

Everything Must Go

Joe Ducey had lived in Bellflower for 70 of his 76 years when he learned from CNN on Sept. 5, 2010, that the state of California was liquidating all its assets for the benefit of creditors. It was 160 years to the day from the admission of California to the Union. California had no more money and no more credit. Its liabilities to bondholders, lenders, pensioners, and employees now exceeded the value of all land, livestock, and improvements in the state, by a factor of over 3,000 percent. Joe remembered when California had a budget surplus. Now it was dead broke, and with no prospects, California was the equivalent of Lenny Dykstra, the bankrupt ex-baseball player - how had it happened?

FIRST IN A TWO PART SERIES

The writer imagines a time where California is left broken and bankrupt.

The Governor, Arnold Schwarzenegger, was a former movie star. Usually he oozed a Teutonic kind of uber-machismo and lady-killer charm. But today he seemed sweaty, nervous, eyes darting around - not like a movie star at all, even though he was used to the cameras that now stared him in the face. His artificial suntan made him look orange. He appeared reduced, shrunken, almost dwarf-like, even in his elevator shoes, and a bit taut around the eyes. Ever ready with a quip, even he had a hard time putting a positive spin on this one. He spoke into a battery of microphones at his hastily-arranged press conference next to his private jet, a Gulfstream IV. He was just about to fly from Sacramento back to his mansion in Brentwood. On the advice of Mitch Mulanix, one of his handlers, he went easy on the details. "Our lawyers have looked at all the options. We're doing a general assignment for the benefit of creditors. They call it ABC." He took no questions. He turned, bounded up the stairway, and disappeared into the airplane.

"How are the lawyers being paid?" shouted Dan Busbee, the *San Diego Union-Tribune's* Sacramento beat reporter. But the state police officer pulled the hatch shut behind the Governor. The whine of the engines drowned out Busbee and the din of other shouted questions. Mulanix had been with Schwarzenegger since before the groping scandal. He fielded the question as the jet taxied away. "That's still being worked out," Mulanix said.

Schwarzenegger's last term was ending, not that he needed his last paycheck, which wouldn't have cleared the bank anyway. "*Terminator IV: Ashes, Ashes, We All Fall Down*," was starting principal photography next

week and he had a script to read and lunch with James Cameron on Friday.

Joe's head was spinning. It was hard for a guy to get his head around, the state fire-selling everything. He had grown up here - ridden the Red Car in Los Angeles, gone to Cal State Long Beach, hiked Torrey Pines and Anza Borrego, lived the California dream. It seemed hard to believe the state couldn't pay its bills anymore, or pay for anything.

The Governor had tried to borrow money to keep going, but it hadn't worked out. The federal government had already bailed out the Gulf states after Katrina and the banks and car companies to boot, and Congress was in summer recess. The banks had stopped honoring the state's IOUs in 2009. In June 2010 they stopped taking Schwarzenegger's calls. They were busy declaring defaults and calling the state's loans, some of which were 18 months in arrears. S&P, Moody's, and Fitch all had downgraded the state's credit rating to DDD, just below Haiti's rating.

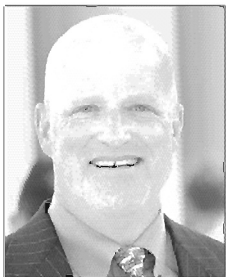
When the banks wouldn't talk to him anymore, Schwarzenegger had gone to the only people left to talk to - the Chinese government, the Bonanno crime family in New York, and Adnan Khashoggi, a wealthy Turkish arms dealer. Each had turned him down. There was the usual litany that Schwarzenegger had grown so weary of hearing — inability to repay, impaired collateral, net out-migration of residents, and so forth. Only the Bonannos were willing to keep talking. They wanted guaranteed seats on the Gambling Control Commission and a 20 percent share of tribal casino revenue, in perpetuity. Getting turned down by the mob for a loan was not something that had ever happened to the State before.

"These guys are tough, just like in '*Donnie Brasco*,'" Schwarzenegger had said to Mulanix, who replied, "Who's Donnie Brasco?" The Governor had to tell him about the movie.

There were legislators who had seen it coming, but it took two-thirds of them to pass a budget or raise a tax and there weren't quite two-thirds of them who could do it. The culture in the Capitol had gotten nasty and uncivil, with legislators settling scores that dated to the 1970s and calling each other names. They couldn't solve anything as a group because so many of them hated one another passionately. At first the sessions had gone on into the night, but then the legislators couldn't cash their paychecks anymore and the sessions started ending early and the legislators went back home to their districts and that was that.



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The unions were given a chance to budge, but they hadn't. Some correctional officers were making \$140,000 a year, including overtime, on average - with generous benefits, including six weeks paid vacation a year. Their union had long since become the most powerful in the state. Its president, Frank Curran, had refused to take Schwarzenegger's last phone call. "Tell him I'm in a meeting," he told his assistant. Schwarzenegger slammed the phone down, but no one heard him do it in the dark of his office - he was all alone, and PG&E had turned off the electricity that morning. The Governor's staff had all left for Los Angeles, to take jobs at his new movie production company, where he would be in a few days.