

Live Bait & Ammo #113: Bailout—An End Run around Bankruptcy

“GM is poised to take advantage of the next capitalist disaster. Since there aren’t any significant legal checks and balances against capital in the US, GM is free to move assets overseas and propagate the failure that will sanction a major restructuring, i.e., wage and benefit cuts, and then reach for a handout from the US Treasury.” [Live Bait & Ammo #112, Sept. 08]

The repercussions of a GM bankruptcy in the present economic crisis are too dire for Wall Street and their puppets in Washington. Stocks and bonds would plummet on the announcement of massive layoffs. Thousands of retail outlets would fold. Foreclosures would quadruple. The federal Pension Benefit Guarantee Corporation, already overburdened and underfunded, would be saddled with more than \$100 billion in pension liabilities. The Medicaid system would be overwhelmed. Banks would be pummeled with losses on auto loans and buried in Colateralized Debt Obligations. Steel, rubber, plastic, aluminum, and electronics would be slapped with fatal cut backs. For icing, a few million unemployed workers would not pay taxes. Happy New Year.

Who would finance the bankruptcy? The government hasn’t even cleaned up the aftermath of Hurricane Katrina. Delphi has been in bankruptcy for over three years. GM’s financial tentacles are ten times more inextricable than Delphi. How long would it take General Motors to exit bankruptcy? Ten, twelve, fifteen years? No wonder analysts predict that Chapter 11 would slide into a Chapter 7 liquidation. Who would buy the assets in the present economic environment? At what discount? The Delphi factory in Coopersville, once valued at \$33 million, sold for \$4.4 million. If the government orchestrated a prepackaged bankruptcy, elected officials would be responsible for the carnage. Accountability is not a politician’s forte. They prefer deniability.

Detroit automakers can achieve the boon of bankruptcy —wage and benefit cuts— without all the financial disruption. Congress will demand “shared sacrifice” which translates into *deferred compensation* for shareholders and executives, and *unrecoverable losses* for workers and retirees.

Did you actually expect the capitalists to pony up for their own gambling losses? Investment banks, mortgage companies, and insurers are not required to show a business plan to prove themselves worthy of government loans. No one ever examined the pay and benefits of the pencil pushers before approving the government purchase of “toxic assets”. This is a culture war. The investing class vs. the working class. The weapon of choice is outsourcing.

GM already has more plants overseas than in the US. That’s where all the profits went in the eighties and nineties. (Ford invested \$3 billion in Mexico in 2008. GM is building a new plant in Russia and has plans to invest \$1 billion in Brazil.) GM wants the government to help them take advantage of the current capitalist disaster by accelerating plant closures in the US. They want to “right size” so they can become a major importer to the US..... *just like Toyota*.

While Toyota does assemble cars in the US, almost half the Toyotas sold in the US are imported. “Toyota’s imports as a percentage of its American sales have risen in the last three years.” [Michelle Maynard, New York Times, 4/21/07] Last May Toyota decided to delay production of the Prius in Mississippi because of declining auto sales in the US. Like other foreign competitors, Toyota does not have to pay for health insurance because Japan has national health care. On top of socialized medicine, foreign competitors enjoy the support of trade barriers and subsidized R&D. In the US we subsidize outsourcing and sacrifice our children for profit (two-tier). Who’s next?

At one time the pervasiveness of dealerships was a sign of economic strength and market saturation. Now GM wants to eliminate dealers and their hundreds of thousands of employees. First, the company attacked its workers who were GM’s most loyal customers, now GM attacks its dealers. Is Rick Wagoner losing market share on purpose or preparing to exit stage left, so GM can import stage right? GM and Ford are prepared to import small fuel efficient vehicles in 2010. They want to use the bailout to close factories, shrink unions, and lean on dealers.

But GM won’t need bankruptcy to expel dealers. GM can use the credit crisis to snuff out dealerships. When the smoke clears GM will be ready to pay dividends and bonuses, and workers and retirees will be free to fend for themselves and work for less. What the market will look like after the investing class succeeds in destroying the middle class is not hard to imagine. We have graphic examples in cities like Flint, Michigan and Anderson, Indiana.

The main target in this shakedown is legacy costs, i.e., the deferred compensation owed to retirees in pension and health insurance. Some of our capitalist friends don't believe in honoring contracts. Such treachery has severely infected the economy. Trust is a nonrenewable resource. Rather than preserve it, a cadre of conservative Republicans are determined to poison the well, once and for all. After the Heritage Foundation has killed pensions, they'll point their poison pens at Social Security and Medicare. Will the NRA be there when we need them?

At this stage there is very little that workers and retirees can control. Our only consolation is that we are all in the same leaky boat. We better learn to swim together because that giant sucking sound we hear is a vacuum of leadership in the UAW. The Concession Caucus abandoned social movement unionism. Instead of mounting a campaign to defend all workers, UAW leaders hold tight to corporate apron strings and wave white hankies. We must fend for ourselves as best we can.

First, by protecting jobs. When the economy slows down workers should keep pace with demand. Do your own job and no one else's. Don't help the boss eliminate jobs by doubling up and working faster than is safe. Second, we can point out where the real fat is: UAW APPOINTEES. We can't afford to support jointness. We can't afford the luxury of paying UAW appointees to twiddle thumbs while workers are forced to double up. We can't afford to pay a Bargaining Chair twelve hours of double time to sit home on Sundays and answer the phone. Cut the fat. Demolish the job killing Center for Human Resources. Concede jointness. Stop paying union officials to play solitaire on company computers.

As for management, we should get behind Jim Dollinger, the Buickman from Flint, and help send him to Washington to educate Congress on the "Return to Greatness" plan. He won't tell the "Board of Bystanders" or the Congress exactly what they want to hear, but at least he has his heart in it. [Read more at > www.generalwatch.com]

Politically, we can easily turn the argument around. The government is too deep in debt. We can demand that pensions and health care for retired members of Congress and the Senate be revoked. If Congress isn't willing to support the deferred compensation earned by retirees, taxpayers shouldn't support the retirement of Senators and members of Congress.

Most importantly, we can demand that Congress take immediate action to pass John Conyer's bill HR-676 for single payer health care. No other remedy would unilaterally address the unfair competition that plagues manufacturing in the US. Universal single payer health care would help all employers, it would put more disposable income in the pockets of consumers, and eliminate the inefficiency of the byzantine health insurance conglomerate. We can't trust the free market to administer health care.

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Thirty-nine state AFL-CIO federations, over 100 Central Labor Councils and 400 local unions have endorsed HR-676, John Conyer's "Expanded and Improved Medicare for All" bill. [www.johnconyers.com/healthcare] The first step is to unite the huge reservoir of support for single payer in thousands of local unions and labor bodies. To take that step, a number of labor federations and unions are planning a national meeting of labor organizations that support HR 676, "Medicare for All," to be held in St. Louis on January 10, 2009.

Labor for Single-Payer Healthcare Meeting
January 10-11, 2009
The Crowne-Plaza - Downtown St. Louis

For additional information > www.laborforsinglepayer.org
or contact Organizing Committee Coordinator Mark Dudzic at 201-314-2653 or mdudzic@igc.org

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The UAW International is notably absent from this drive which makes it all that more important for rank & file UAW members and retirees to show up where it counts.

Stay Solid, Gregg Shotwell

