

# Schwarzenegger's State of the State: New Script, Same Puppet

by Harley Schlanger

The “new” Arnold Schwarzenegger was put on stage in Sacramento on Jan. 5, to deliver a State of the State address which represented a dramatic departure from the image he has cultivated over the last two years as a “fiscal conservative.” The arrogant bully, who had derided his Democratic opponents as “girlie men” who are “spending addicts” and “evil,” who had attacked teachers and state employees as “special interests,” and sneered at nurses, saying they did not like him because he had “kicked their butts,” appears to have adopted a new humble, even conciliatory attitude.

“I have absorbed my defeat. I have learned my lesson,” he said, referring to the results of the Nov. 8, 2005 special election, in which every ballot initiative he supported was rejected decisively by the voters.

He continued: “And the people, who always have the last word, sent a clear message—cut the warfare, cool the rhetoric, find common ground and fix the problems together. To my fellow Californians, I say, ‘Message received.’ ”

Is it possible, after two years of increasing belligerence, of threats and juvenile name-calling, of governing as a devotee of Friedmanite budget-slashing, that Arnold has morphed

into an advocate of true bipartisan cooperation and economic growth, fostered by government spending? Has he really gotten the message of the voters of California, who trashed his “reform” program overwhelmingly, and, according to polls, give him a favorable rating of only 30%?

## Arnold as the New Pat Brown?

The message Governor Schwarzenegger delivered that night did seem to represent a significant change. He proposed a \$222.6 billion infrastructure program, to overhaul and rebuild the state’s deteriorating transportation, water management, and power production systems, along with building new schools, hospitals, courtrooms, and prisons. The money to pay for this would come from \$68 billion in state bond issues, to be put before the voters in a series of special elections through 2014, plus some federal funds, allocations from the state budget, and a somewhat vague plan for funds from the private sector and user fees.

He motivated this huge public works proposal by correctly noting that the state’s infrastructure is aging, has been neglected, and is inadequate to handle projections of further



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*After his approval rating dropped to 30%, California Governor Arnold Schwarzenegger, who had earlier derided opponents of his stringent austerity policies as girlie-men, has abruptly changed tactics, and is calling for a building program which is designed to loot the state. Shown here is a LaRouche Youth Movement rally at UCLA last December.*

rapid population growth. “Our systems are at a breaking point now,” he told the joint session of the legislature. “We’ll need more roads, more hospitals, more schools, more nurses, more teachers, more police and fire, more water, more energy, more ports. More, more, more.”

This proposal seems to call for the largest increase in government funding and involvement in the economy since Democratic Governor Pat Brown put forward an aggressive plan in the 1950s to complete and expand upon projects inaugurated by Franklin Roosevelt in the 1930s. It was the combination of FDR’s anti-Depression infrastructure projects, and Brown’s bold expansion of them after the 1957-8 recession, which made California the most productive state in agriculture and industry in the nation, paving the way for it to become the fifth largest economy in the world, were California an independent nation.

In his speech, Schwarzenegger cited Pat Brown as one of the former Governors who “addressed the needs of the people.” Some of the still-deluded members of the media, who remain star-struck and highly susceptible to the spin put out by his handlers, seem to have bought this, marveling at his alleged ability to adapt.

A closer reading shows this “transformation” is just more Hollywood hot air, designed to manipulate an electorate with a limited ability to discern the truth, to rope them into a new form of austerity modeled on Hitler’s infrastructure policies, not those of FDR.

### The Real Arnold: Still Shultz’s Puppet

In his first State of the State speech in 2004, Schwarzenegger called for major budget cuts, targetting health care, education, and human services. When pressed on the deadly implications of such cuts, he barely blinked, acknowledging that he was aware that these cuts will affect human lives, but that is too bad. He stuck to the script handed to him by his controller, George Shultz, carrying on about deficit spending caused by too much “fat,” and threatening to “blow up the boxes” of a bloated government bureaucracy.

Shultz, an old fascist who played a leading role in vetting the hapless George W. Bush as one who would be acceptable to the synarchist financial interests he has served throughout his career, played a similar role with Schwarzenegger. Working with technocrats from former Governor Pete Wilson’s staff—with Wilson himself playing a role—they chose Arnie as the ideal candidate to accelerate the looting of the state which had begun under Wilson’s electricity deregulation, which had given Enron and the other energy pirates a license to steal. According to Wilson, they backed Schwarzenegger because they believed he “had the stomach” to impose the brutal austerity which Wilson could not push through.

When Arnold failed to deliver, during 2004—his special austerity team had failed to find any “fat” to cut, without throwing millions of residents onto a human scrap heap, and his “Performance Review” team found no “boxes” they could “blow up,” without severely damaging the functioning of state



Larouche PAC

*When Arnie’s controller George Shultz set him up to push pension privatization in California back in 2004, LaRouche’s Political Action Committee put out this mass pamphlet which helped blow the plan out of the water, along with George Bush’s plan to privatize Social Security.*

government—they went to Phase II: Making 2005 the “Year of Reform.”

The Governor threatened the legislature, which had resisted his Phase I plans to “cut fat” and “blow up boxes,” that he would go over their heads, to a special election, if he were not given near-dictatorial power over the state budget. Though negotiations dragged on through the summer, legislative leaders finally rejected his demands. An arrogant Schwarzenegger then proceeded to place four initiatives on a special election ballot, including one which would give him unilateral power to cut spending.

His defeat in November 2005, in which the LaRouche Youth Movement played a leading role in rallying voters to understand the fascist nature of his so-called reforms, led to the current effort to retool him as a pro-infrastructure builder. This project has openly reunited the fascist team of Shultz and Lazard Frères synarchist Felix Rohatyn which, along with Henry Kissinger, was responsible for the bloody bankers dictatorship of General Augusto Pinochet in Chile.

### Shultz and Felix, Together Again

The program presented by the “new” Arnold—or Governor III, as some have dubbed him—received its first public

airing in an op-ed in the *Washington Post* on Dec. 13, 2005. Under the title “It’s Time to Rebuild America: A Plan for Spending More—and Wisely—on Our Decaying Infrastructure,” the piece was written by Felix Rohatyn and Warren Rudman, and presents a plan which would load states up with unpayable debt, to fund the kind of infrastructure plans pushed by Hitler, not FDR. Lyndon LaRouche dissected this plan in “A Tale of Two Bozos” (see *EIR*, Dec. 30, 2005), pointing to Rohatyn’s lead role in imposing a banker’s dictatorship on New York City with his “Big MAC” swindle as a precedent for this much more ambitious effort to save the bankrupt international financial system at the expense of the American people.

Schwarzenegger’s plan for California is a scaled-down version of Rohatyn’s national proposal. It would overload the state with debt in the form of bonds—if California, which along with Louisiana, has the lowest bond rating of any state—could sell them. With a momentary budget surplus due to “unexpected revenues” set to disappear, and the chronic budget shortfall due to return, payment for the interest and principle of these new bonds would take priority over health, education, social welfare, and even previously budgeted infrastructure programs, meaning the Governor would be empowered to cut the spending for them.

Thus, even though he lost the special election to give him special dictatorial powers over spending, this version of the

Rohatyn plan would give this power to Arnold through the back door!

Anticipating this kind of con job, Lyndon LaRouche warned Democrats not to fall for it, in answering a question from a California Democrat during his Nov. 16, 2005 webcast. Discussing the difference between a “credit system,” which issues credit by the federal government for infrastructure investment—as FDR did—and a “monetary system,” which monetizes debt to take over and dismantle productive enterprises for short-term gain, LaRouche cautioned that “states have no ability to assure the ability to repay the loans they take out.” The result of such a scam as the Shultz-Rohatyn plan being pushed by Arnold, would be that private interests would end up taking over, and operating projects built on state credit, while the states would have to impose brutal austerity to pay off the debt.

LaRouche proposed that instead, since the states cannot issue credit, “we have to create a system of credit, which is soluble. And it has to be created by the Federal government,” which “has to be largely the engineer of organizing credit for the states.” Since we cannot have bankrupt states, he continues, “we’ll allocate projects among states,” financed with credit from the federal government, “to make sure that there’s enough going around to keep all the states in fair condition.” But you cannot accomplish, with state bonds, he concludes, “the ostensible purpose of such a loan (i.e., necessary infrastructural development), without a revision of the entire Federal system, by putting the entire Federal Reserve System into bankruptcy.”

This is not what Shultz or Rohatyn, or their lackey Arnold, intend to do.

In further background investigation into Rohatyn, who is being promoted as a Democratic Party alternative to the failed economic policies of the Cheney-Bush regime, and as an alternative to LaRouche, researchers for LaRouche PAC found conclusive evidence that Rohatyn had been a crucial ally of Shultz and Kissinger in imposing the Nazi Operation Condor-run Pinochet dictatorship on Chile, through his role as a Board member of ITT (see “Children of Satan IV”, published by LaRouche PAC).

The Shultz-Rohatyn tag team which controls Schwarzenegger is deeply embedded in the Governor’s camp. Shultz is more than a kind of mentor to Schwarzenegger. He is the senior adviser of his economic team, as well as a long-time ally of Milton Friedman, whom Arnold cites as his hero. Friedman was also intimately involved in the coup in Chile, as his “Chicago boys” authored the fascist economic policies imposed by the Pinochet dictatorship. Shultz’s wife, Charlotte Maillard Shultz, was appointed the state chief of protocol by Arnold, from which position she works closely with his wife, Maria Shriver.

Shriver, a member of the Kennedy family, has another tie to Rohatyn. He has handled the Kennedy family trust for years, as their personal banker at Lazard Frères.

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by Lyndon H. LaRouche, Jr.

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