

III. Economics

The Rise and Fall of the Golden State

by Daniel and Lena Platt

LOS ANGELES, Sept. 1—It was the discovery of gold around 1848 that earned California its nickname, the “Golden State,” and what ensued was the first of many “rushes,” as many Americans sought their fortunes here. Accepted into the Union two years later, in 1850, California became its most populous state, and the fifth-largest economy in the world. Throughout recent American history, California has served as a launching pad for many economic and cultural trends, for better or for worse. In the mid-20th century, it emerged as an oasis of relative prosperity and a refuge for people fleeing Depression-era privation. But as the 20th century waned, the California Dream began to go sour.

The authors have lived in Los Angeles for 40 years as activists for the Lyndon LaRouche movement, talking to tens of thousands of citizens at literature tables on the streets, discussing politics with homeless people while passing out literature at the Union Rescue Mission, and exchanging ideas with diplomatic officials at L.A.’s many foreign consulates. In doing so we have had the opportunity to observe at close hand the changing economic environment and its social consequences.

California and FDR’s New Deal

During the Franklin D. Roosevelt administration, the state of California became a showcase for the success of the New Deal, particularly FDR’s infrastructure projects. The 1928 Boulder Canyon Project Act provided for the construction of the Hoover Dam in Nevada and the All-American Canal, both key in transforming the Imperial Valley at the southern end of the state from a desolate desert into a burgeoning agricultural center. In 1933 the Central Valley Project was launched, which



CC/Ross Dickinson

Valley Farms by Ross Dickinson, painted in 1934, when he was employed by FDR’s Public Works of Art Project. Many Americans were lured to “The Golden State” to escape the Depression and Dust Bowl conditions, making it the Union’s most populous, and the fifth largest economy in the world.

at that time was the world’s largest water and power project, bringing about a similar transformation of California’s expansive Central Valley, where 8% of the U.S. agriculture output today is produced on less than 1% of the total U.S. farmland. The prospect of agricultural jobs fueled the storied migration of thousands of refugees from the Dust Bowl regions of Colorado, Kansas, New Mexico, Oklahoma, and Texas during the 1930s.

The need for heavy manufacturing during the Second World War created jobs in Los Angeles in the automobile, rubber, and steel industries, attracting workers from all over the U.S. Los Angeles grew from 1.5 million in 1940 to 2.4 million in 1970, about 700,000 of that surge being black workers, mostly from the South.

California’s progress continued during the 1960s

when Southern California became a key center of activity for NASA. The North American Aviation plant in Downey, a suburb of Los Angeles, received key contracts in 1961 for the Apollo manned missions to the Moon, and during the next decade employed as many as 3,000 engineers and technicians. Many other aerospace firms in the area around Los Angeles experienced a similar boom, employing over 200,000 workers during this period.

But by the 1990s boom had turned to bust. North American Aviation, which had gone through several mergers and ultimately became Rockwell International, reduced its labor force to less than 5,000, from a peak of 115,000; and in 1999, the Downey plant was closed forever. The facility which had been a key science center for the Moon landings suffered the ignominious fate of becoming Downey Studios, where fantasy films including Spider-Man, Iron Man, and Terminator 3 were filmed.

With the arrival of the 21st century, California agriculture began to run out of water. The North American Water and Power Alliance (NAWAPA), a grand water management scheme to divert a portion of Alaskan spill off water down through Canada to the lower U.S. and Mexico, which had been designed by far-sighted engineers in the 1960s, was narrowly defeated in the U.S. Senate in 1964. Starting in 1982, the LaRouche organization mobilized international support for the [project](#) while also calling for a many new nuclear power plants to provide both electricity and to desalinate seawater.

These ideas were not adopted, and no comparable proposal to address the water crisis was ever put on the table. Consequently, ground water supplies have been depleted, and the great drought of 2012-2016 spelled doom for many farmers, who found themselves in competition with urban dwellers and industry for the dwindling water resources. The current drought across the western states has caused the great Oroville Dam, the tallest in the U.S., which provided much of the water and power for the Central Valley, to close down all six of its generators in August for the first time in its history, as the Feather River fell to 24% of its normal level.

Multiple Blunders

Many factors have contributed to the destruction of California's robust economy and optimistic culture. We will list just a few crucial ones:

The environmentalist movement has deep roots in California. The Sierra Club was founded here in 1892

and its leaders were enthusiastic proponents of California's notorious eugenics laws in the early 20th century. These laws required the sterilization of people who were regarded as defective, including the deaf (deafness was suspected of being hereditary), the homeless (also hereditary, apparently), and women who were considered to be oversexed.

More recently, environmentalism was kicked into high gear with the first Earth Day in 1970, with funding organized by Robert O. Anderson, the head of the Atlantic Richfield oil company (ARCO). ARCO moved its headquarters to Los Angeles in 1972. The environmentalist movement insisted that the water projects which had "greened" the California deserts were not in the best interests of Mother Nature, and campaigned vigorously against the NAWAPA project.

In 1915, Hollywood emerged as the center of the motion picture industry with the production of the film *Birth of a Nation*, which sang the praises of the Ku Klux Klan. During the FDR years, Hollywood began to play a more positive role with films such as *Casablanca*, or the historical biographies that starred Paul Muni, such as *The Story of Louis Pasteur* and *The Life of Emile Zola*. But during the 1950s, most of the people involved in making these more uplifting films were driven from the business by the Red Scare and the Hollywood Blacklist, and Hollywood's productions degenerated once again. The movie "industry" has, unfortunately, played a major role in the economic and cultural life of both the state of California and the nation at large.

In the mid-1960s, the San Francisco area became a mecca for the drug culture which had been sparked by the CIA's MK-ULTRA project, involving extensive experiments with LSD and other psychotropic drugs. This gave rise to the hippie movement, which opposed science and industrial civilization, counterposing a romanticized vision of low-tech village life during the feudal era.

Lyndon LaRouche had warned during the early 1960s of a collapse of the Bretton Woods system of fixed exchange rates. The decision to proceed with this was sold to President Nixon in 1971 by Secretary of the Treasury John Connally and Office of Management and Budget Director George Shultz. This caused a fundamental shift in the global economy, ushering in a prolonged orgy of financial speculation which has driven capital investment away from productive activity. Until his death in 2021, Shultz was a leader of the Hoover Institution at Stanford University in California, highly

engaged in state economic planning, as well as regime-change operations against the Philippines and other countries.

In 1978, California passed Proposition 13, the groundbreaking “tax revolt” measure which capped property taxes and dramatically reduced funding for public education. This act transformed the California system of public schools from being one of the highest per-student funded in the nation, to one of the lowest. This in turn created classrooms with outlandishly high student-to-teacher ratios, as music programs and libraries fell by the wayside. Educational and cultural standards for California’s labor force collapsed correspondingly.

On April 10, 1982, President Ronald Reagan signed National Security Decision Directive 30, consolidating all covert operations by U.S. Intelligence agencies under the supervision of something called the Special Situations Group (SSG), run by then Vice President George H.W. Bush. The SSG was responsible for many scandalous capers including the Iran-Contra affair, but the specific connection to California was that, in order to avoid having to ask Congress for an operating budget, the SSG hit upon a clever arrangement with the Colombian cocaine cartels. Under this arrangement, huge quantities of cocaine entered the U.S. unimpeded by law enforcement, but a certain percentage of it was converted to a new and highly addictive drug, “crack cocaine,” which was marketed to low-income communities around Los Angeles by local gangs.¹ This was later franchised out to urban centers all over the U.S., with devastating consequences. The proceeds went to arm the Nicaraguan “Contras,” and other neocon schemes.

These examples illustrate the way in which California has often been an unfortunate trend-setter for the degeneration of the nation. They also illustrate some-

thing else: that the two political groupings that have done the most to destroy California are liberals, who embraced the infantile hedonism of the counterculture; and conservatives, who embraced the infantile hedonism of the “take the money and run” economy.

Pulling the Plug

In recent years California, like Germany, has aspired to be a model for a transition to “green” energy, which is taken to mean weather-dependent, “interruptible” energy technologies such as solar and wind. Nuclear energy, which emits none of the carbon dioxide which is (erroneously) claimed to be the villain in climate change,



CC/Petro Szekeley

Space Shuttle Endeavor’s homecoming parade in 2012 touched off a latent reservoir of cultural optimism among many poor and ethnic-minority Californians who had not forgotten the excitement of crewed space flight, or may once have been gainfully employed in making it happen.

is nonetheless regarded to be not “green.” One of California’s two nuclear plants, San Onofre, was shut down in 2013, and the remaining one, Diablo Canyon, is slated to close by 2025. Diablo Canyon presently accounts for almost 10% of California’s electricity generation. The state of California has also banned the use of coal-fired plants to produce electricity.

Also like Germany, California’s main strategy for replacing this lost power generation has been to pass the buck by importing electricity from outside the state (and in both cases, this is despite a hugely subsidized commitment to developing solar and wind generating capacity, which has failed to replace the capacity of other technologies which have been shut down). In the case of California, imported electricity now amounts to one third of

1. See [EIR Special Report](#), *Would a President Bob Dole Prosecute Drug Super-Kingpin George Bush?*, September 1996.

total consumption, and because neighboring states have their own problems and are not always able or willing to export their electricity, blackouts have ensued. The double-whammy of relying on imported electricity, and the attempt to convert the domestic generating capacity to “interruptibles,” has produced a situation where California consumers pay anywhere from 50% above the national average (residential), to 150% above the national average (industrial) for their electricity.

Californians consume less energy per capita than all but two other states. There are a variety of reasons for this, including the state’s mild climate and strict energy efficiency regulations. The high relative cost may also

The Final Resting Place of *Endeavor*

Many people who have no clue as to how an economy works, fell prey to a propaganda campaign which sought to pit the space program against anti-poverty efforts, as if the two were incompatible. Such people cheered in January of 2004 when President George W. Bush announced that he was ending the Space Shuttle program. However, eight years later many of those same people were at a loss to explain what happened in Los Angeles when the space shuttle *Endeavor* arrived atop a Boeing 747 at Los Angeles International Airport, from where it was transported through the streets of L.A. on a massive wheeled platform to the California Science Center in Exposition Park.



CC/Bluesnote

After successfully completing 25 missions into space, enormous crowds lined the streets to greet and photograph Endeavor as it made its final 12-mile journey to the California Science Center in Los Angeles.

be a factor. The Natural Resources Defense Council (NRDC), a prominent “green” organization, crows that the state’s low energy consumption is a success story which, thanks to “both Democratic and Republican leadership,” has “helped California avoid at least 8 power plants.”

However, per capita energy consumption has historically correlated with economic activity, and the low per capita consumption in California may be seen as a symptom of economic depression. Indeed, according to the NRDC “The state has kept per capita electricity consumption nearly flat over the past 40 years while the other 49 states increased their average per capita use by more than 50 percent.” During that same 40-year period, California manufacturing jobs decreased by 40%, a loss of 80,000 jobs.

Enormous crowds lined the streets to greet and photograph the shuttle for two days, as it inched along the 12-mile journey through some of Los Angeles’ poorest neighborhoods, stopping frequently to allow for the removal of obstacles. A volunteer for Eso-Won Books, the venerable center for revolutionary literature in Los Angeles’ Black community, was quoted in London’s *The Guardian* newspaper as saying, “Having a shuttle come through this area of high poverty, it can only be a good thing for the community.” Much of *Endeavor* had been designed and fabricated at various locations around southern California. Its homecoming touched a latent reservoir of cultural optimism among poor and ethnic-minority Californians who had not forgotten the excitement of manned space flight, or may even

have once been gainfully employed in making it happen.

‘Life’ on the Streets

One of the hallmarks of the decline of Los Angeles is the masses of tent cities now estimated to “house” 66,000 people. This figure does not include the thousands more living in cars and in shelters. These luckless souls are the victims of an assortment of policy debacles: the Iran-Contra caper that littered the streets with crack cocaine; the Iraq, Afghanistan and other no-win wars; and the shifting of the economy to one based on speculation, especially in real estate. Cynical politicians have bemoaned the condition of these citizens for years, and have asked for and been allocated extra tax revenue for housing for the homeless, in “affordable

housing,” “sustainable housing,” etc., the volley of euphemisms outpacing the rate at which any such housing was actually built.

Endless conferences on “helping the homeless” convened by commissions with legions of highly paid consultants and experts have no doubt siphoned off a good portion of the taxpayer-allocated funds, reminiscent of how “aid” to poor countries was gobbled up to pay for the experts and their chauffeurs and maids as the charitable-giving “industry” grew.

When the “mortgage crisis” hit in 2008, the numbers of street dwellers exploded, including even entire families. Blocks-long homeless encampments squat astride sidewalks, even along the once-elegant Wilshire Boulevard in Koreatown, an area sporting a large number of diplomatic missions of foreign countries. During a recent conversation at one of these consulates,

only more crime, more victims, more woe, as vast tracts of once food-producing land are transformed into more lucrative marijuana plantations, feeding the ever-increasing number of pot shops and the destruction of millions of young minds.

In addition, the vast numbers of people living in squalor with poor nutrition, hygiene, and sanitation are particularly vulnerable to Covid 19 and other diseases. Homeless encampments, like similar conditions in many developing nations, create an environment which Lyndon LaRouche likened to a petri dish for incubating old and new pandemic diseases.

The Future

There are glimmers of hope, testament to the indomitable nature of the human spirit, and as Lyndon LaRouche always emphasized, classical culture reaf-



EIRNS/Lena Platt

Block-long homeless encampments squat astride Los Angeles sidewalks, even along the once elegant Wilshire Boulevard. This one is only two blocks from the Chinese Consulate.

a diplomat sardonically remarked to this author that the USA is constantly lecturing other countries on human rights, while thousands of abandoned persons languish on its streets and in the trains that these foreign diplomats have to use for the daily commute to their offices.

A large proportion of these street dwellers are military veterans with Post Traumatic Stress Disorder, joined by others with other mental disorders, many of whom cycle in and out of Emergency Departments and the L.A. County Jail. This latter, a seriously overcrowded institution, is notable as the country’s largest mental health institution, with fully one-third of its roughly 17,000 inmates suffering from mental illness. It is said that the only way for persons to “get into the system” and get treatment and medication is via the County Jail system. The advent of drug legalization has brought none of the much-hyped revenue bonanza;

firm the dignity of man; it is the antidote to pessimism and hopelessness. Hollywood, in another surprising departure from its usual crass role, communicated this notion in the movie *The Soloist*, chronicling the life of Nathaniel Ayers. Ayers is a Juilliard-trained double bassist and violinist who suffered from schizophrenia, and was discovered by journalist Steve Lopez in the streets of Los Angeles, playing his violin with only two strings. Lopez wrote a series of articles which became a book and then the movie. Ayers became famous, received treatment and was given a home as well as numerous instruments.

Vijay Gupta, formerly a leading violinist in the L.A. Philharmonic, has established an ensemble called Street Symphony, on Skid Row, where he plays and gives lessons to homeless musicians and gives classical music performances to mental hospitals and prisons. He

always seeks the participation of his audience as part of what he describes as healing through music. Every year, Street Symphony performs George Frideric Handel's *Messiah* with professional classical musicians, together with Skid Row instrumentalists and singers.

And then there is the Youth Orchestra of Los Angeles (YOLA), modeled on El Sistema of Venezuela, where hundreds of young inner-city children are given instruments and enrolled in music classes. YOLA has begun giving public concerts. This program was founded and is guided by L.A. Philharmonic Music Director Gustavo Dudamel, himself a product of El Sistema, who asserts that music is a fundamental human right.

LaRouche Was So Right

Throughout his life, Lyndon LaRouche continually warned of the consequences of the benighted economic policies which were imposed on credulous Americans by the political establishment. The case of California demonstrates in the starkest way possible that LaRouche was correct in his warnings. Fortunately, along with his warnings, he always proposed alternative paths which would generate happier outcomes.

Toward the end of his life, LaRouche condensed his policy remedies into what he called his "[Four New Laws](#) to Save the U.S.A. Now!" In brief, they are these:

- We require the immediate re-enactment of the Glass-Steagall law instituted by U.S. President Franklin D. Roosevelt, without modification.
- We require a return to a national banking and credit system, placed under the supervision of the Office of the Treasury Secretary of the United States, modeled on the successful policies of Alexander Hamilton.
- The purpose of the national banking and credit system is to selectively direct credit into generating improvements of employment, to increase the physical-economic productivity, and the standard of living of the persons and households of the United States, while discouraging financial speculation, such as in the trading of derivatives or other parasitic activities.

- We must adopt a science-driver crash program for space exploration and the development of fusion energy and related technologies, to ensure the continuing, progressive increase of the productive and related powers of the human species.

Roosevelt's New Deal, the associated measures to generate credit such as the Reconstruction Finance Corporation, the World War II industrial mobilization, and the Apollo program under President John F. Kennedy, incorporated the basic components of LaRouche's Four Laws, and California reaped the benefits. As this edifice of prosperity was systematically dismantled in the latter part of the 20th century, California suffered the consequences.



Cathy Cole, Flickr

Gustavo Dudamel directs the Youth Orchestra of Los Angeles, in which hundreds of inner-city youth are given instruments, are enrolled in music classes, and give public performances. Dudamel: "Music is a fundamental human right."

Were California to adopt LaRouche's approach—to build NAWAPA and new nuclear power plants; end the green madness and drug proliferation; build high speed and maglev transportation networks; and to look across the Pacific to China, joining the Belt and Road Initiative—this state could once again be a driver of human progress rather than a cesspool of economic and cultural decay. Hundreds of thousands of Californians could again be employed in useful and productive work, especially those surviving veterans of the aerospace sector.

California and the rest of the nation rose from the ashes of the Great Depression. Lyndon LaRouche charted a course to make that possible once again.