

Arnie and Wall Street Dems Are Discredited

by Harley Schlanger

Just as Lyndon LaRouche and *EIR* have warned, the State of California is facing a gigantic hole in its budget, as the effects of the blowout of the housing bubble are rippling through the state's economy. The *Los Angeles Times* reported Nov. 6 that there has been a precipitous collapse in revenue collected by the state, turning a projected \$6 billion budget shortfall for 2008-09 to one of more than \$10 billion, an estimate in line with the minimum shortfall projected by this publication. (FY 2007-08 budgeted \$103 billion in expenditures.)

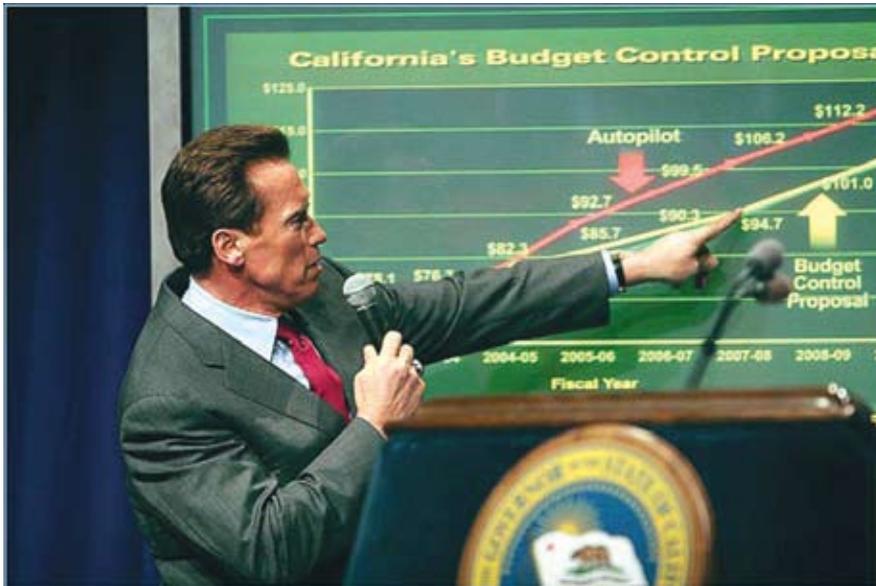
In response, Gov. Arnold Schwarzenegger's finance department has ordered agency directors to draft plans for a 10% cut in spending next year, in anticipation of the ballooning deficit. These cuts will be substantial, and will be apportioned throughout the budget, including areas with chronic shortfalls, such as education, health care, and transportation. Teachers, health-care professionals, and others who provide social services are already decrying what they foresee as a budgetary bloodbath against those least protected from the devastating effects of such cuts, especially among children, the poor, the disabled, and the elderly.

Treachery of the 'Wall Street' Democrats

Last August, after having missed the June 30 budget deadline, Schwarzenegger won the support of Republican Senators who were holding out, by promising he would use his veto to make further cuts, once his budget was passed. He could make this offer because the Democrats had already agreed to his budget, taking him at his word that he would deliver a balanced budget next year, without drastic cuts.

Once again, the Democrats failed their constituents, just as California's Democratic Speaker of the U.S. House, Rep. Nancy Pelosi, has turned her back on her constituents, by insisting, repeatedly, that the impeachment of Vice President Cheney is "off the table."

What Pelosi has in common with the Democratic Party leaders of the California Senate and Assembly, is that she is taking orders from banker Felix Rohatyn, the most powerful representative of Wall Street in the party. *EIR* has documented Rohatyn's partnership, both nationally and in the state, with the fascist George Shultz, who has been the main



The Governor, shown here playing with his imaginary numbers in January 2005, is demanding a 10% across-the-board budget cut, propelling California further down the road towards a Shultz-Rohatyn Dark Age.

promoter/controller of Schwarzenegger, from the beginning.¹

The Rohatyn-Shultz partnership is the key to understanding the inability of California Democrats to outflank Governor Schwarzenegger, a muscle-headed, bad actor chosen to run for governor by Shultz, on advice from former Gov. Pete Wilson, who said that Arnie would have “the stomach” to impose the draconian austerity needed to turn the state into a low-wage, low-benefit model for a fascist, globalized, post-industrial future.

Without support from within the Democratic Party—such as, from elements in the Kennedy family, which Arnie married into—this clownish bully would have been nothing but an asterisk in the state’s history, a mistake resulting from the insanity of the Enron-driven experiment with electricity deregulation, which plunged the state into chaos, enabling him to win a fluke election, as part of the recall of the incumbent Governor, Gray Davis.

Despite a miserable record as Governor, Arnie was re-elected in November 2006, again largely due to self-sabotage by the Democrats. He was riding high, with a momentary budget surplus, due to increased revenue from the housing bubble, and unanticipated revenue from capital gains taxes—for example, from insiders’ sales of Google stock, worth \$4.3 billion in 2005, and \$3.7 billion in 2006.

1. For a full report on the broader tragic implications of Speaker Pelosi’s adherence to the agenda of Shultz and Rohatyn, see Lyndon LaRouche, “The Mask of Nancy Pelosi: The Force of Tragedy,” *EIR*, Nov. 9, 2007.

Democrats knew, or should have known, that these windfalls were ephemeral, and that his boasts that, due to his leadership, the state would soon eliminate chronic deficits, were nothing but bluster. Further, had they listened to LaRouche, they would have known that poised behind Arnie, was his puppet-master Shultz, preparing an assault against the population, for the benefit of corporate cartels, just as Shultz had done, with his partner Rohatyn, to the people of Chile under a previous puppet, the fascist military dictator, Gen. Augusto Pinochet.

The Crash Is On

But leading Democrats consoled themselves by saying that they could not defeat Schwarzenegger, that his celebrity made him too powerful. Besides, some of them said, the state’s economy does seem to be going pretty well. Many of them parroted Rohatyn, arguing that the era of Franklin Roosevelt is over,

that public infrastructure is a relic of the past, that globalization, free trade, deregulation, and private capital markets represent the future. Some went so far as to argue that Arnie was really almost a Democrat—especially on environmental issues. Isn’t he really marginalizing the Republicans? Perhaps we should “go along, to get along.”

Such thinking is delusional, and the danger of such delusions is now coming into clear focus. It is the Democrats who have been marginalized. The state budget deficit will worsen, as there is no bottom to this crisis. It never was just a “housing crisis,” but one of an underlying, ongoing collapse of the physical economy. The state’s physical economy is disintegrating, with net job losses in manufacturing, construction, even agriculture. Now the budget ax is out, and Shultz will demand that the Governor do what he was elected to do: to impose fascist austerity, while delivering state assets to the private interests allied with Shultz and Rohatyn.

For those Democratic legislators who continue to imitate Speaker Pelosi and insist there is nothing they can do, they should look at the actions taken by legislators in Pennsylvania, Michigan, Missouri, Illinois, Florida, and other states, and join them in demanding that the Congress back LaRouche’s Homeowner and Bank Protection Act of 2007 (HBPA). In Los Angeles County, Pomona City Council passed a resolution calling on Congress to back the HBPA, and it is being presented to city councils statewide, and will be taken up by the Los Angeles County Democratic Central Committee in its November meeting.