

California Democrats rally behind Republican Governor Arnold Schwarzenegger

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23 January 2006

California Republican Governor Arnold Schwarzenegger has started the new year by continuing his tactical turn toward the Democratic Party and the trade unions. Combining calls for the creation of an infrastructure-rebuilding program with proposals for a token increase in the minimum wage and spending on education, Schwarzenegger is crafting a 2006 policy agenda aimed at courting his so-called political opponents across the political aisle.

The Democrats are responding eagerly to these overtures, which began in late 2005 with Schwarzenegger's appointment of a leading Democratic Party operative as his chief of staff. Proclaiming Schwarzenegger's political maneuvering as a sign of his desire to "govern from the center," the Democrats are providing a political cover for the governor's right-wing policies.

On January 5, Schwarzenegger delivered his State of the State address, in which he announced his infrastructure-rebuilding program known as the "Strategic Growth Plan" (SGP). Five days later, he issued his proposed budget for the 2006-2007 fiscal year.

The SGP is a multibillion-dollar borrowing program designed to make essential repairs to California's decayed infrastructure, which has been long neglected due to the tax-cut mania that has seized the political establishment for the last three decades. The SGP will largely benefit corporate interests in the state, which are demanding improved roads, ports and schools in order to maintain their economic competitiveness.

The cost of funding the SGP will be extracted from the working class. The \$222 billion infrastructure-rebuilding program—which contains no provisions for combating poverty, the severe lack of affordable housing, the erosion of decent-paying jobs, the health care crisis, or myriad other problems plaguing the state—is to be paid for not by raising taxes on the wealthy but through the sale of government bonds. As Schwarzenegger made clear in the 2006-2007 budget proposals, he intends to combine this massive leveraging of debt with a minimal dose of relief for public education and continued austerity in all other areas.

The primary political aim of these proposals is to repair frayed relations with the Democrats and curry favor with the union bureaucracy, in particular the California Federation of Teachers (CFT). Schwarzenegger is undertaking a tactical shift, in which he is attempting to restrict the influence of the farthest-right sections of his own party over the political methods used by his administration and, instead, bring on board as political allies the Democrats, who maintain a majority in the state legislature, and the trade unions.

The SGP is being hailed by the Democrats and the media as a grand investment in California's future. These forces are rallying behind Schwarzenegger, endorsing his State of the State address and raising only the most minimal of criticisms of his 2006-2007 budget proposals.

Commenting on Schwarzenegger's State of the State address, State

Assembly Speaker Democrat Fabian Nuñez said, "California suffers from debilitating partisan division. That's why we should do our part to forge consensus on the critical issues facing us. Principled compromise is both necessary and possible." These sentiments were echoed by other leading Democrats in the State Assembly and at the national level, including State Senate President Pro Tem Don Perata and US Senator Dianne Feinstein.

The trade unions have also joined the governor's newly formed cheering squad. "California's unions want to work with the governor and the legislature to achieve great dreams for Californians," said Art Pulaski, head of the California Federation of Labor, in response to the State of the State address.

The California Teachers Federation (CFT) has also been appeased by Schwarzenegger's proposal to return \$1.67 billion owed to the public schools in 2006-2007. While insisting that the state government still owes the school system more than \$2 billion in legally mandate funds, the CFT described the budget as a step in the right direction.

All claims to the contrary notwithstanding, the SGP and the governor's 2006-2007 budget proposals do not represent a departure from pro-business austerity policies.

In his State of the State address, Schwarzenegger promised that the SGP would yield thousands of miles of new roads, 40,000 new classrooms, more than 100 new courts, upgrades of the state's ports, and space for 83,000 more prisoners. The primary beneficiaries of this plan are California's corporate interests.

The competitiveness of the California economy and the ability of society to function on a day-to-day basis have been compromised by the lack of investment in basic infrastructural needs. "It is clear from recent floods, crowded freeways, crumbling schools and other problems throughout our state that California's infrastructure needs a significant investment. It has been ignored for far too long, and the plan outlined by Governor Schwarzenegger tonight is essential to keeping California's economy booming," noted Allan Zaremberg, president of the California Chamber of Commerce and one of the governor's most important backers.

In addition, there are growing threats to California's economy as a result of the failure of education funding to keep pace with growing population. The once highly regarded public education system in the state now "lags behind most of the nation on almost every objective measurement of student achievement, funding, [and] teacher qualifications and school facilities now rank lowest in the country in a variety of areas," observed a report issued early last year by the RAND Corporation.

The reason big business is backing the SGP goes beyond their hope to benefit from the rebuilding of the state's infrastructure. The SGP will be a profit bonanza for corporations in at least two ways.

First, billions of dollars' worth of contracts will be handed out to construction companies involved in the various infrastructure projects.

Second, the governor's funding plan for the SGP explicitly calls on the state to seek the involvement of private investors. The implication of this is that the rebuilding program will be undertaken in conjunction with the privatization or semi-privatization of the state's infrastructure.

Californians will pay a hefty price for whatever limited benefits they experience as a result of the SGP. To fund the program, Schwarzenegger has proposed the sale of \$70 billion worth of government bonds, with the sale of \$25 billion's worth to be placed on the ballot this year.

The bond sales to finance the SGP will further increase state debt, mortgaging the state's coffers for at least the next decade and forcing cuts in other social programs. In his State of the State address, Schwarzenegger made clear that his proposals would be combined with further "budget reform."

What Schwarzenegger meant by this was on full display in his plans for the new budget, in which the nominal increases in funding for education and transportation are to be offset by multimillion-dollar cuts in programs for the poor and disabled.

For 2006-2007, Schwarzenegger is proposing to cut \$250 million from programs designed to move welfare recipients into stable employment and \$198 million from the budget for CalWORKS, a program that provides money and services to needy families in which parents are pursuing job training. He is seeking to save an additional \$233 million by delaying a federal cost-of-living increase for Supplementary Security Income (SSI) recipients, who are predominantly elderly, disabled, and/or blind, and a further \$114 million by depriving counties of \$114 million that they use to fund their welfare programs.

The increased spending contained in the governor's 2006-2007 budget largely consists of money previously owed to various state programs or money which is allocated to these programs by law. For example, of the \$4.5 billion hike in funding being touted by the governor for K-12 education and the state's community colleges, only \$1.7 billion of this is above the amount legally stipulated.

The governor's proposed budget also includes a suspension in fee hikes scheduled to take place at the state's public universities later this year. This is being plugged by the governor and the Democrats as further evidence of Schwarzenegger's support for public education. However, this temporary relief comes on the heels of four years' worth of successive fee hikes at the state universities. Further hikes are scheduled to take place in 2007-2008.

In addition, when looked at more closely, it becomes apparent that Schwarzenegger's promise of \$222 billion in new infrastructure projects is largely a mirage. In his State of the State address, the governor claimed that a significant portion of the SGP would be financed through contributions from the federal and local governments. This is thoroughly implausible. As was witnessed most recently in the Hurricane Katrina disaster, the federal government is in the business of gutting, not increasing, money for state infrastructure projects. As for California's county and city governments, many of these are currently facing multimillion- and multibillion-dollar deficits. They are in no position to redirect whatever inadequate revenues they have toward Sacramento.

One of the measures being trumpeted by the Democratic Party is Schwarzenegger's proposal for a \$1 increase in the minimum wage to \$8.75 an hour. To be phased in over a two-year period in two 50-cent increases, this paltry amount will do little to alter the living conditions of the state's poorest workers. For example, last year the California Budget Project, a non-profit organization, published a study in which it found that a family of four would need an annual income of at least \$56,261 in California to meet their basic needs. This would require a minimum wage of \$17.16 an hour, about twice what the governor is proposing.

Schwarzenegger's corporate backers have indicated they will make no display of public opposition to the minimum-wage hike. These layers believe that such an increase is a small price to pay in exchange for

bringing on board the active support of the Democratic Party, which will work to use its ties to the trade unions to suppress any opposition among working people to further austerity policies.

The political maneuvering going on in Sacramento can only be understood in terms of the crisis created for both parties by the outcome of the Special Election held last November. At that time, Californians went to the polls and voted down a series of right-wing initiatives backed by Schwarzenegger, revealing the existence of widespread popular opposition to his austerity policies and attacks on California working people.

In response to this, Schwarzenegger decided to seek a more viable political means by which to implement the demands of the corporate interests that stand behind him and to salvage his own political fortunes. He is attempting to do so by forging a political alliance with the Democratic Party.

The Democrats and the trade union leaders were just as concerned as the Republicans about the outcome of the Special Election. Throughout the election, they worked to channel the opposition to Schwarzenegger behind the Democratic Party. However, the Democrats embrace the same right-wing policies as their political counterparts and are incapable of offering any fundamental alternative, as they too represent the interests of big business. By entering into an alliance with Schwarzenegger, they seek to ensure that the pro-business policies continue and that the widespread discontent within the population to these measures finds no political expression.

Similarly, the CFT and other trade unions in California are eager to return to their status as partners in the governor's agenda, as they were in 2004.

Despite initial rumblings within the Republican Party over Schwarzenegger's plans to increase the state's debt burden and his failure to propose paying down the state's structural deficit in the 2006-2007 budget, thus far the right wing has remained relatively quiet about Schwarzenegger's tactical shift. While it is possible that this will change, the silence of the far right is an indication that they do not see Schwarzenegger's 2006 policy as a threat to their reactionary economic agenda.

However, the political consensus that is emerging in Sacramento between Schwarzenegger, the state's large corporate interests, the Democratic Party, and the trade unions will not resolve the contradictions plaguing California. Whatever political formation is worked out in the short term to shore up the political fortunes of the Schwarzenegger administration, the opposition of the population to his right-wing agenda will continue. The two-party system is proving yet again that it is incapable of providing an outlet for the needs and concerns of the vast majority of people in California.



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