

Globalization and The 'Auto' Bailout

by John Hoefle

June 5—The bankruptcy of General Motors, once one of the world's industrial giants, is the result of a policy shift which began the day President Franklin Roosevelt died. Though it officially filed for bankruptcy on June 1, 2009, GM has been bankrupt for years, hemorrhaging money at an accelerating rate. At the time of its bankruptcy filing, the company had a net worth of negative \$90 billion.

The U.S. government has now pumped over \$70 billion into GM and Chrysler, their suppliers, and GMAC, the former finance arm of GM—which is now a bank holding company. Our government could have bought the lot of them outright far cheaper: GM had a market capitalization of less than \$1 billion when it failed, and, at about \$1 a share, was still overpriced.

Chrysler is being taken over by Italian automaker Fiat, and the "new" GM has said it will reduce its dependence upon its domestic manufacturing capability by importing cars it makes overseas. GM will shed several of its brands, reduce its workforce by some 21,000 union workers (from about 125,000 U.S. employees prior to the bankruptcy), and close 14 plants and three parts-distribution centers. By 2012, it expects to have just 33 plants in the United States, down from 47 just last year. In the early 1980s, it had 150 U.S. assembly plants and employed some 349,000 workers.

It would appear that we taxpayers got very little for our \$70 billion, and that is true—but this so-called "bailout" of the auto sector never has been about saving

auto production and auto jobs. What it is, is part of the bailout of the *financial* sector.

Industrial Takedown

Coming out of World War II, the United States was the most powerful industrial power the world had ever seen, and under President Roosevelt, was committed to leading the world forward into new prosperity. One element of that prosperity was the elimination of the colonialism of the Anglo-Dutch Liberal system. Naturally, the oligarchs did not like that. And as soon as FDR died, on April 12, 1945, they set about dismantling the U.S. from within.

This was the origin of the policy of post-industrialism, which was based upon the phony theory that services, information, and finance were the natural successors to industry. Under the sway of this false ideology, we began to shift our attention from the development of our physical economy, towards pushing papers and manipulating money. It took a while to overcome America's can-do disposition, but we eventually turned our back on nuclear power, thus cutting off the leap into a new era of scientific and technological progress. As we lost contact with our heritage, we began to turn "green," adopting an anti-science outlook and viewing the world in terms of money and profit. It is that shift which has destroyed our productive base, and allowed the financial parasites to take over.

Under the control of the financier class and its ex-



EIRNS/Stuart Lewis

“TOTAL INVENTORY LIQUIDATION” at a Chrysler dealership in Leesburg, Va., June 3, 2009. The dealers helped the company out by loading up on inventory, and many have now been cut loose.

panding system of corporate cartels, we began to move our production of goods overseas, to places where labor was cheaper. We were told this would make us more competitive—and more profitable—but it was a lie. What happened is that we systematically dismantled our manufacturing base, eliminating skilled and decent-paying jobs by the millions, until our former industrial heartland became a disaster area. The parasites of Wall Street and the City of London did indeed get richer, some of them obscenely rich, but the American people, the working people who are the foundation of our nation, did not. Instead, they found themselves with ever declining standards of living, working in lower-paying jobs, with growing debts, and despair.

Today, we see the last vestiges of our former indus-

trial might withering on the vine. What remains of our productive base largely revolves around that which President Dwight Eisenhower warned us about, the military-industrial complex. We still produce weaponry and war materiel, ever-intrusive police-state products, and related items, though even there, we buy much from overseas.

Auto-Destruct

What we are witnessing in the auto sector is not a “rescue,” but continued destruction, another looting operation by the global financier parasites. The so-called auto bailout is nothing but an attempt to control the damage to the financial sector caused by the collapse of the auto companies. What is being protected is not production, but the valuations of the debt and other financial obligations of the auto sector, and the derivatives bets piled atop those obligations. That is why the government bailed out GMAC, why it poured \$5 billion into Chrysler and \$50 billion into GM. It was yet another backdoor bailout of banks like JP Morgan Chase and Citigroup, of the hedge and private equity funds, and others. Auto production was not saved—it will continue to decline and be globalized.

The unions are not being saved, far from it. Chrysler’s union retiree health fund will own 55% of the post-bankruptcy, Fiat-run Chrysler, but in return gave up claims to much of the \$10 billion Chrysler owed it. The union members may have believed it was the best deal they could get, but they are being taken for a ride. The Chrysler dealers are also getting the shaft. After helping the company by loading up on inventory, many of them were cut loose, given a month to liquidate their stocks of cars and trucks. Money talks, everyone else walks.

The GM case is not much different. In its bankruptcy filing, it listed \$173 billion in debts, against assets of \$82 billion. Under its bankruptcy plan, the U.S. government would own 60% of the “new” GM, while the governments of Canada and Ontario would own a combined 12%. The union health trust would own 17.5%, and the company’s pre-bankruptcy bondholders would own 10%. In return for its 60% share of a company with a net worth of minus \$90 billion, the U.S. government will pay \$30 billion. The United Autoworkers’ retiree health fund will exchange the \$20 billion it is owed by GM for that 17.5% stake, plus \$9 billion in notes and preferred stock. That may seem reasonable, until you consider what such a stake in a dying company is really worth.



UAW Local 730

In Grand Rapids, Mich., UAW members from Local 730, workers at the GM Metal Fabrication Plant, rallied in an effort to defend their jobs and health care, May 12, 2009. Above, the same plant on Feb. 11, 1943, producing materiel for World War II. The auto plants were converted quickly under FDR's war mobilization to produce what was needed for the war effort; they could be converted today to build nuclear power plants, high-speed (maglev) rail, and other vitally needed infrastructure.



UAW Local 730

Death of a Nation

To understand what *is* happening here, and to effectively fight it, one must step back and view the matter in a larger perspective. The issue is not GM or Chrysler, or even auto production, but the collapse of the U.S. economy, and its looting by the global financial oligarchy. The auto sector is not in trouble because its executives made poor decisions—though they did. The auto sector is in trouble because a decision was made by the financiers to collapse the core of the U.S. machine-tool capability, which is crucial for new leaps of productivity in the United States and the world. It is the nation which is dying, and taking the auto sector with it.

Rather than deal with that crucial problem, the Obama Administration, like the Bush Administration before it, has decided to save the fictitious paper values

of Wall Street, the trillions of dollars of unpayable debts and quadrillions of dollars of derivatives bets. To do so, it must mercilessly impose austerity upon the American people, raising taxes, cutting services, dismantling the social safety net at a time when our citizens need it more than ever.

The purpose of all of this is not really to save the financial system, which is already dead. The purpose is to complete the destruction of the United States, as a necessity for destroying the nation-state system as a rival to imperial rule. The United States, which was committed under FDR to ending the colonial system, is instead being reabsorbed into the Anglo-Dutch Liberal empire, under the guise of “saving our economy.”

We are killing ourselves, destroying our economy

and our people, and for what? The perpetuation of some medieval system which should have died last century, and would have, had FDR lived, and we not been so damned stupid.

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The Auto Bankruptcies: LaRouche Told You So

Although Lyndon LaRouche repeatedly warned Congress in 2005 to take emergency action to save the auto sector, as a crucial component of U.S. strategic machine-tool capability, Congressional leaders blocked his proposed solutions. These key statements by LaRouche make the record clear:

2005

February: LaRouche forecasts a debt blowout of the American auto sector, referring to international press coverage, largely blacked out of the U.S. media, that General Motors, GMAC, and Ford are going to be downgraded by bond-rating agencies. *EIR* begins intensive coverage of the auto crisis.

March 10: *EIR* Strategic Alert publishes an item entitled “GM Heading for Junk-Bond Status?” on impending U.S. auto sector collapse, citing Feb. 26 editorial in the Swiss daily *Neue Zürcher Zeitung*, “Thunderstorm over Detroit.”

March 23: At a LaRouche PAC town meeting in Detroit, LaRouche calls for a “reconstruction agenda” to save the nation’s industrial capacity, in the face of the threatened collapse of GM.

April 7: At an international webcast from Washington, D.C.,

calling for a New Bretton Woods financial/monetary system to revive national economies, LaRouche speaks at length on the GM crisis, and the way to reorganize the entire auto/machine-tool sector to save and expand industrial output capacity.

April 9: In a meeting with labor leaders and elected officials, called to discuss a solution to the crisis, LaRouche calls for saving the auto industry as a crucial aspect for U.S. economic recovery. He proposes that the government intervene by placing the productive capacity of the industry into government-supervised receivership, and then funding the retooling and expansion of that capacity, to supply the components of national infrastructure projects.

April 13: LaRouche issues memorandum to the U.S. Senate, “Emergency Action by the Senate,” which provides a summary statement of the crisis and guidelines for what must be done, emphasizing “The Emergency Measures for the GM Case,” and the need for an “Urgent Return to the American System.” It is published in *EIR* on April 22 and then as a LaRouche PAC pamphlet. The only solution, LaRouche shows, is to move immediately to save vital productive capacities, such as GM, and then move to reorganize the bankrupt global financial-monetary system.

May 10: LaRouche issues a mass leaflet, “Guts and Government,” calling for Congress and other leaders to stop vacillating on the GM crisis.

May 14: LaRouche issues a memorandum to Congress, published in *EIR* May 27, “Congress Faces New Turn: On the Subject of Strategic Bankruptcy.” Highlighting the collapse of the airline industry, the efforts of GM/GMAC to dump auto workers’ pensions, and the threatened collapse of GM, Ford, and others, he lays out the parameters for a stra-

