

California: Davis Comes Out Fighting, Arnie Morphs Into ‘Insider’ Puppet

by Harley Schlanger

With the national political spotlight focused on California, Gov. Gray Davis came out swinging in a speech at the University of California at Los Angeles (UCLA) Aug. 19, fighting to defeat the efforts of neo-conservatives and anti-government fanatics to throw him out, via a recall election. Given up for dead by analysts and activists alike since Arnold “The Terminator” Schwarzenegger tossed his helmet into the ring, Davis offered a strong defense of his nearly five years in office.

Davis made direct hits against the networks which financed and promoted the recall, identifying them as the “deregulation” gang responsible for the national energy crisis—which suddenly became more visible with the blackout which shut down the Northeast Aug. 14-16—and the related deepening national economic crisis which has devastated the budgets of 47 states.

Davis opened by acknowledging that he bears responsibility for the results of his acts in office. “I know many of you feel that I was too slow to act during the energy crisis,” he said. “I got your message and I accept that criticism.” However, no discussion about the energy crisis, which wrecked the California economy, would be complete, or accurate, without identifying the real culprits, the Houston-centered energy cartels which looted the state through the deregulation legislation signed into law by Davis’ Republican predecessor, Pete Wilson (the current co-chair of Schwarzenegger’s campaign).

In speaking of these cartels’ actions, which led to rolling blackouts and record prices for electricity when deregulation went into effect in 2000-2001, Davis named Dick Cheney: “I inherited the energy deregulation scheme which put us all at the mercy of the big energy producers. We got no help from the Federal government. In fact, when I was fighting Enron and the other energy companies, these same companies were sitting down with Vice President Cheney to draft a national energy strategy.” Davis noted that Federal investigations into the energy crisis “have proven that California was victimized by a massive fraud. Energy executives are on their way to jail.”

Arnie and Enron

The Governor could have added that, while he was struggling to keep the lights on in 2001, his would-be replacement, Schwarzenegger, was having his own tête-à-tête with Enron’s

CEO Ken Lay, together with former Los Angeles Mayor Richard Riordan—who made his fortune through junk bond-financed leveraged buyouts—and with junk bond king and convicted swindler Michael Milken. This meeting occurred on May 24, 2001, at the Peninsula Hotel in Beverly Hills, and was convened for Enron to present its “Comprehensive Solution for California,” which called for an end to Federal and state investigations into Enron’s role in the California energy crisis!

Schwarzenegger’s handlers have yet to reveal what was discussed at the meeting he had with Lay, whose company’s thievery was the single most important factor in the state’s financial reversal from a budget surplus to a record \$38.2 billion deficit. A tough-guy political persona has been scripted for Arnie in his early campaign appearances—in which he has threatened to terminate “special interests” in state politics. But he was obviously so impressed in 2001 by Lay’s ability to swindle businesses and consumers in the state, that he failed to recognize that Enron was a special interest!

At approximately the same time as Arnie’s private chat with Lay, the Houston-based con artist with close ties to President Bush and Vice President Cheney was insulting officials of the Los Angeles Department of Water and Power who had gone to Cheney’s task force requesting that the Federal government enact price controls to protect consumers from being gouged. Lay sneered back at them, “In the final analysis, it doesn’t matter what you crazy people in California do, because I got smart guys who can always figure out how to make money.”

And where was the “people’s Terminator” when Lay’s smart guys were “gaming” the electricity markets under the protection of Cheney, jacking up rates from the historic average of approximately \$35/megawatt hour (MWh) to more than \$350/MWh, with spikes up to nearly \$4,000/MWh? Arnie was making cartoonish action flicks using cheap labor in Mexico.*

* In his press conference on Aug. 21, Schwarzenegger tried to answer charges that his vote for Proposition 187 demonstrated racism against Mexican immigrants. He protested that this was untrue: He had made four movies in Mexico! Perhaps the poor fool has been playing cyborgs too often, as this answer undercuts his argument that he would work hard to bring more film projects to California!



The “rogues’ gallery from Bohemian Grove” of Arnold Schwarzenegger’s backers, pals, and campaign directors, leave no doubt that he’s a puppet of the insider-fixers who caused California’s crisis: Enron CEO Ken Lay, who pushed deregulation; former Gov. Pete Wilson, who signed it; international financier Warren Buffett; imperialist power-brokers George Shultz and Henry Kissinger.

Agenda Is the Neo-Cons’

In his UCLA speech, Davis also pointed out that the budget crisis in California was not unique, as the “American economy has tanked. . . . It has shed 3 million jobs and gone from record surpluses to record deficits; 46 other states are facing similar problems.” What the Governor was implying—though he did not say this directly—was that the collapse brought on by deregulation, by the transformation to a speculative, post-industrial economy, was now being felt everywhere, including by the 50 million Americans hit by the massive blackout on Aug. 14. As Democratic Presidential pre-candidate Lyndon LaRouche pointed out long before electricity deregulation brought California to its knees, the radical free-marketeers behind deregulation—such as Arnie’s campaign economic co-chair George Shultz—have promoted deregulation as one of the most effective means to cause the “creative destruction” of the modern industrial state.

In the case of California, the damage to the state’s economy is exactly what was intended, as it accelerated the deindustrialization launched 25 years ago with the anti-tax, anti-government initiative known as Proposition 13. The ultimate agenda of the neo-conservatives, for whom Shultz is a leading figure, is the destruction of the commitment of government to defend the General Welfare, replacing our once-productive economy with a consumer society dependent upon cheap goods and cheap labor from other nations.

For the neo-cons, whose support for deregulation opened the state to looting by the energy cartels, the \$38.2 billion deficit which that triggered, provided an excuse to shut down programs backed by Governor Davis to improve health care, education and infrastructure, thus furthering the deconstruction of the state.

The recall is a new example of this neo-con attack on representative government. It appeals to impotent, enraged, know-nothing populists, who want to “throw out the bums,” and rant against the special interests which, they claim, are stealing taxpayers’ money to give to the “undeserving poor.” Such misguided populists backed the overtly racist Proposition 187, which attacked Mexican immigrants as the cause of higher taxes (both Pete Wilson and Austrian immigrant

Schwarzenegger backed 187). The same base which voted for Prop. 187, was activated to sign petitions to put the recall of Davis on the ballot.

Ironically, it is “special interests,” and not “outsiders,” who have lined up to back Schwarzenegger, even as he pretends to be (or acts out the role of) the “man of the people.” After bringing on board insiders such as Wilson, Shultz, and Warren Buffett, the only one missing is Henry Kissinger—whom Arnie can bring in as his diction coach!

In addition to Shultz, whom LaRouche has described as a “nasty fascist,” Buffett’s role as a creator of this political Frankenstein’s monster, deserves some special attention. In September 2002, Buffett took Arnie to Waddeson Manor, the home of Lord Jacob Rothschild, to attend a closed two-day meeting of some of the world’s most powerful financiers.

Perhaps Buffett’s role was best identified by his friend, Felix “the Fixer” Rohatyn, from the synarchist banking house of Lazard Frères. Rohatyn, whose Big MAC austerity plan looted New York City to the bone on behalf of Wall Street bankers in the mid-1970s and 1980s, told the *Los Angeles Times* that he is “quite certain that Warren Buffett believes this situation [the economic crisis in California] is serious.” He added, ominously, “There isn’t a single thing I knew how to do [in Big Mac austerity against New York] that Warren Buffett isn’t able to do better.”

Arnie’s role as potential Governor, as a strongman controlled by puppet strings, is reinforced by reports (as in the *San Francisco Chronicle* on July 23) that Shultz and allies in the Pete Wilson camp used the annual cult festival of financial elites at the Bohemian Grove in late July, to launch Schwarzenegger’s candidacy. His announcement, which came several days after the conclusion of the Grove’s shenanigans, caught most by surprise, as key political operatives from the Wilson camp previously had been congregating around Riordan.

The Recall and Deregulation

Speaking to the Schiller Institute Summer Academy on Aug. 16 in Frankfurt, Germany, Lyndon LaRouche emphasized the importance of the California recall campaign for national and international politics. LaRouche, who has urged

Governor Davis to go after the financial forces behind deregulation, and indicated that Davis has his complete support in the battle against the recall, pointed to the Aug. 14 historic blackout as driving home the deadly incompetence of the neo-conservative agenda. "California," LaRouche said, "is now in a crisis. It has to do with the looting of California by swindles, such as Enron. It has to do with the effect of deregulation. So, the [recall and the blackout] are connected, because the question that's asked . . . is going to be: What caused the 50 million-person blackout? It was caused by deregulation. What caused the crisis in California, which was used, and exploited, to take this dumb Mr. Universe . . . to run for Governor of the state? Deregulation!"

Davis' Aug. 19 speech, and several other recent statements by the Governor, indicate that he understands the problem he faces. By drawing a line against the neo-cons, on deregulation and their plans to use the crisis to tear down the role of government, and by identifying Dick Cheney as a key figure in this process, Davis is now free to promote the economic alternative hated by the neo-cons: the revival of the American System Economics, using the anti-Depression powers of government, as FDR did in the 1930s, and as LaRouche has proposed with his "Super TVA" national infrastructure plan.

Only such an approach can rally the voters to defeat the "Machine" behind the would-be-Governor.

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