

# Arnie's Fascist Budget Hits Poor, Children

by Harley Schlanger

With California's budget stalemate well into its second month, Gov. Arnold Schwarzenegger's new, much hyped image as a can-do, "post-partisan" leader, is taking a beating—though not as severe as that which is being administered to as many as 500,000 low-income children afflicted by his deliberate mismanagement.

The budget for 2007-08, which was due by law on June 30, is hopelessly deadlocked in the Senate, in which 14 of the 15 Republican Senators refused to vote for the \$145 billion compromise budget worked out between the Governor and the badly outflanked Democratic Party leadership. To achieve the necessary two-thirds vote for passage, one more Republican must agree to back the budget. As of Aug. 10, it is a virtual certainty that such a shift will not occur, meaning that this crisis will deepen until at least Aug. 20, when the legislature reconvenes.

The Democrats find themselves in the bizarre position of fighting for Arnie's draconian austerity budget—against his party! Democrats acknowledge they are unhappy with the compromise, which cuts into public transport and postpones long-overdue cost-of-living increases for the elderly, blind, and disabled. However, they are going along, to avoid what some Democratic Party leaders say could have been a far more savage bloodletting.

Meanwhile, behind the backs of his Democratic "allies," the treacherous Schwarzenegger promised the Republicans that he will use his line-item veto to hack out an additional \$700-800 million in cuts they are demanding—and which the Democrats rejected, as part of the compromise—if they will give him their votes!

## **Blood Is Flowing**

In the absence of a budget, State Controller John Chiang has been forced to withhold mandated funds, as the emergency pool has been drained. More than \$1.1 billion in state obligations were held back in July, with another \$2.1 billion to be cut during August. This includes \$227 million not paid in state Medi-Cal bills in the first week of the month, and another \$212.6 million in medical reimbursements to be withheld the following week.

These funds are for programs, which, in many cases, provide life-saving services. Despite being fully aware of the effects of these cuts, the governor has remained aloof from the process, engaging instead in high-profile junkets: to London where he met with former Prime Minister Tony Blair to dis-



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*California's would-be Führer Schwarzenegger has bullied foolish Democrats in the legislature into backing his draconian austerity budget on "environmentalist" grounds. The victims: the elderly, blind, and disabled, among others.*

cuss "climate change"; and to Paris, where he praised President Nicolas Sarkozy for his efforts to eliminate the role of the state in economic life, and to embrace the prospects of an independent, "post-partisan" Presidential run by New York City Mayor Michael Bloomberg. He is content to leave the heavy lifting for his budget to the Democrats, knowing well that more lives are threatened each day there is no budget.

Among the services on the chopping block, which already have had funds cut, or will be cut during this month, if the stalemate is not broken, are hundreds of community-based health-care clinics, which are dependent on Medi-Cal payments; facilities which provide care for the developmentally disabled; nursing homes, which are unable to pay staff, buy essential supplies, or even food; small residential care centers, such as the Fillmore Convalescent Center, in which 64 of the home's 88 residents are on Medi-Cal; child-care providers; and small businesses, which provide ancillary, but essential services, such as the Medical Transport Company of Artesia, which shuttles 300 patients to dialysis treatment centers. Ninety-five percent of its funding comes from the state; its owner said he will have to close after Aug. 10 if there is no budget.

Hardest hit will be programs for children. Kathy Lafferty, an official of the Child Development Administrator's Association, told the *Los Angeles Times* that, "without payment from the state very soon, our programs—full of children of low-income parents—will have to close." The *Times* adds that this will hit 785 child-care agencies, and affect 500,000 low-income children.

Others among the state's most vulnerable citizens are also being hurt by cuts. For example, the California Tax Franchise

Board announced it is holding up 202,000 claims for more than \$63 million in rental assistance to elderly, blind and disabled citizens.

State Controller John Chiang, who is prohibited from releasing funds until a budget is passed, said, "We're getting to the dangerous point where the lack of these funds is going to have a detrimental effect on individuals and programs." He will have to withhold \$170 million allocated for school districts for special education, and \$326.6 million for community colleges.

## California's Post-Industrial Budget Process

It should come as no surprise to readers of this publication that the state of California should have devolved so dramatically under Schwarzenegger. Despite his arrogant boasts that he is a competent, hands-on leader, who can work with everyone, he was selected by kingmaker George Shultz to replace former Gov. Gray Davis (D) for one reason only. Shultz believed that, in the words of former Gov. Pete Wilson, Arnie "had the stomach" to push through the fascist restructuring of the state's economy, along the lines of one-time Shultz protégé, Chilean dictator Gen. Augusto Pinochet.

The "Chilean model" of Pinochet, which was imposed by a military coup under the direction of Shultz and his close ally embedded in the Democratic Party, the Franklin Roosevelt-hating fascist financier Felix Rohatyn, accelerated the looting of the Chilean people, on behalf of banks and City of London-controlled financial and raw materials cartels. This model was to be brought to California, presided over by Schwarzenegger, a cartoonish Hollywood action figure devoted to the post-industrial, free-trade gibberish of Milton Friedman and company. Their goal was to demolish the New Deal programs that had turned California into an economic juggernaut, using such tools as deregulation and privatization, to finish off the state as a model for an integrated agro-industrial manufacturing producer, developed through large state and Federal infrastructure programs.

Schwarzenegger came in partly due to a budget stalemate which shattered the image of managerial competence of Governor Davis, whose position had been undermined by the disastrous effects of a Shultz-inspired, Enron-drafted electricity deregulation plan. Arnie stumbled badly at first. He got out from under the budget crisis by borrowing heavily. His naked efforts at a grab for dictatorial power, to be implemented through ballot initiatives, were rejected by the voters in November 2005, leaving him with Bush-like low polling figures.

His resurrection depended on Democratic Party incompetence, facilitated by Rohatyn's role in bringing leading Democrats to back Arnie's reinvention as an infrastructure supporter and green guru, as he hopped on Al Gore's climate-change

bandwagon. The Democrats were left with empty boasts that he had “come over” to their side on these issues, despite warnings from Lyndon LaRouche and the LaRouche Youth Movement (LYM)—which is an increasingly powerful factor in state politics—that this is a Shultzian trick, designed to gain Democratic support for privatization of infrastructure and a new round of deregulation, combined with an assault on the state’s shrinking industrial-agricultural base and on the health and welfare programs funded by the state.

## **LaRouche Was Right**

The legitimately maligned budget process in the state is further proof that LaRouche’s warnings were right on the mark. Due to its collapsing agro-industrial economic base, the state budget depends largely on income and capital gains taxes, which, in the best of times, fluctuate wildly. The balanced budget, which is mandated by state law, was only achieved in recent years thanks to the tech bubble in the 1990s; and since it popped in 2000, along with the housing bubble, which has now burst, the tax revenue windfalls, which Schwarzenegger had bragged were the result of his Friedmanite stewardship, have been eliminated.

The Democrats know this, but have been relegated, by their own fears and by Rohatyn’s treasonous sabotage, to becoming cheerleaders for Arnie’s drive for fascism. This was acknowledged, in a roundabout way, by Craig Cornett, who is the Assembly Budget Director of the Democrats, when he said last week that the state has “an incredibly bad revenue structure. . . . It was built for a manufacturing economy, which we no longer have.”

Some Democrats are starting to get it. This author was invited recently, to present a proposal, on LaRouche’s behalf, to a conference call of officials seeking an alternative to acting as Schwarzenegger’s water boys. Yet, while some acknowledged that their current posture is absurd, they ducked away from the only solution: to bring the potential national power of the state’s Democratic Party elected officials, into opposition to the Shultz-Rohatyn push for austerity and privatization, and into support of a Franklin Roosevelt-style bankruptcy reorganization of the economy, combined with a policy of massive infrastructure development, funded by credit issued by a new National Infrastructure Bank.

## **Schwarzenegger’s Nazi Pedigree**

Lest the foregoing be dismissed with a wave of the hand, and the self-consoling excuse that California’s political process condemns it to annual budget crises, both Democrats and Republicans must focus on what the ultimate Shultzian agenda pushed by Schwarzenegger intends. In a recent speech in Monterey, Arnie spoke up forcefully for privatization. “We’ll miss out if we don’t take private money and build public projects. We have to be creative.”

With the meltdown these last weeks of credit markets, especially private ones, it will take more than creativity to

make such a scam work.

However, along with the austerity he is pushing, the Shultz puppet is driving recklessly toward the cartel-favored policy of privatization, as his backers know that the collapse of the system leaves them no choice but to grab whatever income stream they can get their hands on, to save whatever they can of the worthless paper they have been claiming is proof of “good economic times.” The most conservative estimate is that the blowout of the housing bubble will leave the state’s 2008-09 budget with a deficit of at least \$5 billion.

It will likely be much worse than that.

Schwarzenegger is increasingly relying on his special advisor on jobs and economy, David Crane. In addition to sharing a passion for the fascist economic homilies of Milton Friedman, both are committed to a further radical restructuring of the California economy. Crane holds with Arnie (i.e., with Shultz and Rohatyn) the belief that governments should limit their role to creating a healthy climate for private interests, then step aside, to let the markets “work their magic.” It is Crane who is reportedly responsible for Schwarzenegger’s aggressive promotion of biofuels and carbon taxes as the “free market” solution to “global warming.”

But their mutual admiration for Shultz’s fascist policies goes beyond support for such bad policy options. Schwarzenegger, has never answered questions about his “youthful” enthusiasm for Adolf Hitler, and whether his pro-fascist beliefs came from his father, who joined the Nazi Party in Austria in the late 1930s; his chief advisor, Crane, became wealthy through his role in building Babcock and Brown, a successful private investment bank, with an historic connection to the banking networks in the U.S. which funded Hitler in the early 1930s.

The Brown, in Babcock and Brown, is the family investment bank connection with Brown Brothers, which merged in 1931 to become Brown Brothers Harriman, the banking firm which funded Hitler’s rise to power, and his consolidation of the Nazi dictatorship. Babcock and Brown was founded in 1977 by George Brown, whose father, Alexander, had been a partner in Brown Brothers Harriman.

The willingness to submit the state’s poor, disabled, and elderly to the whims of the market—which has led to the stalemate, providing the excuse for implementing murderous cuts—is not an unfortunate coincidence, but conscious policy, with Schwarzenegger doing what he was selected to do, under the direction of the Brown Brothers Harriman-linked Crane, and under the watchful eyes of George Shultz.

Democratic Party complicity in this must end. There is a solution available to California Democrats, but it will require breaking with the policy of enforcing Schwarzenegger’s fascist design, and going instead with the FDR policies, which led the nation out of the Great Depression, and gave the U.S. the manufacturing power to defeat the Brown Brothers Harriman-backed Hitler in the 1940s.

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