Under Obama's Policies, the Nation Is Headed for Meltdown

July 10—"As of now—contrary to those who speak of an 'October Surprise' on the economy, you are going to see the bankruptcy of a lot of U.S. states," said Lyndon LaRouche in a statement issued July 6. "There will not be much left of the United States, come October."

As LaRouche spoke, at least 39 states had already imposed drastic cuts against their most vulnerable citizens, including restrictions on health care and education, according to a report by the Center for Budget and Policy Priorities. Thanks to the failure of the Obama Administration to stem the dramatic decline in jobs, state revenues are bound to decrease even further, creating the circumstances for even more draconian cutbacks in services. While California represents the most dramatic case of bankruptcy, many other states are not far behind.

The nation as a whole is fast approaching a situation in which the governments that are responsible for the general welfare *do not exist.*

This reality is beginning to be reflected in drops in the President's popularity, as it becomes clear that Obama's so-called stimulus program has been an incompetent flop. But, only the emergence of a powerful political movement to force through LaRouche's solution of bankruptcy reorganization, and FDR-style measures to rebuild the physical economy, could forestall the impending disaster, and time is running extremely short.

California Entering Hell

California, which, if it were a nation, would have the seventh-largest economy in the world, ran out of money to pay its bills last week. As of July 2, the state government in Sacramento began to produce "registered warrants," otherwise known as IOUs, in the equivalent of $53.3 million. The first set of IOUs was to be used primarily to pay residents waiting for their income tax refunds.

In keeping with the insanity of "market economics," the state has agreed to pay the banks 3.75% in interest in order to hold the IOUs. Three banks—Wells Fargo, Bank of America, and Chase—agreed to honor them, and, almost immediately, a secondary market for discounting them was set up, in order to take advantage of those who need immediate cash.

At the same time, Gov. Arnie Schwarzenegger put into effect his order for involuntary furloughs for state workers, by which they will have to take three unpaid days off per month (the equivalent of a 14% paycut). Beyond the loss of income to more than 200,000 state employees, who will have less money to spend in the local economy, these shutdowns will substantially reduce state services.

While Schwarzenegger insists that it is the Democrats' resistance to slashing the social safety net for the poor, elderly, and disabled which is creating the budget crisis, the reality is that the governor's own free-market policies, and the bankruptcy of the financial system as a whole, have severely cut back the revenues on which the state depends. California's budget deficit is now $26 billion, and growing. Yet the only "solution" which the governor will tolerate is an increase in his own quasi-dictatorial powers.

Top state health officials are warning that deaths

EIRNS/Stuart Lewis

Senior citizens in Leesburg, Va. wait for flu shots during the 2004 epidemic. Today, seniors, the mentally and physically disabled, and the poor are the first to be slammed by the massive round of state budget cuts, most notably in California.

will result from the cuts that Schwarzenegger is demanding as the precondition for finalizing a budget. Yet, the Obama Administration, which alone has the authority to provide government credit to save the people of California, continues to turn a deaf ear, and the insane President has gone so far as to hold up bankrupt California as a model of "energy efficiency" and prosperity for the nation!

The Killing Expands

While no other state has yet had to resort to IOUs to pay bills, unsolvable budget crises continue to wreak havoc everywhere. Neither Illinois nor Pennsylvania has met the July 1 deadline for establishing a budget, and Ohio and North Carolina have only come up with extremely short-term fixes.

Targetted in all these states, as well as those where budgets have been temporarily balanced, are expenditures for the mentally ill, the elderly, and the disabled.

Take **Illinois**. The state, having no budget for social services as of July 1, has been operating without funds for mental health services or medication. Hundreds of thousands of Illinoisans are at risk, and there is no resolution in sight—just more cuts in the budgets for those services, as well as cuts for state employees.

The cuts have already begun. On June 29, the Rock Island County Health Department issued a statement in which it revealed that it, and other local health departments throughout the state, "have been informed that the entire budget for Health Protection programs has been eliminated." These programs include core public health services, such as "communicable disease surveillance and control, enforcement programs to ensure that food is safely handled . . . , and inspections of private sewage disposal systems and water wells." And when the flu, both H1N1 and the seasonal flu, begins to hit?

In **North Carolina**, the search for a budget deal has put on the table a plan for cuts of as much as 30% of the state's mental health system budget, and $100 million over two years from the program that provides in-home care for the elderly and disabled. Of those dependent on the state's mental health delivery system, the *Gastonia Gazette* quotes John Tote, executive director of the Mental Health Association of North Carolina: "Thye will lose their services; they will lose their health care. They will die. . . . It will have a tidal wave effect across the state, especially in rural areas."

It Will Get Worse

Under the current policy of the Obama Administration, this breakdown can only get much worse. Already, since Obama took office, 3 million jobs have been lost, many of them in the very areas which the President had committed himself to "save"—such as construction and the auto industry. The total real unemployment figure has reached *30 million.*

How is that calculated? The number of official unemployed, 14.7 million, is the highest in U.S. history. But that's not the full story. An additional 9 million people are forced to work part time (because full-time jobs are not available), and 6 million have dropped out of the labor force because they are too discouraged to look for work. The average length of time that the jobless are going without work has also reached a record level, 24.5 weeks.

Without a sharp reversal of policy, the jobless rate will push up all the other indicators of distress: foreclosures, food stamp dependency, a decline in tax revenues. It is a downward spiral into the abyss.

Yet, the U.S. Constitution gives the Federal government the ability to immediately reverse this process, through the utterance of Federal credit for the necessary functions of government, and for crucial infrastructure projects. Had the Congress, or the incoming President, moved to implement LaRouche's Homeowners and Bank Protection Act of 2007, the current collapse could have been forestalled. It is still not too late to put them into effect.