

# Republicans and Democrats unveil right-wing economic programs in California recall

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27 August 2003

Throughout this past week leading Democratic and Republican candidates in the California recall election laid out their proposals to address the state's economic crisis. All of them are proposing measures that, to varying degrees, will attempt to resolve California's economic crisis through attacks on the living standards of working people.

The California legislature passed a budget earlier this month that covered a \$30 billion hole in the state treasury through a combination of regressive tax increases, massive cuts in social programs, and extensive borrowing. However, there is still a projected \$8 billion shortfall for the next fiscal year. This is expected to expand as high interest payments on bond sales used to cover the state debt come due over the course of the next several years.

Arnold Schwarzenegger, the Republican frontrunner, announced August 20 that if elected Governor he would simply cut his way out of the budget deficit, rejecting any possibility of raising taxes.

"Sacramento has overspent, overtaxed, and over-regulated our businesses," he stated. Only in the event of a natural disaster or terrorist attack, he maintained, would it be conceivable to raise taxes.

Schwarzenegger was attacked earlier by Democrats and Republicans alike when Warren Buffett, his multi-billionaire economic advisor, pointed to some of the inequities of the state's property tax structure. In a *Wall Street Journal* interview Buffett noted that he pays only \$2,264 in annual property tax on his \$4 million California home, while he pays over \$14,000 for his Nebraska home valued at about \$500,000.

The source of this disparity is California's Proposition 13, a law enacted through a ballot measure in 1978. While the law has kept taxes for many small homeowners low, it has provided an enormous tax break to corporations and the wealthy.

Schwarzenegger responded by immediately disassociating himself from Buffett's remarks, declaring his whole-hearted support for Proposition 13.

Schwarzenegger has also promised to repeal the increase in the regressive vehicle-licensing fee included in the recent budget. This would raise projected budget shortfalls to \$12 billion for next year alone.

He has also pledged to amend the California constitution to

create a mandatory cap on state spending, create an outside auditing group that would examine the state's financial situation, and reduce energy bills for businesses. One of the few definite proposals he has advanced would halt the rise in costs for workers' compensation insurance, a major concern for big business in the state.

Schwarzenegger is proposing to make up this deficit with further cuts in social services. However, he has insisted that he would not reduce funding for public education, which accounts for more than half of the treasury's general-fund expenditure.

When pressed on the details of his proposed cutbacks, Schwarzenegger responded with the contemptuous declaration, "The public doesn't care about figures."

To mask his threadbare and reactionary agenda, the former body-builder falls back on his tough-guy action movie persona. "What the people want to hear is: Are you willing to make changes?" Schwarzenegger insisted recently. "Are you tough enough to go in there and provide leadership? That's what this is about. And I will be tough enough. And independent. I can go up there and really clean house."

Schwarzenegger's unwillingness to provide any specifics about his economic program and his subsequent resort to right-wing rhetoric about the need for strong leadership is symptomatic of the fact that he has no proposals that would appeal to the masses of working people. The economic program that he plans to pursue is tailored to the interests of the financial elite and would prove profoundly unpopular with millions of ordinary Californians. He knows that the less he says about what he plans to do as governor the better. His superficial popularity will rapidly deflate as soon as he is compelled to reveal the cuts—above all, in education—that will be necessary to maintain his no-tax commitment.

In announcing his economic program, Schwarzenegger has largely adopted the right-wing economic platform of Bill Simon, the conservative Republican who ran against Governor Gray Davis in 2002. Simon's economic views are essentially those of the Bush administration. Prior to dropping out of the race on Saturday Simon was Schwarzenegger's major Republican rival in the recall election.

The collapse of Simon's campaign is a further expression of the absence of any mass base of support for the economic

program that both he and Schwarzenegger have adopted. Despite having received 45 percent of the vote in last November's gubernatorial race, Simon's recall campaign has registered only about 5 percent in current polls. Schwarzenegger has maintained his standing in the polls largely because he has used both his reputation as a more moderate Republican and his reticence to discuss economic policy in any detail to avoid revealing the implications for the quality of life of the working class of his no-tax program.

Since Simon's departure from the race, Schwarzenegger is now confronted with only two prominent Republican contenders—Peter Ueberroth and Tom McClintock.

Peter Ueberroth, a former baseball commissioner and the head of the 1984 Olympic Games held in Los Angeles, calls for reducing state spending by 5 percent and limiting expenditures based on a formula calculated according to population growth and inflation. Ueberroth also advocates renegotiating contracts with state employees and instituting a hiring freeze in the public sector.

The linchpin of Ueberroth's program, however, is a tax amnesty. He proposes that the state institute an amnesty for all those who have been defrauding the treasury on their California taxes. If they come forward and pay what is owed, Ueberroth says they would not be prosecuted for their illegal activities. He insists that \$6 billion could be raised from such a measure.

Ueberroth's plan met with skepticism from all corners. Even if the federal government would agree to such scheme, which they would have to in order for it to be implemented, experts believe a tax amnesty could raise at most \$6 million—one-thousandth of the amount projected by Ueberroth.

McClintock, a leading conservative Republican in the California Senate, has also signed a no-tax pledge. His economic program does not differ in any substantial sense from that of Schwarzenegger. McClintock also blames excessive Democratic spending for the state's economic crisis, advocates repealing the recent increase in vehicle-licensing fees, and calls for slashing worker's compensation insurance costs for businesses.

On the Democratic side, Lieutenant Governor Cruz Bustamante unveiled an economic program on August 18 entitled "Tough Love for California." The plan calls for an additional \$2 billion worth of unspecified cuts, combined with regressive sales taxes on alcohol and tobacco, an \$8 billion tax increase on upper-income earners, a revision of Proposition 13 so as to allow for the reassessment of commercial property at current values, and changes in the recent vehicle-licensing fee hike that would halt the increase on cars worth less than \$20,000.

Bustamante would not reverse any of the billions of dollars worth of reductions in social services, public education, health care, or state employee salaries signed into place by the current administration. "I applaud the Legislature for all the cuts they made this year," he said. "But I am going to ask them to work

with me to cut even more."

His proposed \$2 billion of spending decreases would come on top of the \$2 billion taken from K-12 public education, the approximately \$500 million slashed from higher education, the \$350 million saved by reducing funding for child care programs, the approximately \$1 billion reduction in state-sponsored health care, the \$1.1 billion decrease in outlays for state employees' salaries, and the other wholesale reductions in public safety, infrastructure, unemployment, and environmental programs that make up the current year's budget.

While his proposals are less severe than those of Schwarzenegger, Bustamante's program does not fundamentally differ in its orientation from that of his major Republican foe. Whether it is a further \$8 billion or a \$2 billion in cuts in social programs, the working people of California are going to be made to pay the price of the state's current economic crisis.

While the Democratic candidate is pitching his austerity plan based on "equality of sacrifice," the impact of \$8 billion in increased taxes upon the wealthy and corporations is in no way equal to that which the tremendous cuts recently instituted by the legislature have had upon the working population and the poor. Nor for that matter, is it adequate to address the millions of dollars worth of looming deficit stemming from the \$18 billion worth of borrowing included in the current year's budget.

Bustamante is well aware that his proposed tax increase would be immediately defeated by Republican opposition in the state legislature. As the recent budget debacle in the California Assembly demonstrates, the Democratic Party is unwilling to wage a fight against the economic policies of the Republicans.

For two months this summer the GOP minority in Sacramento held the state hostage to its far-right economic program, refusing to sign off on a Democratic budget plan that included minuscule regressive sales tax increases with billions of dollars worth of spending cuts.

In early August the Davis administration—in which Bustamante is the second in command—signed the Republican version.

Bustamante, like the entire leadership of the Democratic Party, is fully implicated in the rightward shift of economic and social policy in California. If he is elected, his economic program will not differ in any substantial sense from that of his predecessor, or for that matter those that would be implemented by the Republican challengers.



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