

# Obama administration spearheads assault on workers in California

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California Governor Arnold Schwarzenegger, a Republican, and the Democratic-controlled state legislature are using the economic crisis gripping the state as an opportunity to gut basic social programs upon which millions of people depend.

This offensive against the working class in the state is being carried out with the backing of the Obama administration.

On Wednesday, Schwarzenegger declared that he would let the state government come to a “grinding halt” if state lawmakers did not agree to budget cuts sufficient to cover a \$24 billion deficit. The governor said he would not “under any circumstances” seek emergency loans. California will run out of cash by the end of July, according to the state’s comptroller, who warned of a financial “meltdown.”

California’s budget deficit is bound up with the financial crash and recession that have overtaken the American and world economy. The state was a center of the US housing boom, and is at the center of its collapse. It has also been deeply impacted by the decline in international trade. The state’s economy is contracting and unemployment and foreclosures are soaring. The result is a sharp decline in tax revenues.

The response of the state to the crisis is part of a broader process. The American ruling class is utilizing the deepest slump since the Great Depression to push through long-planned cuts in social programs and carry through a permanent reduction in working-class living standards. It is seeking to eliminate the very idea that government should provide basic social services and at least the modicum of a social safety net.

The state government is seeking to eliminate billions from already starved education and health care budgets. Schwarzenegger aims to save \$248 million a year by eliminating the Healthy Families program, which subsidizes low-cost health, dental and vision coverage for

nearly a million children.

Some \$200 million a year is to be saved by eliminating the Cal Grant program for college students, even as cuts in education have led to soaring tuition and fees.

California has already implemented \$11.6 billion in cuts to education this year, and Schwarzenegger’s new proposals include an additional \$5.8 billion over the next two years. These cuts will leave California, the country’s most populous state, ranking last in education metrics such as per-pupil funding and teacher-student ratios.

Among the other proposed cuts: \$80 million for HIV/AIDS programs targeting the poor and vulnerable, the closure of public parks across the state, and a sharp reduction in state grants to low income elderly, blind and disabled residents.

The cuts are already having far-reaching repercussions. Tens of thousands of teachers face the loss of their jobs. State, city and local agencies are scrambling to shed costs through layoffs and budget cuts.

Last month, Treasury Secretary Timothy Geithner rejected a federal bailout of the state, demanding that California and other states “put in place reforms that will restore their creditworthiness.” With these words, Geithner, the president of the Federal Reserve Bank of New York prior to being named treasury secretary by Obama, spoke openly as the representative of the bankers. Wall Street demands a scorched-earth policy to make the American people pay for the crisis that the banks precipitated.

In 1975, the Ford administration refused to provide assistance to New York City when it faced financial collapse, prompting the famous newspaper headline: “Ford to City: Drop Dead!” Today, the Obama administration is carrying out a broader and even more ruthless policy, with direct implications for every part of the country.

No one in the administration, least of all Obama,

attempts to explain why it is impermissible to bail out a state with 37 million inhabitants, while it is necessary to provide trillions of dollars to pay the gambling debts of billionaire bankers on Wall Street.

The administration wants to use California as a model for the types of cuts that are to be imposed elsewhere. It sees the social devastation of California as a useful precedent for the assault on basic social programs such as Medicare, Medicaid and Social Security it intends to carry out.

There is a definite parallel between the administration's policy toward California and its policy toward the auto industry. Obama insisted that any aid to the auto companies be conditioned on massive job cuts and wage and benefit concessions from workers. In both cases, the aim is to carry through a fundamental restructuring of class relations in America, whose centerpiece is the destruction of the social gains won by previous generations of workers.

The claim—promoted by the Democrats and Republicans and by the mass media—that there is no money to solve California's fiscal crisis and there is no choice but to implement drastic cuts in social programs is a fraud.

The budget deficit in California pales in comparison to the sums handed out to *individual banks* as part of the various bailout schemes, and it is a fraction of US government spending on the military.

The deficit is also a fraction of the personal wealth of the tiny layer of super-rich at the summit of the economic ladder in California. The state is home to a significant proportion of the world's billionaires. The net worth of Californian Larry Ellison, the founder of Oracle, is estimated at \$22.5 billion—roughly equal to the state's entire budget deficit. The personal fortune of this single individual could cover the entire deficit of the state.

Such is the scale of social inequality in America. Even a ten percent tax on the wealth of California's billionaires would more than cover the deficit. There are not a few individuals who could write personal checks to cover the costs of health care programs set to be shut down.

The suggestion that the financial elite pay for the economic crisis it has created is absolutely rejected by the entire political establishment, in California as in Washington. The Democrats in the state legislature are proposing dipping into a "rainy day" fund to postpone some cuts, while working closely with Schwarzenegger to impose the crisis on the backs of the working population.

The fate of what was once known as the "golden state" underscores certain facts. First, the current crisis

represents the failure of American and world capitalism. The living standards and elementary needs of the vast majority of the people are incompatible with the continuation of a system based on private ownership of the means of production and the subordination of social needs to the accumulation of personal wealth by a financial aristocracy.

Second, there is no possibility of the people effecting a change of government policy by electing one or the other party of big business. The Obama administration, elected by appealing to the social grievances of the electorate and promising "change," is daily providing proof that the political system is impervious to the interests of working people.

Third, the result of the policy of Obama and the Republicans will be the impoverishment of the American people.

The development of mass opposition to these attacks is an urgent necessity. Workers in California must take a determined stand against all cuts and begin organizing now for mass actions, including demonstrations and strikes. New organizations must be set up to unify all sections of the working class in a common struggle against the dictates of the financial elite, linking the crisis in California with the crisis throughout the country and internationally.

Above all, a new political perspective is required, based on a socialist program. The entire political establishment, in alliance with the trade unions, accepts that the economy must remain under the grip of the financial elite. There can, in fact, be no solution to the crisis facing working people outside of breaking the dictatorship of the banks, exercised through the twin parties of American capitalism. This means the transformation of the banks and giant corporations into public utilities under the democratic control of the working population—in California and throughout the United States—and the building of the Socialist Equality Party to lead the fight for a workers' government.

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