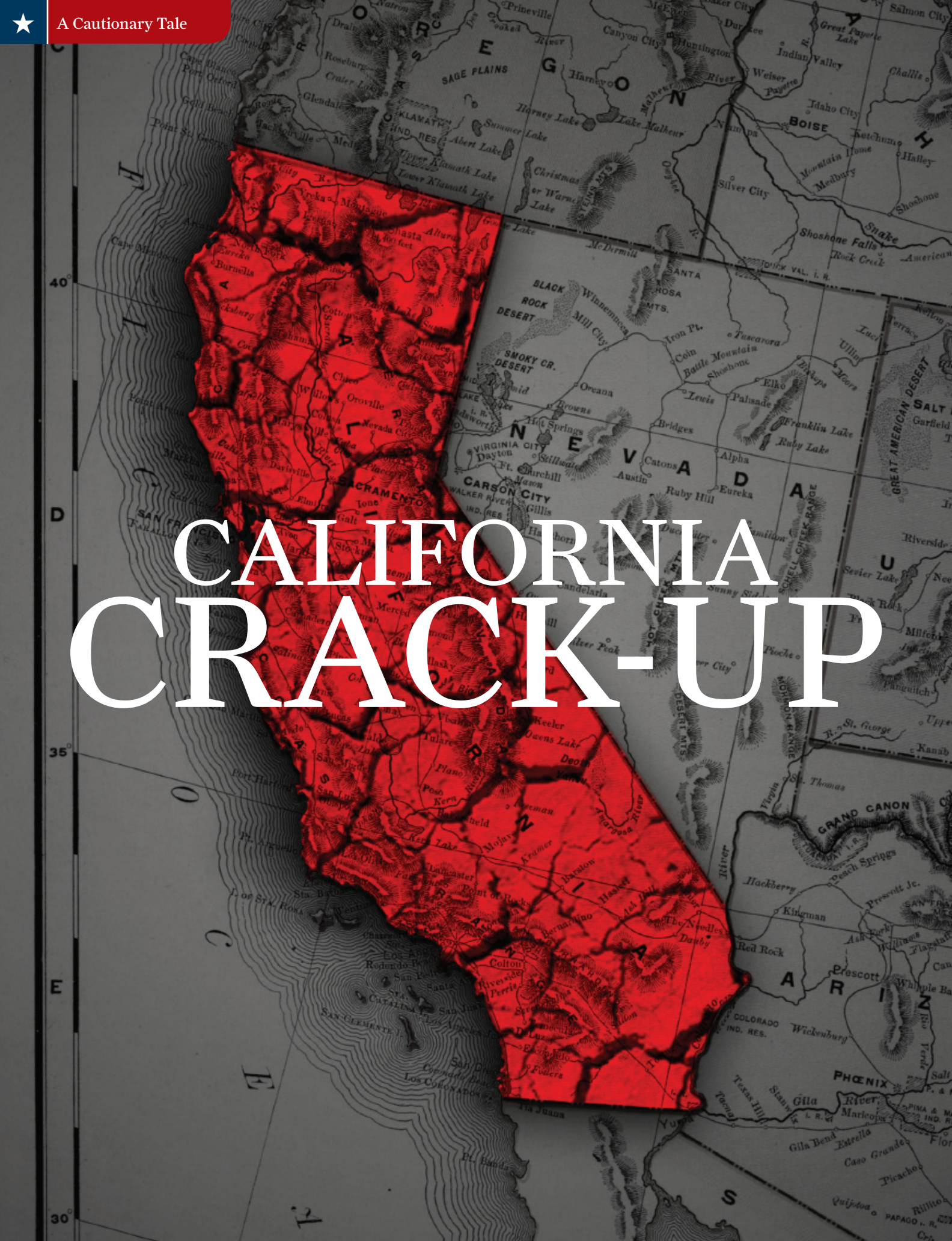




CALIFORNIA CRACK-UP





THE CRISIS FACING THE GOLDEN STATE SERVES AS A POWERFUL CAUTIONARY TALE FOR THE REST OF AMERICA. IF THE UNITED STATES FOLLOWS THE MISSTEPS OF CALIFORNIA, IT WILL FIND THE SAME FATE.

by Larry Kelley



California Gov. Arnold Schwarzenegger, center, accompanied by Pennsylvania Gov. Ed Rendell, second from left and New York City Mayor Michael Bloomberg, left, speaks to reporters outside of the West Wing of the White House in Washington after the trio's meeting with President Barack Obama about their request for \$1.6 trillion for infrastructure funding. (AP/Charles Dharapak)

While Karl Marx believed that socialism—and ultimately communism—would replace capitalism as the morally superior societal system, it was Margaret Thatcher who observed, “The trouble with socialism is that it always runs out of other people’s money.” Now, after 50 years of steady indoctrination by California’s media and education establishments, acquiescence to the soft tyranny of socialism dominates the culture, business climate and legislature. A byproduct of this is California’s massive government spending machine, where wealth redistribution is the organizing principle. Despite being home to the eighth-largest economy in the world, California is also teetering on insolvency.

THE PERFECT STORM

Consider California’s perfect fiscal storm. Although Arnold Schwarzenegger came to the governorship in 2003 as a populist reformer, California’s cost of government has risen 40 percent since his election. California’s current budget includes \$103 billion in spending. And due to the contracting economy, its shortfall over the next 18 months is projected to be a

staggering \$41 billion. This shortfall, if financed, would represent \$1,108 of new indebtedness for every one of its 37 million citizens. Yet California is already the most indebted state in the union with a half-trillion dollars in outstanding debt obligations.

Milton Friedman observed that one can’t have an open-border policy and a welfare state—the incentives are all wrong. Despite the 1996 federal Welfare Reform Act, California is one of the few states that still provides lifetime welfare benefits. In the mid-1990s, the National Academy of Sciences found that each native-born household paid \$1,100 in additional taxes to accommodate new immigrants and illegal aliens. That study is more than 10 years old. Now, if President Barack Obama and the Democrat-led U. S. Congress do grant amnesty to the millions of illegals throughout the country, through chain migration, millions of new welfare recipients will pour into California.

California’s bonds have the lowest rating in country, downgraded to an “A” (most states are AAA), which has sent the cost of the state’s debt service soaring ever higher. The most productive taxpayers, largely native-born baby boomers, are retiring and leaving. The state is now populated by a majority of

net recipients of the transfer of wealth, while the number of wealth-producing taxpayers is rapidly diminishing.

A March 4 lead editorial in the *San Francisco Chronicle* betrays the prevailing mindset here—a belief that the election of Obama signals that America will finally repair the ills of capitalism and that ever more wealth redistribution will be the way forward for the nation. The *Chronicle* editorial board asked, “After the last three decades have resulted in the most staggering income inequality since 1929, are we ready to embrace a new philosophy on taxes, on the role of government, on the question of what it means to contribute to your country?”

Recently, Obama chafed at being asked if he was a socialist, presumably as would most any other California politician if asked the same question. Yet for those status quo politicians, the facts on the ground are irrefutable. In order to avoid an astounding \$41 billion projected deficit, Gov. Schwarzenegger has cobbled together a one-year budget deal with the legislature, a deal that can be extended years into the future with the approval of voters in an upcoming special election this month. The budget deal assumes \$12 billion in federal bailout money and adds sales taxes, car license tax, gasoline



Left: Actress Candice Bergen, in character as “Murphy Brown,” cradles her newborn baby, which the character delivered in May 1992. (AP/CBS-TV)

Right: Then-Vice President Dan Quayle attacked the “Murphy Brown” character for having a child out of wedlock. Quayle was ridiculed for his criticism at the time, but as California has shown, fatherlessness contributes to increased crime.

(AP/The Indianapolis Star, Charlie Nye)



tax and income tax to the myriad other wealth transfers such as multiple taxes on savings. The net effect is that the average Californian will now pay more in taxes than the residents of any other state, with some Californians seeing their government confiscate 70 percent of their income. We Californians are living in a quasi-socialist state where most intellectual elites and elected officials believe that it is the proper role of government to level individuals' incomes. We are lurching ever leftward toward that mythical egalitarian Marxist utopia.

California, for most of the last century, when it gave birth to the movie industry and later became a television industry capital, has led the nation in setting new trends. It has long been a place where new cultural phenomena were born and rapidly spread across the country. The vital question that needs an answer is this: Will California's balkanized culture, fiscal insolvency and devotion to Marx be harbingers for the now all Democrat-controlled federal government? Will the nation become what California already is?

CALIFORNIA BEGETS A NATIONAL LOSS OF INNOCENCE

Today, there are tens of billions of dollars flowing into California's treasury

for education, counseling and human development programs. So one might logically conclude that the Golden State would have by now found the formula for the near elimination of crime. Investigative reporter, Jack Cashill, in his book, “What's the Matter With California?” reports that, in 1953, there were 276 murders in the entire state. Over the years 2003-07, there were more murders in L.A. County than troops killed in Iraq. What could be the root cause for this? Cashill's answer: fatherlessness.

Cashill points out that, in 1960, California fatefully passed the Aid to Dependent Children Act, which made it a money-making endeavor for a teenager to get pregnant, move out of her parents' home and receive funds for her own apartment and expenses. The state's policy unwittingly subsidized the breakup of countless at-risk families and led to vast numbers of black and Latino children being born out of wedlock, many of whom have grown up to be gangsters. (In 1970, California also passed its No-Fault Divorce law and began recording 275,000 divorces annually.) Controlling for both inflation and the population differential, by 1979, two decades after the Aid to Dependent Children Act, the state was collecting

three times more real tax dollars, yet the criminals were committing roughly three times the crime. And the crime rate continued to climb. Over the last 15 years, the state's prison population rose from 23,264 in 1993 to 168,035 in 2008—a seven-fold increase, and based on demographic research, it is closely related to the increase in the number of unwed children having children. Appallingly, the recent report on new births in the United States from the Centers for Disease Control and Prevention, released in March, revealed a new high of 4.3 million babies born in 2007 with 40 percent born to unwed mothers, a figure that will likely only fuel the crime wave American children will face.

Yet the California media, both television and Hollywood, have been relentless in their campaign to mainstream the culture of illegitimacy and single-parenthood while they've heaped invective on conventional suburban two-parent America. The media's role in promoting fatherlessness was first fully exposed in the early 1990s when the then-popular television show “Murphy Brown” was called out publicly by Vice President Dan Quayle for glamorizing unwed motherhood when the show's title character, played



by Candice Bergen, had a child out of wedlock. Predictably, media pundits across the country took the bait and heaped scorn on the vice president. Their universal contempt demonstrated how pervasive and pernicious the media campaign had been.

Considering that responsible studies clearly show that there is no stronger correlation to an eventual life of crime than to that of being born to an unwed mother, it is not surprising that a culture of illegitimacy combined with the enormous earning power of illegal drug sales—popularized and spread across the country by academia, media and pop culture—has spread crime throughout California.

ONE-PARTY RULE IN CALIFORNIA

The Left has now achieved a monopoly on power in California largely through a gerrymander where elected officials from both parties, under the previous Democratic administration and Democrat-controlled legislature, were allowed to draw their own districts so that the lines ensured the reelection of incumbents while at the same time cementing control by the Left. This has fundamentally changed political process here from a representative democracy to a kind of oligarchic kleptocracy.

In 2005, Schwarzenegger decided to gamble much of his considerable political capital by calling for a special election that placed on the ballot an ambitious list of conservative initiatives aimed at breaking the monopoly of the Democrat-controlled legislature. One of these initiatives was a redistricting measure aimed at restoring some legitimacy to the electoral process. But the quarter-million state employees, the teachers, nurses, prison guards and municipal- and county-employee unions had bought and paid for their government. So they all lined up against him, spent massively and even mortgaged a union headquarters building in order to spend on that election like never before. All of the governor's initiatives were soundly defeated, after which he lurched leftward. As Steven Hayward of the Pacific Research Institute wrote, "Arnold went into a funk. Worse than a funk, he veered sharply left and seemingly threw in the towel with the Democrats."

Similarly, in early February of this year, it was revealed that the Obama administration had plans to remove jurisdiction over the Census from the Commerce Department to the White House. This caused many to worry about a White House Chief of Staff Rahm Emanuel-led attempt

to run the Commerce Department. In the space of a week, Gregg accepted the cabinet position and then resigned, citing fundamental disagreements with the president's policies and making Obama 0-for-2 in his attempts to fill the Commerce job. One has to wonder if California's success at gerrymandering inspired Emanuel's attempt to craft a permanent one-party rule throughout the entire country using essentially the same tool.

THE DISHONESTY OF SOCIALIST ONE PARTY-RULE

California author, philosopher and radio host Rabbi Daniel Lapin is a member of the college speaker's circuit and a man who tries to undo some of socialist indoctrination that passes as education on college campuses here. One of his more provocative talks is titled "Why Socialism Is Evil." He explains to California college students that capitalism's stated goal is freedom while socialism's stated goal is equality and that, in the end, capitalism *does* deliver freedom, yet socialism *never* delivers equality. Instead, socialist regimes pick winners and losers and can do so only through the threat of lethal force. Socialism is, therefore, inherently dishonest. It must constantly obfuscate the fact that its winners are the regime's faithful supporters and its favored aggrieved groups. Its winners are those picked to be the officers of the vast governmental agencies socialism creates and expands. Its winners' children are given preferential entrance to elite universities. Its families gain access to special health care programs, unavailable to the masses, once the health care industry is nationalized. Socialism's losers are those who are expected to fund the source of their own servitude.

While the average college student may not get it, the average California taxpayer cannot overlook his own growing servility to the state and the obvious false promises inherent in one-party socialist rule. Plus, one can clearly see this exact perfidy is on display now in our nation's capital where one-party socialist rule is just 100 days old. In Charles Krauthammer's much quoted column, "The Great Non Sequitur," he exposes Obama's dishonesty by showing that the

"Capitalism's stated goal is freedom while socialism's stated goal is equality, and in the end, capitalism *does* deliver freedom, yet socialism *never* delivers equality."

So effective was the California gerrymander, in the 2004 general election, not one seat of the 80 in the state Assembly, of the 20 in the state Senate, not one of 53 U.S. congressional districts changed party. As former three-term Congressman Tom Campbell observed, "Could it have happened by chance? No." Clearly the system is not just rigged. It's completely rigged.

Schwarzenegger came to the governorship in 2003 via the recall election of Democratic Gov. Gray Davis.

to gerrymander the entire country. Census numbers are arrived at through modeling, which in turn is developed through "assumptions." A Republican congressional staffer said, according to the *Washington Post*, "Hijacking the census from the Commerce Department and letting it be run out of Rahm's office is like putting PETA in charge of issuing hunting permits."

That same week, the Obama administration nominated a token Republican, Sen. Judd Gregg, N.H.,



president's massive spending agenda is one gigantic con, one of the largest bait-and-switch operations in human history.

After listing the causes of our current fiscal calamity, “a credit bubble, a housing collapse and a systemic failure of the banking industry ... Fannie and Freddie Mac pushed by Washington into improvident loans, corrupted bond-rating agencies ... the easy money policies of Alan Greenspan's Fed ... greedy house flippers, deceitful home buyers,” Krauthammer points out that our new president claims that he will “redeem us with his far-seeing program of universal, heavily nationalized health care; a cap and trade tax on energy, and a major federalization of education.” He concludes, “Clever politics, but intellectually dishonest to the core.”

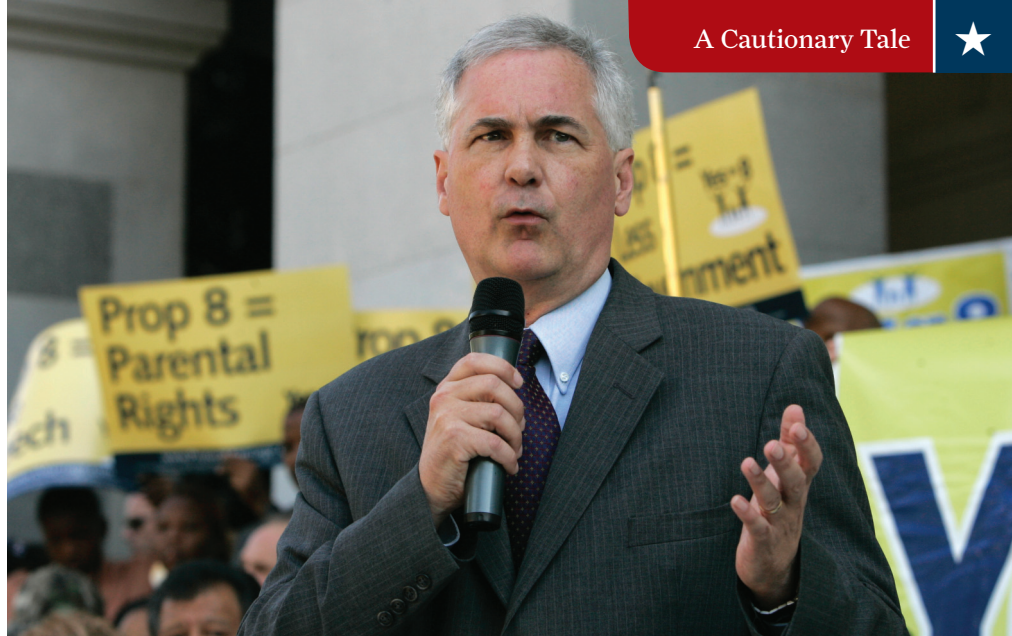
The near collapse of the financial system has nothing to do with the absence of universal health care. But the crisis does create for Obama, the “psychological conditions—the sense of crisis bordering on fear itself—for enacting his ‘Big Bang’ agenda to federalize and or socialize health care, education, and energy.”

One of many galling aspects of Obama's con is that, in just three months, he has proposed spending that will add more to the U.S. deficit than all the previous presidents combined, from George Washington through George W. Bush, a level of debt that a growing number of economists term “generational theft” and believe is not sustainable and cannot be repaid. Yet he still hasn't presented the nation a coherent plan to stabilize the banking crisis.

Former Obama advisor Warren Buffet terms the current crisis an “economic Pearl Harbor” and has parted ways with the administration over its desire to enact a far-left agenda rather than focus on finding solid free-market solutions. And if the White House follows its plan to exploit a serious crisis, it is one that may well live in infamy.

MUCH OF OBAMA'S AGENDA IS ALREADY IN PLACE IN CALIFORNIA

On Oct. 17, 2008, the *Wall Street Journal* published an enormously prophetic lead editorial titled “A Liberal Supermajority.” With the election still



Newly elected U.S. Rep. Tom McClintock, R-Calif., has been one of the leading opponents of the Left's radical climate change agenda that has taken hold in California and will ultimately ruin the state's economy. (Reuters/Rich Pedroncelli)

three weeks away, the piece presciently predicted the various programs that Obama would attempt to implement, if elected, in order to create vast numbers of new Democratic voters and thereby permanent Democratic rule over the nation. He would do this in much the same way that President Franklin Roosevelt did as a result of the Great Depression.

Obama feigns adoration of Lincoln when he is actually following the lead of FDR and is the product of modern Democratic machines that run big cities (such as Chicago) and whole states (such as California). Many of the programs Obama campaigned on are already in place in California. For example:

Union Supremacy: The new administration has let its union supporters know that, due to their long-suffering support for the Democratic Party, they will be rewarded with the passage of the Orwellian-named Employee Free Choice Act. In actuality, if passed, it will unleash union thugs on small and large businesses all across the country, abolishing the secret ballot and driving up union membership.

In California the state employee unions are already the most powerful force behind the one-party rule.

Green Power: Obama wants to pass massive carbon-emissions taxes on businesses, which will supposedly provide billions of dollars in new government revenue in order to fund

new programs such as universal health care. Additionally, he wants to create a new federal agency (likely staffed with Democratic supporters) whose preposterous mission is perfect in that it can never succeed and therefore never end: the mission to stop climate change.

Tom McClintock, the newly elected Republican U.S. congressman and one of the few California elected officials with impeccable conservative credentials, spoke to me about Schwarzenegger's emissions law already on the books, passed in 2006 by California voters. McClintock described, in apocalyptic terms reminiscent of Ayn Rand's “Atlas Shrugged,” the implications of the measure: “AB 32 is the most radical reduction of carbon emissions anywhere on the planet. It calls for a 25 percent reduction of carbon dioxide by 2020, a mandate that can't be met even if we removed every car on the road in California. It will mean systematically shutting down entire sectors of California's economy with grave implications for agriculture, cargo, cement production, construction, manufacturing, energy production, distilling, baking. It is now being implemented by the Air Resources Board, which is taking actions necessary to shut down commercial enterprises in California.”

Election Corruption: Following California's gerrymandered lead, the White House has not only signaled that

it would like to make the Census an administration-owned program but also doubled down by adding to the stimulus bill \$1 billion in old-fashioned slush funds for Community Development Block Grants (CDBG). The program gives local politicians wide latitude when spending these monies. ACORN, which has been cited in a dozen states for creating bogus Democratic voter registrations, loves CDBG because it is adept at lobbying for CDBG funds. The *Wall Street Journal* and others have predicted that, with this access to public funds, ACORN can open offices for upcoming elections with teams of workers who can register fictitious Democratic voters on a nationwide scale.

Marxist-Inspired Taxation: The *San Francisco Chronicle's* editorial board asserted that the election of Obama hopefully signals the beginning of a new era when the U.S. government can finally address the "problem" of "income inequality," when the tax code can finally be used to establish "fairness" among its subjects. But Art Laffer and Stephen Moore in their recent book, "The End of Prosperity," demonstrate that the bottom 20 percent of wage earners saw their incomes *grow* by 109 percent over the decade from 1996 to 2005, while the top 1 percent, which shoulders 40 percent of all federal income taxes, saw their incomes *fall* 23 percent. Also, as McClintock points out, the new taxes levied against Californians will not produce the higher revenues projected by the governor and legislature but will, instead, assuredly drive more of the overtaxed populace out of the state. The *Chronicle* embodies the collectivist worldview that passes for wisdom among the majority of California's ruling elite and citizenry.

And Obama has betrayed his Marxist worldview on numerous occasions, such as the time he told "Joe the Plumber" that he just "needed to spread the wealth around." But never was his socialism more thoroughly exposed during the campaign than during the Democratic presidential debate in Philadelphia. ABC's Charlie Gibson asked him why he wanted to increase the capital gains tax when both Presidents Clinton and Bush lowered it and both times "revenue



Jon Coupal, of the Howard Jarvis Taxpayers Association, left, filed a lawsuit to block the implementation of a Democratic budget. Coupal and his association are leading the fight against Gov. Schwarzenegger's Prop. 13. (AP/Rich Pedroncelli)

from the tax increased."

"Well, Charlie," Obama replied, "what I've said is that I would look at raising the capital gains tax for the purposes of fairness." He then went on with a preposterous fabrication about how the government needed to punish the top 50 hedge-fund managers for making \$29 billion dollars last year. This should have been a stunning revelation for clear-thinking Democrats. Here was their candidate for president admitting that he did not mind if his tax policy damages the country and lowers revenue to the Treasury as long as it can be used for a higher purpose—a tool to conduct class warfare.

THERE'S HOPE FOR A SECOND GREAT CALIFORNIA TAX REVOLT

It should be noted that, in 1978, California, ever the trendsetter, was the first state to successfully stage a tax revolt through ballot initiatives. Laffer and Moore describe the 1978 initiative (Prop. 13) as the most significant tax revolt since the Boston Tea Party and one that set the stage for Reagan's supply-side revolution two years later. They point out that, in California 30 years ago, there was also a housing crisis due to thousands of Californians, many of them elderly citizens living on fixed incomes, who were losing their homes because they could not pay the escalating property taxes that were assessed at a 3.5 percent rate.

The 1978 initiative slashed the tax to 1 percent and mandated that *any* tax increases had to be passed by a supermajority of two-thirds in both houses. Big business, labor, the media, academia and virtually every other special interest group came out against the measure, predicting doom if it passed. The *Los Angeles Times* called Prop. 13's sponsors, Paul Gann and Howard Jarvis, "the chief agitators for this expanding group of disgruntled taxpayers." The UCLA business school predicted a loss of 450,000 jobs in the state. The measure passed by 20 points.

Laffer and Moore show that, to this day, all the Prop. 13 opponents were wrong and continue to lie about its aftermath. While the measure brought the tax burden down from \$124.57 per \$1,000 of income to \$95 per \$1,000 over the next 10 years, housing prices soared, 3 million new jobs were created and tax revenues to the state more than doubled. So much for the liberal mantra that holds that tax cuts benefit only the rich. Yet today, one of the provisions the state's *Republican* governor is now seeking in California's special election this month is the ability to rescind the two-thirds supermajority provision so that the state can more easily raise taxes and pass bloated budgets.

However, there is hope in numbers. Approximately 40 percent of the 37 million Californians are right-of-center voters, and there are signs that this vast



army is motivated, mad, eager to be called to muster and ready for the next tax revolt to begin. Among this nascent revolution's emerging generals is Jon Coupal, president of the Howard Jarvis Taxpayers Association (HJTA.org). His think tank, founded in 1978 by Prop. 13's co-sponsor, has thousands of members and supporters who provide Coupal with the means to run his current hard-hitting media campaign against Schwarzenegger's Prop. 1A that will allow the state to extend the new tax deal into the future. Due to his lack of guiding principles, the governor's special election agenda this time is being attacked by his former base—the conservatives.

As California's May special election impends, the other force driving the revolt is conservative talk radio, which in California dominates in audience share versus their competitors who offer left-of-center, "mainstream" news talk or music. On the powerful L.A. station KFI, the hosts of the prime drive-time show, John Kobylt and Ken Chiampou, in March, organized a taxpayer rally (a neo-tea party like those that have sprung up all over the country.) On air, during the days preceding the event, the hosts wondered aloud if Californians had "become sheep" accepting oppressive government and would therefore not show up at the Slidebare Café in Fullerton for the rally. The event brought out 8,000 people who let the media there know that they were mad as hell.

For many in California, both talk radio and the initiative process give us a way of circumventing one-party rule, a way of connecting to the pure democracy invented by our Greek ancestors of the fifth century B.C. They connect us to our heritage where the men of the Athenian Assembly were provided the opportunity to speak to every other Athenian citizen soldier and the right to cast a vote on vital matters concerning war and peace. Because we still have access to the initiative process and the radio waves, there is still hope that we can reverse our slide into servitude. •

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THE TOWNHALL ON...

The California Crack-up

"California's ongoing budget battle strikes at the core of the major parties' concept of the role of government. Democrats believe in an expansive administrative state that ministers to all our needs, whether we think we need them to or not. In this worldview, you can never have enough government and taxpayers can never pay enough. ... California's weak economy should signal to all but the most committed ultra-liberals that new taxes would make a bad situation worse."

California Assemblyman Chuck DeVore
HumanEvents.com

"Virtually throughout its history, and certainly in the 20th century, California has been known as the place to go for dynamism and growth. It did not become the richest, most populous, and most productive state solely because of its weather and natural resources. So it takes a lot to turn California around from growth to contraction. ... It takes some doing. And the Left has done it."

Dennis Prager
Townhall.com

"[Schwarzenegger] says: 'Look, I cut to the chase. I know what the Democrats like, and I know what the Republicans like. So, I say let's meet somewhere in the middle.' But Gov. Weather Vane ... usually finds the middle in the middle of the Democrats' legislative caucus. The other seven-eighths of the American population should understand that what Californians are enduring has a name: 'post-partisanship.' Somewhere, Gray Davis is smiling."

George Will
Townhall.com



garyvarvel.com