

Physical Economy Is Only Issue in Arnieland

by Harley Schlanger

There is no question that the Schwarzenegger Project, which was launched by George Pratt Shultz in the summer of 2003, along with the recall of former California Governor Gray Davis, is in trouble. After a year of smooth sailing in office, with a fawning press contributing to favorable ratings in the polls, the kick associated with having a Hollywood action hero as Governor is rapidly diminishing.

A poll released last week by the Survey and Policy Research Institute of San Jose State University shows a steep drop in support for the man who would be Governor. Schwarzenegger's approval rating, which had been 59% in January, plummeted 16% by April, giving him a 43% job approval rating, just as he is pressing ahead with a campaign to gather petition signatures to place his so-called Four Reforms of state government on a special election ballot this November. Greeted by swelling crowds of demonstrators at every campaign stop, and finding an intensifying level of combativeness among his Democratic opponents in the legislature (spearheaded by the relentless organizing against him and his "reforms" by the LaRouche Youth Movement), Arnold Schwarzenegger backed down last week, withdrawing his proposal to privatize the state public employees' pension funds, CalPERS and CalSTRS.

The Terrible Terminator Backs Down

Although he tried to place a spin on it—there are flaws in it, he said, which we will fix so we can place it on the ballot next spring—there was near-unanimous agreement among reasonable observers, that this was a significant defeat for Arnie. The replacement of the well-regulated and respected public pension plans with individual 401(k) plans had been the centerpiece of Shultz's efforts to virtually eliminate state government and the legislative process. Were the four "reforms" to have passed, through the initiative process, it would have broken the back of the unions in the state, and there would be no remaining legislative impediments to the brutal austerity Schwarzenegger is preparing to ram down the throats of Californians.

As he experienced the bitter taste of defeat for the first time as Governor, he was hit with another first—a media assault, launched by a London tabloid, featuring a most unflattering photo of an out-of-shape, flabby body in a skimpy

swimsuit on the beach. The once fearsome, über-muscled Terminator had morphed into the "Tummy-nator," as he was dubbed by columnist Bill McEwen of the *Fresno Bee*. Both gravity and steroid abuse appear to have caught up with the former macho man.

"Forget Mr. Olympia," McEwen wrote, "and think Mr. Krispy Kreme. . . . Somebody should have told him to keep his shirt on—if only to maintain the illusion that he is a superman capable of stemming government red ink with a couple turns of a movie prop spigot."

This bad week for the one-time media darling took a turn for the worse when his wife, Maria Shriver, told her friend Oprah Winfrey, on national television, that she wants her hero to return home. Public service is too demanding, she told Winfrey, when asked about the possibility of a Presidential bid: "I want him back home, actually."

The incredulous Winfrey responded, "You want him home?" Shriver repeated, "I want him back."

This exchange prompted speculation that Arnie may not even run for reelection as Governor in 2006!

The Shultz Agenda

It was the aging fascist George Shultz, backed by a gang of thieves and marauders—including Lord Jacob Rothschild, Warren Buffett, and other figures in the corporate cartels who wish to destroy the regulatory powers of the state—who, back in 2003, declared Schwarzenegger to be the man to impose their agenda on California. They were looking for someone who, as former GOP Governor Pete Wilson said, "had the stomach" to push through anti-union and anti-human budget cuts, to "improve the business climate" in the state.

In the recall campaign, Arnie appeared to be their man. He used his celebrity and larger-than-life image to draw large crowds, then whip them into a frenzy. I will "Terminate Davis," he growled, to whoops of approval from frightened and disoriented suburbanites. I will crush the "special interests" which are raising your taxes and bankrupting the state, he ranted, while a new car was pulverized by a wrecking ball, to symbolize his commitment to repealing the increase in the car tax, and loud music blared, creating the environment of a post-millennium Nuremberg rally. Once elected, he moved rapidly, pushing for a radical, free-trade transformation of a state already severely damaged by the effects of thirty years of post-industrial policy.

The California which Schwarzenegger took over was no longer the state of vast infrastructure projects launched by Franklin Roosevelt and the New Deal, and advanced by Gov. Pat Brown during the late 1950s and early 1960s. It was no longer an industrial colossus, as it had been built to be during World War II and the post-war years, nor the center of advanced agriculture, which provided fruits and vegetables to much of the country. It was a state that had seen the loss of hundreds of thousands of productive jobs in auto, aerospace, steel, and rubber, and the deterioration

of its water and power systems, along with its rail and highway transportation grid.

Further, because of the Enron shock of 2000-01, which had created the crisis that triggered the recall of Gov. Davis, the Houston-based energy pirates and their allied firms had looted billions of dollars from the citizens and businesses of California, ultimately leading to the bankruptcy of one of the state's leading utilities, and a loss of more than \$70 billion to the state's economy.

For Shultz, who had greatly advanced the transformation of the nation into post-industrial utopianism with his destruction of the Bretton Woods system during 1971 to 1973, this was a good start.

Arnie's Role: Terminate Government

Shultz was now entrusting into Schwarzenegger's hands the job of finalizing the transformation of the state into the wreckage of a full post-industrial Brave New World. This is a topsy-turvy world, in which government exists to serve the bankers and investment brokers, the insurance, pharmaceutical and energy cartels, the HMOs, and real estate speculators.

In this world, those who produce goods or vital services—workers in manufacturing, construction, agriculture, transportation, power and water management, nurses, teachers, police and firefighters—are the “special interests.” Meeting their needs—for decent wages, affordable housing, quality education, reliable transport, and health care—detracts from the requirements of the business community, according to the Chicago School economic dogma of Shultz, et al. These requirements include low wages, no benefits paid by employers, no government regulation, and little or no taxes.

Arnie was chosen to enact policies that would maximize the short-term profits of the business cartels, while convincing the average working stiff that he was doing this for their benefit. Thus, he would be the “People's Governor”—just as Goebbels had proclaimed Hitler the “People's Chancellor.”

An example of how this works was the announcement last week by Chevron Texaco that they had acquired Unocal for \$16 billion. Unocal is one of the leading producers of liquefied natural gas (LNG), with control over significant supplies in Asia. Chevron Texaco officials are betting that they can use their clout inside the Schwarzenegger administration to get the state to allow construction of LNG terminals along the coast, and then shift to electricity produced by LNG. At the front of the line to build these terminals would be Bechtel, which has long-term ties to Shultz. To complete this picture, note that one of the “reforms” that Schwarzenegger intends to include in the next package of ballot initiatives, is a more far-reaching deregulation of the state's energy market.

Chevron Texaco has given \$222,200 in campaign contri-

butions to Schwarzenegger. Arnie's chief of staff, Patricia Clarey, is a former lobbyist for Chevron Texaco. If the plan outlined above goes through, then Chevron Texaco will soon be in a position to do exactly what Enron and the other energy pirates did in 2001: “game the market” by withholding electricity, to drive up prices. Chevron Texaco has some past experience with this, through its 27% stake in Dynegy, one of Enron's former partners in crime.

It's the Physical Economy, Stupid

The problem which no one is addressing, including the Democratic opponents of the Governor, is that there has been an accelerating shrinkage in the real, physical economy. A much-hyped report that state revenues had increased over the last three months, thus easing somewhat, for the moment, the current budget deficit, offered some “good news” for the beleaguered Governor.

However, press reports failed to note what produced the increased revenue. Most of it came from post-industrial sectors, which are weak and unsustainable, for example, from “entertainment” and tourism, such as theme parks and casinos, which provide low-wage, low-benefit employment; from expansion in the low-wage textile and apparel industry; and from a momentary expansion in some computer/information-related businesses in the so-called high tech sector. (The short-term growth in this sector is highly unstable; note that it was the popping of the high-tech speculative bubble in 2000-01, in addition to the looting by Enron, et.al., which produced the crisis which cleared the way for Arnie's emergence in 2003.)

The other source of increased revenue is from the highly inflated housing bubble, as real estate prices continue to soar, offering short-term gains in employment in construction, and speculative profits from new home sales and refinancing of existing homes. This bubble will not last, a reality which was acknowledged in the latest survey released by the Anderson School of Management at the University of California, Los Angeles (UCLA). The authors of this report warned that the popping of the real estate bubble will have devastating effects, not just in the greater Los Angeles area or the state as a whole, but nationally.

Thus, the real problem facing California is not merely that its citizens were duped into voting into office a Governor who has become a parody of the characters he played on the big screen. It's that they are stuck with a Governor who has a fantasy of wielding Hitler-like power, and who is governing on behalf of a grouping headed by Shultz which has Hitler-like policies: dismantling those programs that provide for the general welfare, to channel more short-term profits to corporate cartels.

This policy direction, in a state with a growing population and a shattered real economy, is a prescription for disaster. Defeating Arnie will not be enough to save California—but it would be a good start.