

Schwarzenegger to Californians: Help Me Become a Dictator

by Harley Schlanger

With Phase I of George Shultz's plan for a total restructuring of the state of California completed, his Golem, Gov. Arnold Schwarzenegger, used his State of the State address on Jan. 5 to announce that he is ready to move to Phase II. "Last year, we stopped the bleeding," he lied. "This year, we must heal the patient. . . . Last year, we worked together to avert a crisis. This year we must address its causes."

Schwarzenegger did *not* stop the bleeding in his first year in office, and he did *not* avert a crisis. Under his governance, the state's total debt ballooned by more than 55%, and the state is facing a budget deficit of more than \$8.1 billion for 2005-06. By convincing the state's voters to pass a referendum to raise \$15 billion in new debt, he only postponed California's plunge into bankruptcy.

But there may be method to his madness. By putting the state in an even more precarious situation than a year ago, to the point that some legislators are warning that it may face takeover by its creditors, Schwarzenegger believes he will be able to force the legislature to knuckle under to the kind of brutal budget cuts he will put forward on Jan. 10, when he

presents his budget.

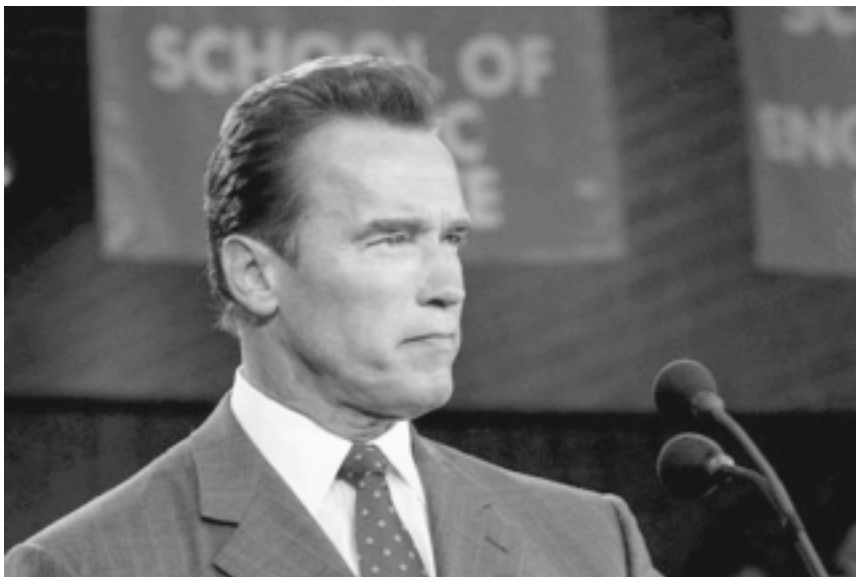
If the legislature does not capitulate to his demands, he made clear he will go over their heads, using the threat of government-by-referendum as a bludgeon against the state's elected officials. Conjuring up the image of himself as a muscle-bound fantasy action figure that made him a famous—and very wealthy—Hollywood commodity, he warned legislators that if they fail to back him, "the people will rise up and reform it themselves. And you know something. I will join them. And I will fight by their side."

Lyndon LaRouche commented, "It is clear that Schwarzenegger is becoming the kind of fascist that his Nazi father would be proud of."

Cuts That Will Kill

Schwarzenegger called for a special session, which convened Jan. 5, to take up his proposals for "reform." The specific reforms he outlined can be broken down into three basic types: budgetary measures, to impose killer cuts; "structural reform" of the sort that will enable him to govern without opposition; and a revamping of the state pension system that will take retirement funds from state workers and turn them over to Wall Street.

Each of these areas bears the paw-prints of Schwarzenegger's most influential controller, that aging fascist George Shultz, who heads his list of advisors. Shultz tested this kind of reform package before, when he deployed units of the notorious "Chicago Boys" (free-trade fanatics from the University of Chicago Economics Department) to impose fascist economic restructuring on the people of Chile, following a U.S.-run coup in 1973. Under military dictator Gen. Augusto Pinochet, Shultz's policies were implemented through the murder of opponents and the force of arms. Ironically, at the very moment Bush and Schwarzenegger are pushing large-scale Pinochet-style pension thefts, the former dictator who forced



Arnold Schwarzenegger's State of the State speech showed that the Governor "is becoming the kind of fascist that his Nazi father would be proud of," commented Lyndon LaRouche.

them on the Chilean people has been indicted for murder and kidnapping.

Shultz is hoping Schwarzenegger can implement similar "reforms" in California, only without requiring a police state!

The budget the Governor will submit in the second week of January will include significant cuts in health and human services, as well as education. With Los Angeles already facing a trauma emergency due to funds slashed from the public hospital system, and with nearly 6 million uninsured in the state, the best Schwarzenegger would promise was that he would ask the drug companies to offer "voluntary" discounts, an unlikely prospect. Schwarzenegger, who repeatedly decries the role of "special interests" in California politics, has received more than \$360,000 in contributions from drug companies.

The Governor acknowledged in his speech that these cuts will endanger lives. "I am well aware there are lives behind those numbers," he said. "But I have a responsibility for the fiscal health of this state and for the honesty of its finances." In other words, paying the debt to the bankers comes before the well-being of the people. Spoken like a true devotee of the fascist economics of Milton Friedman, he is becoming a Terminator in reality!

The other major area for cuts will be education, from which he is planning to slash \$2.2 billion. In addition to these cuts—which violate a promise he made last year, when he agreed to protect funding for education—schools would be hit with additional large reductions if the state budget is not balanced.

The administrative reforms revolve around efforts at Tom DeLay-style redistricting, as Schwarzenegger was unsuccessful in electing a single new Republican to Congress or the state legislature in 2004; and in shutting down numerous government agencies, allegedly at savings to the state. Most people interviewed by *EIR* believe the savings would be negligible, but would eliminate institutional resistance to the budget ax.

'Enron II' Pension Swindle

The most striking feature of his address was the blatant announcement of his intent to steal the pension funds of state workers, in a Shultz-style privatization plot not very different from the Chile model being pushed by President Bush for Social Security. The California Public Employees Retirement System (CalPERS) is the largest state public employees pension system in the United States, managing \$180 billion in assets, for 4 million workers. The California State Teachers Retirement System, which serves more than 700,000 teachers, with \$97 billion in assets, would also be privatized.

Arguing that the state can no longer afford to pay the full pensions to retired workers, he said the current system is "out of control, threatening our state," adding that it is "another train on another track headed for disaster." The alternative he proposed is that retirement funds should be placed in privat-

State Commission Warns: Transportation in Crisis

"California's Transportation Program Is in Crisis and on the Verge of Collapse," headlined the newspaper *Inside the Bay Area* on Jan. 6, reporting on a warning issued by the California Transportation Commission. The Commission's annual report delivered a shock to Governor Schwarzenegger on the eve of his State of the State speech, on the reality of the physical economic breakdown. It documents how the state has all but stopped paying for transportation improvements since mid-2003, and warned that "this failure to invest in transportation is jeopardizing the future of California's economy."

"Our highways are growing ever more congested and our aging road and transit infrastructure are deteriorating," wrote Commission Chairman Bob Balgenorth. "While our needs . . . are expanding geometrically, we have been reducing our investment to meet these transportation needs dramatically."

The Commission said that \$2.6 billion worth of projects for transportation improvements, maintenance, and traffic relief are ready to go this year, but lack funding. Worse, \$5.4 billion in improvements have been frozen for two years or more.

ized 401(k) plans, meaning a transfer of funds to Wall Street, away from retirees. The current program is universally recognized as a well-managed fund, which produces annual returns to the fund at a higher rate than privately managed 401(k) plans. From 1990 to 2002, CalPERS averaged an 8.89% annual return, compared to 6.86% for private 401(k)s.

As in the case of the efforts by the Bush Administration to "fix" Social Security even though it is not broken, the Shultz-Schwarzenegger plan for privatizing pensions has the same ultimate goal: Steal the funds for Wall Street, and let the elderly fend for themselves. The problem is not Social Security or CalPERS, but that the financial system has broken down. Shultz, and through him Schwarzenegger, are acting on behalf of that broken system, demanding that the people bear the weight of its collapse.

While there was immediate opposition voiced to Schwarzenegger's proposed policy changes, the Democratic Party has demonstrated a pronounced lack of courage in dealing with him thus far. It is time to heed the wise words of Lyndon LaRouche, who insisted that no one should ever forget what happened the last time an imported Austrian was given dictatorial power.