

# Schwarzenegger Goes in for the Kill

by Harley Schlanger

June 5—California Gov. Arnold Schwarzenegger, after voters decisively rejected his plans to assume dictatorial budgetary powers through ballot initiatives—for the second time in four years—told a special joint session of the legislature on June 3 that they now have no alternative, but to impose budget cuts which will kill poor children, the elderly, and the disabled. In his speech, he made it clear that he knows full well the murderous implications of what he is proposing.

"I know the consequences of these cuts are not just dollars. I see the faces behind these dollars. I see the children whose teacher will be laid off. I see the Alzheimer's patients losing some of their In-Home Support Services. I see the firefighters and police officers who will lose their jobs.

"People come up to me all the time," he continued, "pleading, 'Governor, please don't cut my program.' They tell me how the cuts will affect them and their loved ones. I see the pain in their eyes and hear the fear in their voice.

"It's an awful feeling. But we have no choice. Our wallet is empty. Our bank is closed. Our credit is dried up."

Therefore, he concluded, all we can do is cut and slash, no matter what horrors this will perpetrate upon millions of Californians. After presiding for nearly six years over a government which he has made increasingly dysfunctional, in an economy devastated by the unregulated free-market policies he champions, the only consolation he could offer those targeted for the human scrap heap is that he will pay back the principal and interest on the debt he incurred, to cover his past borrowing!

And even with the cuts, to maintain payments of interest on the debt, the Fitch ratings agency just downgraded the state's debt from stable to negative.

## Deregulation and Deindustrialization

Beyond the \$24.3 billion deficit currently projected by the end of the next fiscal year, in June 2010, which forced Schwarzenegger to make what he called his "May revision," the most striking figure he presented is the drop in revenues collected by the state. These have fallen from \$92 billion last year, to \$68 billion this year, a whopping 27% drop. That is why, after a previous reduction of \$16 billion from the deficit—mostly through cuts in education, health care, and pay to state employees, and an incremental increase in some taxes—the deficit has ballooned yet again, to \$24.3 billion. This is a slap of reality in the face of the Governor, who is fond of saying, repeatedly and buffoonishly, that the state does not have a "revenue problem," but a "spending problem."

The dramatic collapse in revenue is only partially explained by the so-called subprime crisis. Though California is one of the leading states in home foreclosures, following years of unrestrained housing price increases, which some economists foolishly declared a sign of economic strength, its economy has been on a downward arc for the last two decades. As economist Lyndon LaRouche forecast in the early 1980s, it would be the combined effects of the deregulation of banking and financial services, with the adoption of "post-industrial" economic policies, which would threaten the economic health of California, and the formerly industrial states of the Midwestern United States. This process went into an even higher gear, when that Ayn Rand-loving, free-market fanatic, Alan Greenspan, took over as chairman of the Federal Reserve in August 1987.

In the short run, many economists marveled at the apparent growth of the California economy, which they attributed to deregulation and free-market policies. The state's economy, which had been growing from World War II into the mid-1980s, based on technologically advanced manufacturing, which offered high wages and benefits to skilled workers and engineers, massive investment in infrastructure, and advanced agriculture, seemed to flourish, even as those industries were shut down, and hundreds of thousands of manufacturing jobs fled the state; as money was saved by *not* building new infrastructure, nor upgrading old projects; and, as the implementation of NAFTA meant that food could now be imported cheaply from around the world, leading to cutbacks in investment in farm production in California.



White House/Pete Souza

*Is California “too big to fail”? When Arnie asked President Obama for special Federal aid for California, Obama refused, saying that, “We have got to make some very difficult choices.” Perhaps the President was egging on the son-of-a-Nazi Schwarzenegger, using California as a test case for ramming through murderous fascist policies. Shown, Obama and Schwarzenegger in Los Angeles, in March.*

Replacing these wealth-producing enterprises were money-making ventures in entertainment and sports, computers (remember the dot-com bubble?), tourism, lotteries, Native American gambling casinos, retail sales (selling cheap goods imported from overseas), and, finally, the housing bubble, created by unregulated banks and mortgage companies. To economic fakers like the fascist George Shultz, who was the key promoter of Schwarzenegger for Governor, turning California into a post-industrial economy was a necessary part of selling globalization. For Shultz and his ilk, the short-term financial profits generated by the bubble economy were hailed as proof of the wisdom of tearing down the “old economy.”

For them, the final impediment to full globalization is the belief, which still remained from the era of Franklin D. Roosevelt’s administration, that government, including state and local governments, plays an important

role in promoting and facilitating scientific and technological progress.

### **Enter the Governor**

Destroying that belief, by turning governments into dysfunctional bureaucracies reduced largely to accounting agencies, has been central to Shultz’s “grand plan” for destroying our national economic sovereignty. After imposing the Bush-Cheney regime on the United States, to undermine Constitutional rule, Shultz turned his attention to California, using the havoc wreaked by electricity deregulation in 2001-02—which nearly bankrupted the state—to bring Schwarzenegger in, through the referendum to recall Gov. Gray Davis in 2003. There was never any Schwarzenegger master plan to reform state government, to make it more efficient. His erratic behavior—part clown, part bully-boy—might have been entertaining at times, but it diverted attention from the reality, that the state’s productive economic capability was being driven far below breakeven.

It was only a matter of time before the revenues collected by the state collapsed. As that has occurred, Schwarzenegger has gone on a rampage, attacking “big spenders” for letting government grow out of control. When challenged on this, he adopts the role of demagogue, using ballot initiatives to demand that voters give him the personal power to make cuts without being constrained by legislative oversight, conducted by elected representatives.

When this course failed at the polls, again, last month, Schwarzenegger claimed voters were actually backing him, demanding that he force deadly cuts, despite the reluctance of most legislators. His speech on June 2, in which he spoke of how difficult it is to face the “Day of Reckoning,” was the one Shultz and others had been waiting for him to give since he became Governor. After all, it had been Shultz ally Pete Wilson, the former Governor, who said that these power-brokers were supporting Arnie because he “had the stomach” to push through killer cuts.

## Killer Cuts

Let there be no mistake: These are killer cuts. For example, Schwarzenegger is demanding an end to CalWORKS, the state welfare agency that maintains families while providing job training, to move them off welfare. CalWORKS, which has been praised for its success, presently serves some 525,000 families per month, providing around \$650/month to each family. According to the County Welfare Directors Association, eliminating CalWORKS will force thousands of families into homelessness. If Schwarzenegger gets his way, California will be the only state which will have eliminated *all aid to dependent children*. Its executive director, Frank Mecca, told the *Sacramento Bee* that this would eliminate the safety net for poor families. "There really is no fallback, especially given the financial condition that most counties are in."

Schwarzenegger has also demanded an end to the state's main health insurance plan for poor children, threatening to *leave nearly 1 million children with no health care*, at a time when emergency rooms in public hospitals are being closed. Supplemental funds paid to the disabled, poor, and elderly will also be eliminated. Cuts in home health-care spending will condemn more than 395,000 elderly and/or disabled to shortened lives, including those with Alzheimer's disease, people who are paralyzed, or are simply too weak to care for themselves.

Karen Bass, the Democratic Speaker of the Assembly, in reviewing the coming devastation if these cuts go through, said, in a characteristic understatement, "Some of these cuts could result in people losing their lives."

That peoples' lives are at stake means little to Arnie, whose statement about his concern over the pain inflicted by his actions is little more than a throw-away line of a script from one of his bad movies. More in character with the tough guys he played was his conclusion, in which he told legislators that this crisis "will test our will, our resolve and our leadership.... In the coming days and weeks, the entire nation will be watching how we react and respond."

It is likely, as one veteran California Democrat told *EIR*, that the Obama Administration refused any bailout funds to the state, to see if its citizens would revolt against the fascist austerity demanded by the Governor. For the sake of the future of our nation, the source said, "I hope the people of California won't take it lying down."

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