

# Schwarzenegger Gets a New Script, As Shultz, Rohatyn Outflank the Dems

by Harley Schlanger

The beginning of the end for the campaign of Democratic gubernatorial nominee Phil Angelides came back on Jan. 6, 2006—five months before he won the Democratic primary—when the controllers behind Gov. Arnold Schwarzenegger outflanked the Democrats, by getting Arnie to announce, in his State of the State address, that he had decided to promote a bogus plan of infrastructure projects for the state.

From the moment Schwarzenegger gave that address, the Democrats have been in disarray, and Arnie appears to be headed for reelection, a prospect that few would have believed possible, only a week before he delivered that speech.

The year 2005 had been a bad one for the man George Shultz had chosen to force through the dismantling of representative government in California. Schwarzenegger's approval rating had crashed, falling from 62% in January 2005, to 35% by December. Throughout 2004, he had been unable to deliver on the promises he had made to an enraged electorate during the 2003 Recall campaign against Democratic Gov. Gray Davis, to reform state government, to "blow up the boxes," to "cut the fat" in the budget, and to eliminate the power of "special interests"—by which he meant nurses, teachers, police, and firefighters. His efforts to move the legislature either by Hollywood schmoozing, or through thuggish attacks on those he demeaned as "girlie men," had flopped.

This failure to club the legislature into submission convinced the puppet-masters behind Arnie to write a new script for 2005. He would spurn the politics of Sacramento, and "go to the people," promoting a series of ballot initiatives which would give him the power to act, as a virtual dictator, over the heads of the elected representatives, to dismantle what remained of California's once-productive physical economy, and the social services and public educational system which supported it. This, he would do, he said, in the name of the "people."

Only the "people" did not buy it. In November 2005, the voters decisively defeated the four ballot initiatives he backed, as the Democratic Party base, fired up by the hard-charging organizing of the growing LaRouche Youth Movement, rallied to stop Arnie from "terminating" representative government. With Shultz's Schwarzenegger Project thus left in a shambles, there was only one option left: Produce yet another new script for 2006, with a new role for the Governor, this time as the champion of infrastructure.

## California Needs Infrastructure

There is no question that California needs massive investment in updating and improving infrastructure. Highways and roads are old, crumbling, and overcrowded. With the exception of the Bay Area, mass transit is virtually nonexistent. The major water projects, which facilitated unprecedented urban and agricultural development, are a half-century old, or more, and the levees on the river systems are disasters waiting to happen. Schools are in disrepair, the classrooms overcrowded. The recent debacle caused by electricity deregulation, which allowed Enron and other energy pirates to loot the state, highlighted the acute power shortage facing industrial firms, businesses, and consumers.

Despite much chatter from a succession of Republican governors about the need for new infrastructure, there has been little real investment since Pat Brown, a Democrat, initiated major projects during his two terms as governor, from 1959 to 1967. Brown's infrastructure investments continued the development which had been fostered by President Franklin D. Roosevelt in the 1930s. Brown's plan complemented FDR's New Deal projects, such as the Hoover Dam, insuring there would be both water and power, to make the desert of Southern California bloom. However, since 1967, even the inadequate proposals for new investment have been cut, due to annual revenue shortfalls, leaving in the budget only a small amount of discretionary funds which could be channeled into patching a few cracks and filling some potholes.

The problem for Democrats, who would ordinarily support infrastructure programs, was how to pay for them. Years of howling right-wing demagoguery against "big government," which has continued under the supposedly "moderate" Republican Schwarzenegger, combined with the fearful pragmatism of the "new" Democrats associated with the Democratic Leadership Council (DLC), has convinced most Democrats that fighting for funding major public infrastructure projects was a losing proposition.

## The Rohatyn/Shultz 'Infrastructure' Swindle

A leading figure pushing this line has been Synarchist financier Felix Rohatyn, who is now playing a key role in the DLC. Rohatyn, who publicly denounces the FDR New Deal model, of Federal programs which create credit to fund infra-



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Governor Arnie Schwarzenegger (at podium) with Los Angeles Mayor Antonio Villaraigosa (left), at a ceremony opening a construction project. Key Democrats in the state, such as Villaraigosa, are touring with Arnie to back his infrastructure initiatives, thereby weakening the gubernatorial campaign of their own candidate, Phil Angelides.



Angelides for Governor

*Between a rock and a hard place: Democratic gubernatorial candidate Phil Angelides is being out-manuevered by Schwarzenegger, even as he himself has his own ties to the rotten Felix Rohatyn interests.*

structure, as inappropriate and outdated, is instead pushing a swindle: a “partnership” between the public and private sectors, in which states assume the responsibility to pay back loans, which come not from Federal credit, but from private financial funds, including unregulated hedge funds.

This is essentially what Schwarzenegger has proposed for California. If the voters pass a package of four initiatives Arnie has placed on the November ballot, with the backing of Democratic leaders in the legislature, then the state will borrow more than \$37 billion—a totally inadequate amount, given the real needs of the state—which will add more than \$75 billion in long-term debt to the people of California by the time it is retired.

(Schwarzenegger originally spoke of a nearly \$230 billion fund, to be raised by selling bonds issued by the state. While such an amount would begin to make a dent in the state’s infrastructure needs, there is no way voters ever would—or should—impose such a huge long-term obligation on future taxpayers. As with so many things from the Governor, this was just more of the usual hype and bluster.)

What will happen if the state’s ability to repay the annual debt, plus interest, is threatened, due to falling revenues? For example, nearly 40% of the new jobs created since Schwarzenegger became governor was produced by the unsustainable level of construction due to the real estate bubble. As this bubble implodes, as it has begun to do, state revenues, which have been inflated by the bubble, will crash. There are warnings from the nonpartisan legislative budget office that the state will face a \$7 billion shortfall in revenue in 2007. With this deficit, how will the state pay back the debt from the

infrastructure bonds?

A Democrat who had been, until recently, a leader in the Assembly, confirmed to *EIR* that, under these circumstances, the state has a legal obligation to pay the bonded debt first. Therefore, to balance the budget, cuts will have to come from other areas, such as medical care, education, and infrastructure spending! In other words, the mandatory cuts in state spending required to balance the budget will ultimately result in brutal austerity against the poor, the disabled, the unemployed, and the elderly, while the door would be opened for the state’s infrastructure to be privatized!

This is precisely what Rohatyn and his long-time partner George Shultz intend. Their anti-FDR, anti-nation-state partnership goes back to their collaboration in installing the fascist military regime of Gen. Augusto Pinochet in Chile in 1973. Under Pinochet, everything was privatized. Rohatyn was on the scene, coordinating the destruction of that nation through his role with ITT, while Shultz provided the economic hit team from the University of Chicago, which was trained by the Schachtian fascist, Milton Friedman—Arnie’s hero.

Their partnership did not end with Pinochet. On Oct. 9, 2004, Rohatyn and Shultz were together again, as the moving forces behind a conference at Middlebury (Vermont) College, on “The Privatization of National Security” (*EIR*, March 31, 2006). This conference promoted the creation of a private military, run by global corporations: Do the names Bechtel and Halliburton ring a bell?

### Will California Dems Wake Up?

In California, Shultz and Rohatyn are playing both sides. While Arnie, the front man for their infrastructure swindle, has been under Shultz’s sway from the beginning of his first campaign, Angelides, the state treasurer, has his own Rohatyn connection. In 2001-02, he was roped into supporting an infra-

structure plan with Rohatyn and then-New York State Comptroller H. Carl McCall, under the guise of “Public-Private Partnerships.” While Angelides seems to have believed that this was really a plan for public infrastructure, it is clear that he never understood that Rohatyn is operating from an anti-FDR bias, and has no intention to build infrastructure for the benefit of the people.

Unfortunately for Angelides today, while he has not endorsed the Shultz/Rohatyn/Schwarzenegger swindle, key Democrats—including Mayor Antonio Villaraigosa of Los Angeles and the top Democrats in the California State Assembly and Senate—are backing the infrastructure bond initiatives and touring with Arnie to get them passed. This has seriously undercut Angelides’ campaign, and helped Schwarzenegger to resurrect his political fortunes, as he now claims to be an effective compromiser who can work with Democrats. With just seven weeks until Election Day, the latest polls show him with a 13% lead.

Thus, Angelides is facing the same problem that Democrats are confronted with nationally: The policies associated with globalization—which economist Lyndon LaRouche has described as the present version of the fascist policies imposed by London-Wall Street bankers in the 1920s-30s, through their open support of Hitler and Mussolini—have reached the point that further application is plunging the world into a financial crisis worse than that of the 1930s Great Depression.

Yet, Shultz and Rohatyn, working through political front men such as the fanatical idiot President Bush, the sociopath Vice President Cheney, and the clownish actor Schwarzenegger, are proceeding aggressively, with their stated goal of destroying the nation-state and the system of representative government unique to the United States, with its commitment to promote the general welfare.

This is no time for the Democrats to “go along to get along.” In his Sept. 6 webcast, LaRouche gave Democratic Party leaders a well-deserved tongue-lashing for their efforts to compete with the Bush-league Republicans for support from those in the upper 20% of family-income brackets. The future of California, and the nation, depends on Democrats overcoming their submission to Shultz and Rohatyn, who have ordered them to accept the brave new world of fascist globalization and give up the “old” paradigm of FDR, or be cut off from funds from Wall Street and its allied corporate cartels.

There is still time for Angelides. He should campaign for a real infrastructure plan for California, pledging to lead a fight, as governor of the nation’s largest state, for a return the policies of FDR: the issuance of Federal credit, to create jobs in rebuilding infrastructure, along with measures to regulate the cartels. It was this approach which enabled the state to prosper in the past. This approach is the only one which can rally voters among the lower 80% of family income brackets to come out to the polls, and send Arnie back to Hollywood.