

Massive Budget Cuts: Judgment day: broke California faces shutdown at Arnie Schwarzenegger's hands

By [Global Research](#)

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California's famed redwood forests will have to close to visitors Mike Harvey in San Francisco

The state of California is in crisis and time has almost run out. Arnold Schwarzenegger, the Governor, has spent this week haggling with state legislators to agree cuts to basic services in one of the world's largest economies.

The state's top finance officials warned that unless an emergency austerity plan is agreed by Monday — and there is little chance that it will be — they will not be able to borrow the billions of dollars needed to keep the current government functioning. If California was a company, it would have gone bust months ago.

The breadth and depth of Mr Schwarzenegger's cuts are unprecedented and no one in the state, not even its dozens of billionaires, will be unaffected. His more radical proposals include wiping billions of dollars from the education budget, with the school year shortened and larger classes.

Hundreds, possibly thousands, of police and firemen will be laid off, and state employees who keep their jobs face pay cuts of at least 10 per cent.

All financial aid for university students, affecting 200,000 people from low-income families, will end.

Local governments will no longer have to provide absentee ballots in elections, nor run programmes to help infants exposed to drugs. Even stray animals will no longer be kept alive for the statutory three days.

Mr Schwarzenegger, whose popularity has plunged to levels that George W. Bush would recognise, told lawmakers in Sacramento, the state capital: "California's day of reckoning is here. Our wallet is empty. Our bank is closed. Our credit is dried up."

For the self-styled Governor and former Hollywood action hero used to getting his way, the issue has become humiliating. His proposals last month to raise taxes and boost borrowing to help to cover the deficit were rejected. Now he has embarked on a "day of reckoning" strategy, asking voters to recognise that Californians must "live within our means".

The crisis represents a dramatic fall not only for Mr Schwarzenegger but for America's Golden State. It faces a \$24 billion (£14 billion) deficit in the fiscal year starting on July 1 — nearly \$700 per head of population.

Were it an independent country, California would be among the ten biggest economies in the world, but its finances have been crippled by the recession. Unemployment already stands at 11 per cent, the fifth-highest in the nation, and another 63,700 jobs were lost last month. Now it will almost certainly need federal guarantees from Washington to borrow money from the financial markets.

Shocked welfare organisations are scrambling to protest at the savagery of the social cuts. Jean Ross, the executive director of the California Budget Project, a public policy research group, wrote in the San Diego Tribune: "These proposals target children and the young, California's very future."

Indeed, they would send a state that prides itself on its youthful image, its innovations, its tradition of reaching the future first, reeling backward in time into what one advocate called "an era of Dickens". The Governor says that he "sees the faces behind those dollars" but he and other Republicans in the legislature will not raise taxes again after agreeing to \$12.8 billion in sales, personal income and vehicle tax rises earlier this year.

Last year overall personal income declined for the first time since 1938. The land of Hollywood's dream factory has turned into a fiscal nightmare.

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