

Cheney's Energy Pirates Behind Schwarzenegger Recall Hoax

by Jeffrey Steinberg

The very same Dick Cheney-Enron energy pirates who ripped off the people of California during the 2000-01 so-called energy crisis, are now out to loot the state once again—under the guise of the “recall Davis” referendum, and the candidacy of the man Lyndon LaRouche refers to as the “overpriced geek act,” Arnold Schwarzenegger.

While the rationale behind the drive to recall Gov. Gray Davis is that he drove the state into a \$38 billion deficit, *EIR* has systematically exposed (see chronology, below) that California was robbed blind by Enron, Reliant, Williams Energy, and the whole crowd of energy pirates, who criminally conspired and profiteered off energy deregulation, while virtually destroying the U.S. electric power grid.

The same people who brought Californians 1,000% increases in energy prices and resulting massive deficits, corporate bankruptcies, and job losses, were responsible for the Northeast energy blackout in August, which crippled many U.S. and Canadian cities, and left 50 million in the dark.

And now, they want to overturn the 2002 California gubernatorial elections by a GOP-bankrolled recall drive, aimed at installing a Milton Friedman-loving Hollywood geek act whose greatest claim to fame is that he pumped himself with enough steroids, and puffed enough marijuana, to win some bodybuilding contests, and parlayed that into Hollywood hits and a multimillion-dollar portfolio managed by some of Wall Street's most notorious speculators. On his own website, “The Terminator” boasts of his business acumen, which he learned from his “mentors,” underground economy-promoter Milton “legalize drugs” Friedman, casino magnate Donald Trump, real estate wheeler-dealer Leslie Wexner, and mega-speculator Warren Buffett.

As LaRouche comments, we already had one bad experience, in Germany, when they installed a right-wing Austrian

strongman in power. California does not have to go through that again.

Cheney to California: Go to Hell

The looting of California by the energy pirates, led by Enron, Dynegy, Reliant, and Williams, was already under way when George W. Bush and Dick Cheney were sworn in as President and Vice President in January 2001. But that was nothing, compared to the White House-sanctioned looting once they were in office. In 2000-01, California's annual energy bill went from \$7 billion to \$28 billion, as a result of deregulation and the unbridled price manipulations brought on by California's passage of energy deregulation in 1996 to take effect in 2000.

In December 2000, Governor Davis held emergency meetings in Washington with President Bill Clinton, Treasury Secretary Lawrence Summers, and Federal Reserve Chairman Alan Greenspan, to head off the imminent bankruptcy of California's two major public energy utilities, Pacific Gas & Electric (PG&E) and Southern California Edison—the fruits of year one of dereg. The utilities were caught in a bind, because there were regulatory caps on the rates they could charge customers, but no ceiling on what the private energy suppliers could charge them. By January 2001, the utilities faced \$11 billion in unpayable debts.

As soon as Bush-Cheney took office, they delivered a message to Californians: Go to Hell! President Bush announced a one-time-only, two-week extension of Clinton's emergency order forcing power-merchant companies to sell power to the near-bankrupt California utilities.

Vice President Cheney, appointed to head up the Administration's energy task force on day eight of the Bush Presidency, candidly told reporters the emergency order would not

be renewed, and the Bush Administration would not lift a finger to help California to counter the energy pirates. "I'm a believer in markets," he babbled. "I think the notion of deregulation is basically sound. What happened in California, it was poorly executed."

Never mind Cheney's own lucrative career as CEO of the energy firm Halliburton; never mind that Enron was the largest corporate contributor to the Bush-Cheney campaign, and the other energy pirates were right behind Enron in bidding for Administration favor.

Shut off from any help from the Federal government, California was compelled, on Jan. 31, 2001 to legislate \$10 billion in new state bonds—just to buy electrical power. And it would take a Feb. 21 Federal court order to force Reliant, Williams, AES, and Dynegy to even keep selling to California.

By March 2001, the piracy by the energy companies had reached the point that the Federal Energy Regulatory Commission (FERC), although dominated by dereg backers, had to launch a confidential probe into price manipulations by Williams Energy and Reliant. Eventually both firms would be fined tens of millions of dollars for shutting down California power generators in order to drive up prices. In the Williams case, the shutdowns were carried out in 2000, before Bush-Cheney, during the opening phase of the looting, but were kept secret by FERC until after the Cheney task force report was issued fully embracing deregulation.

The fines were a slap on the wrist, as Williams' profits soared by 172% in the first quarter of 2001, and Reliant's jumped by 104%—largely due to the scalping of California.

All told, from the 2000-01 crisis to the present, California has been robbed of a sum greater than the current \$38 billion state deficit!

Dick, Arnie, and Ken Conspire

The Cheney energy task force was a rubber stamp for Enron and the other energy pirates, who virtually wrote the text of the group's report, which was rushed to release on May 16, 2001 (a new General Accounting Office report assails Cheney for keeping the entire effort secret—see accompanying article). While the Cheney report peddled energy cartel looting on the homefront, it also targeted Iraq and other oil-rich countries for imperial conquest and energy grab.

The Cheney report made scant mention of the California crisis. Cheney also spat on California in a PBS "Frontline" interview after the report was unveiled, coldly denying that the energy giants were functioning as a cartel. "The problem you had in California," Cheney lied, "was caused by a combination of things—an unwise regulatory scheme, because they didn't really deregulate. Now they're trapped, from unwise regulatory schemes, plus not having addressed the supply side of the issue. They've obviously created major problems for themselves and bankrupted PG&E in the process."

In April 2001, Cheney had met with Enron's chief execu-



The grooming of the Governor. Warren Buffett (left) and Arnold Schwarzenegger are met by Lord Rothschild (right) as they arrive at Waddesdon Manor near Aylesbury, England in September 2002, for an elite conference of global financial powers.

tive, Kenneth Lay, a member of the Pioneers group of Bush campaign mega-contributors, who presented the Vice President with a memo laying out eight proposals. Seven of the eight, all promoting radical deregulation, were adopted almost verbatim in the Cheney report. Lay reportedly also pressured Cheney to ensure that his report made little mention of California. Cheney obliged.

Lay was running a simultaneous campaign in California, to focus the blame for the energy crisis on Governor Davis, and to dodge state and Federal prosecutors for Enron's predatory actions. Former Dow Jones California bureau chief Jason Leopold recently revealed that on May 24, 2001—one week after the Cheney report's release—Lay held a secret meeting at the Peninsula Hotel in Beverly Hills, to organize a group of GOP bigshots and Hollywood celebs to join his propaganda push against Davis, and peddle Enron's schemes for accelerated looting of the state through even more drastic deregulation.

Among the attendees: former Los Angeles Mayor Richard Riordan, infamous Drexel Burnham junk bond felon Michael Milken—and Arnold Schwarzenegger! The attendees were given a proposal titled "Comprehensive Solution for California." One key feature was that all state and Federal probes

into Enron's role in the California energy crisis should immediately be shut down.

Lay knew Enron was dying, despite robbing California blind—the firm would file for bankruptcy Dec. 2, 2001—when he made the pitch to end the probes and give Enron one last chance to loot its way out of bankruptcy court.

A Leopold source at the meeting revealed that Schwarzenegger and Riordan had been asked to the session as likely GOP gubernatorial candidates against Davis in 2002.

Just before that meeting, on April 15, 2001, the *New York Times* reported on a meeting between “Bush political advisors” and the Terminator, to discuss a gubernatorial run. White House chief political advisor Karl Rove was quoted saying that a Schwarzenegger run “would be nice. That would be really, really nice. That would be really, really, really nice.” In fact, Arnie had been at the White House, meeting with Rove, on April 12.

Lord Jacob's Dark Age Soiré

While Schwarzenegger declined to run against Davis in 2002, he was being groomed by a much bigger group of financier pirates for some political slot. On Sept. 23, 2002, amid the Washington-London mobilization for war against Iraq, Arnold accompanied speculator Warren Buffett to a gathering at the Waddesdon Manor estate of Lord Jacob Rothschild in Britain. London *Times* correspondent Anatole Kaletsky, a guest at the European Economic Roundtable conference, co-sponsored by Buffett and Rothschild, wrote about the “dark age” gathering in a column on Sept. 26.

By Kaletsky's account, the meeting aimed at giving the elite financiers a preview of the hell to come, as Cheney and British Prime Minister Tony Blair steered their governments into a string of perpetual wars, starting in the Mideast, but soon to engulf Eurasia. “The apocalyptic tone was set by a hair-raising discussion of the Middle East,” Kaletsky wrote. “After hearing presentations from two well-placed Washington officials, it became clear not only that war now was inevitable—and in a matter of weeks, not months. Far more alarming, was that the war would not stop with the removal of President Saddam Hussein, still less with a UN-sponsored campaign to eliminate Iraq's weapons of mass destruction. . . . After dealing with Iraq, the pressure for ‘regime change’ would shift to Iran, then Saudi Arabia, Syria and Pakistan. . . . As if an ever-expanding war were not bad enough, the economic outlook presented to the gathered plutocrats was even grimmer, since it was not overlaid with the blustering confidence of the Washington war party. . . . The economic experts—including James Wolfensohn, president of the World Bank, Paul Volcker, the former chairman of the Federal Reserve Board, and, of course Buffett himself—all emphasized the impotence of monetary and fiscal policy after the collapse of one of the greatest speculative bubbles of all time. To make matters worse, the assembled company generally agreed that America and Britain would soon be threatened by new bubbles in the property market.”

Since the September 2002 session, Lord Jacob Rothschild has emerged as the “white knight” designated to save Russian oligarch Mikhail Khodorkovsky, should President Vladimir Putin move against Khodorkovsky's Yukos oil empire. The same Khodorkovsky was recently a guest of Buffett et al. at the Sun Valley, Idaho ranch of Meyer Lansky's favorite broker, Herbert Allen, Jr., at the annual gathering of telecommunications executives and Wall Street speculators. According to one Russian source, Khodorkovsky capped his U.S. visit with a secret meeting with Vice President Cheney.

In July 2000, a somewhat less elite collection of financiers, technocrats, and politicians than those assembled by Lord Jacob at his British manor, had gathered at the Council on Foreign Relations in New York City, to anoint George W. Bush and Al Gore as Wall Street/London-vetted Presidential candidates, because both men would hand financial crisis management to the Federal Reserve and the banks.

According to accounts by Reuters and the *Scotsman*, the Waddesdon Manor event similarly vetted the Terminator as the man for this season of wars and financial catastrophes.

Enter George Shultz

To make clear that Schwarzenegger is out to rape California in the tradition of Dick Cheney's Enron: On the opening day of his quest for the governor's mansion, Schwarzenegger showed up with his new chief campaign economic advisor, George Shultz, the man who installed Paul Wolfowitz and Richard Perle as top campaign policy wonks for George W. Bush, and who in 1971 was the official who convinced President Nixon to end the Bretton Woods system, thus triggering more than 30 years of global speculative looting and physical economic breakdown.

In recent years, Shultz, while retaining his status as director of the Bechtel Corp. (a key benefactor, along with Halliburton, of the Bush-Cheney Iraq War), has become a celebrity in his own right—by peddling the legalization of drugs and the total deregulation of the global financial system. Not even the International Monetary Fund would survive Shultz's axe. He proposes a totally Darwinian global financial system, in which only the fittest would survive. Perhaps Shultz should take a second look at his new protégé, since many years of steroid abuse have turned his Mr. Universe legendary pectorals into flabby feminine breasts.

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