. With a population larger than most countries (about 37 million), and a large poor population, the state’s collapse would have huge repercussions for the nation,

and the world. It is for this reason that California’s Federal legislators, led by Sen. Dianne Feinstein (D), have raised their voices against President Obama’s Nazi health program, which would further devastate the state, and Congressional leaders such as Rep. Zoe Lofgren (D) have implored the President to provide additional aid.

So far, the Obama response has been a repeat of that from President Ford to New York City in 1975: “Drop Dead.”

California on the Edge

The latest effort by members of both parties in the State Assembly to reach a compromise was scuttled June 25, as Schwarzenegger’s threat to veto the bill led to its rejection in the Senate.

Schwarzenegger rejected the compromise, which would have pushed the immediate cash crunch back for 60 days, by postponing some \$5 billion in payments. This would have prevented the state from running out of cash, and having to issue IOUs to state contractors, so the state could save its dwindling cash, to pay for schools, and to make payments on debt and to bondholders. Schwarzenegger said he is unwilling to accept a piecemeal solution. The only solution acceptable to Arnie is the kind of budget cuts which will result in a rapidly increased death rate among the poor, elderly, and disabled.

The \$24 billion deficit comes on top of an additional \$40+ billion deficit, which was reduced by spending



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In California and other states, budget cuts on behalf of the financial predators will cause the death, first, of the most vulnerable. Here, disabled Californians demonstrate against cuts in the state's In-Home Supportive Services (IHSS) program.

cuts, some increased taxes, and financial shenanigans made in a February 2009 emergency budget. While Schwarzenegger continues to insist, ignorantly, that the state doesn't have a revenue problem, but a spending problem, the present meltdown stems from a major collapse in revenue collection. For example, revenue collections from personal income taxes for the first five months of 2009 are down by 34%, while overall revenues are 27% lower. The state still has one of the highest foreclosure rates in the nation, an official unemployment rate of 11.5%, and a 21% drop in jobs in manufacturing from 2000 to 2007, all of which point to a further drop in revenue.

The following examples of budget cuts already implemented, or proposed by Schwarzenegger, represent the proverbial tip of the iceberg:

- Community health clinics will be forced to cut back service or shut down. Dr. Gilbert Simon, the owner of the largest privately run health clinic in the region, Sacramento Family Medical Clinics, told the *San Francisco Chronicle* that he may have to go out of business, due to cuts in Medi-Cal;
- County governments, which are slated for major cuts, will be forced to reduce foster-care facilities, to fire guards at county jails, and to shut down urgently needed road repairs and other necessary infrastructure projects, including services at county hospitals and health clinics.

- On July 1, Medi-Cal will end all payments for adult dental care.
- 1.3 million Californians with disabilities, who receive Federal Supplemental Security Income, which is augmented by a state supplementary program, will see further reductions in the state portion of supplemental payments. This will save the state \$402 million.
- The In-Home Support Services Program, which provides caregiver service to 446,000 disabled Californians, will see a cut in wages to caregivers, which will drastically reduce care. At the same time, there will be changes which will make it more difficult to qualify for coverage. Marta Russell, a freelance journalist, who has had cerebral palsy since birth, told the *Los Angeles Times*, "I expect suicides, premature deaths, a horrible disruption of the social fabric.... We're headed toward market-

based Social Darwinism where only the fittest will survive." Reducing caregivers' pay will save \$124 million, while disqualifying a large percentage of those receiving In-Home Support Services will save \$385 million.

- Schwarzenegger wants to eliminate the state's welfare-to-work program, which provides benefits to 1.3 million people, to save \$1.4 billion. This has been a highly-successful program of job training, especially helpful to single-parent families.
- The governor wants to eliminate the state's Healthy Families program, which gives over 900,000 children medical insurance. This would save \$369 million.
- Arnie's latest proposal is to save \$1 billion by stopping the state's payment to workers' health benefits, and to cut another \$890 million from the state's share of funding to child welfare services and foster care.

Democratic Resistance

Democratic legislators have been unwilling to give the governor the cuts he is demanding. In response, Schwarzenegger said he is fully prepared to plunge the state into a financial Armageddon. Senate President Pro Tem Darrell Steinberg (D-Sacramento) accused Arnie of playing a reckless game. Steinberg said, of the Democrats' opposition to the Governor's insistence on killer cuts, "We have a sacred obligation, I would call it a moral obligation, to stand up for the least among us." In response to this stand, Schwarzenegger presented

Steinberg with a gift of a metal sculpture of bull testicles! Steinberg returned it, telling Arnie to quit his machismo game-playing.

While Steinberg and the leaders of both parties, in both legislative branches, have pledged to do whatever is necessary to reach an agreement before July 1, it is clear that Schwarzenegger is prepared to do whatever he must to prevent any resolution from occurring. The state Controller, John Chiang, is preparing IOUs, which would be the first time the state had to use these registered warrants since 1992. Chiang said there has been nothing like this since the Great Depression, while his spokesman said that issuing IOUs is almost an admission of guilt that we can't pay our bills.

While Schwarzenegger continues to play a dirty, obstructionist role, literally cheering on the disintegration of the state, others are trying to sound the alarm. Los Angeles County Supervisor Zev Yaroslavsky said, of the current crisis, "This is the beginning of a state-wide meltdown," while Republican State Senator Bob Dutton said, "Everybody's talking about jumping off the cliff. We're already off the cliff."

Federal Responsibility

Clearly, there is no solution for these state crises on the state level. States are mandated to balance their budgets, and borrowing in the middle of the meltdown of revenues and employment is risky, if available. What is required is what Lyndon LaRouche proposed back in December 2002, as California was being devastated by the Enron ripoff.

LaRouche proposed two sets of legislation: First of all, a national infrastructure program, which he's sometimes called a "Super-TVA," to remind people of the TVA development under Franklin Roosevelt. This legislation would provide Federal credit for desperately needed infrastructure projects.

Second, LaRouche called for the repeal of all of those changes in Federal law, that took us away from a fixed-exchange-rate international monetary system, to a floating-exchange-rate system; away from a protectionist policy to a free-trade policy; and into massive deregulation.

"Only by using that authority, and by putting the financial system into bankruptcy reorganization, using Federal credit to generate real physical growth, as Roosevelt did, will we be able to avoid the otherwise inevitable plunge into a deep New Dark Age."

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