

Clinton Proposes Emergency Summit To Save Auto Industry

by Richard Freeman

Sen. Hillary Clinton (D-N.Y.) has proposed the convening of a national emergency summit to defend the U.S. auto industry, and more broadly the manufacturing base of the country. As the Oct. 8 bankruptcy of the world's largest auto parts producer, Delphi, threatens to bankrupt the entire U.S. auto industry, Clinton wrote an Oct. 20 letter to President George Bush, calling for him to rapidly convene such a summit, and stating, "Given the fact that there are over 1 million Americans currently employed in the auto industry, we cannot simply allow one of the core elements of our national economic infrastructure to wither away."

Senator Clinton is the co-chairman of the bipartisan Senate Manufacturing Caucus, but she issued the letter on her own behalf.

Clinton's focus on the "national economic infrastructure" is crucial. In the post-Cheney era, her proposed summit changes the national agenda, and shakes up the Congress, which has mostly stood idly by, while corrupt Wall Street looters, such as General Motors CEO Rick Wagoner, and Delphi CEO Steve Miller, working with Rothschild's Wilbur Ross, have dismembered their companies' priceless technologies. Clinton's proposal also makes more urgent the adoption of the proposals of physical economist and statesman Lyndon LaRouche. On March 23, LaRouche, alone among major political figures, said that GM was headed toward bankruptcy; and in part because of its \$300 billion debt, its problems would cause violent financial upheaval. From May through July of this year, as hedge funds lost tens of billions of dollars in derivatives bets on GM and Ford, LaRouche was proven precisely correct.

On April 13, LaRouche issued an "Emergency Action by the Senate" proposal to save the auto sector. He called for

the Senate to superintend action to re-tool the auto sector's advanced machine-tool design capacity, and to redeploy its productive labor force to produce capital goods urgently needed for indispensable infrastructure projects, including constructing magnetically levitated train systems, as well as repairing and improving waterways, locks, and dams. This would generate millions of high-skilled jobs. Despite initial interest, the Senate sat on its hands.

The week of Oct. 24, LaRouche reiterated his judgment that the Senate must move in a bipartisan manner behind his proposals of last Spring, and noted that the Clinton initiative reflects significant political motion coherent with such action. With the LaRouche Youth Movement leading the way, this proposal has been debated in numerous state legislatures and city councils, and has passed the city councils of the industrial cities of Detroit, Buffalo, Cleveland, and Columbus.

Senator Clinton's Initiative

Senator Clinton called for participation at the proposed summit, of members of the Bush Administration, Congressional leaders, state and local government officials, and leaders of the auto industry and unions. The opening paragraph of her letter to Bush singles out the Delphi bankruptcy, by company CEO Steve Miller, a Wall Street thug for hire. In 2002, Miller, then CEO of Bethlehem Steel, plunged that company into bankruptcy, wiping out health benefits, and dumping Bethlehem's pensions onto the Federal Pension Benefit Guaranty Corporation (PBGC), where they were cut by half. Now, as head of Delphi, Miller has demanded that the workers accept a pay cut from \$28-30 per hour, down to \$10-12 per hour, a reduction of 64%, and an equal percentage cut in health benefits and pensions. He has threatened to dump



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Senator Clinton to Bush: "We cannot simply allow one of the core elements of our national economic infrastructure to wither away."

Delphi's \$12.9 billion pension obligation onto the PBGC. Miller said either the workers agree to this, or he will ask a bankruptcy judge on Dec. 17, to give him the power to do this unilaterally.

Miller has indicated that he is considering closing Delphi's production facility at Lockport, New York, a plant which employs 3,800 workers in Clinton's home state. Clinton very pointedly in her letter states, "I sincerely believe that this crisis does not have to result in a zero-sum game, where wages and benefits to workers are slashed to the bone in order to maintain a company's solvency."

Clinton's action received almost immediate support from Michigan Democratic Gov. Jennifer Granholm, who presides over the state where the auto industry is most concentrated. Governor Granholm released a letter on Oct. 24 to her state's Senators and Congressmen urging them to support a bipartisan effort joined by the White House. "Now that we've seen the largest bankruptcy in Michigan history and the 13th-largest in the United States [Delphi], it is time for us to act. A crisis is upon us and the Federal government needs to step up and do its share," she said. Granholm called for Federal actions of aid on pensions and health care; but also, against free-trade agreements. "NAFTA and CAFTA have given us the shaft-a," she said.

Auto Sector in Collapse

This critical action comes none too soon. On Oct. 16, GM's Rick Wagoner tentatively forced upon the United Autoworkers (UAW) an agreement to slash health-care benefits for hourly workers by \$3 billion a year. Bloomberg.com reported on Oct. 17, that this would cause out-of-pocket health expenses for both hourly workers and retirees to jump by \$2,431 annually.

In desperation, GM has announced that within 90 days it will sell a controlling interest in the General Motors Acceptance Corporation (GMAC), GM's financial arm, which earns \$4-5 billion in profits a year, and is the only significant instrument that makes GM money! None of this is helping. Once GM's lunatic "employee discount" sales incentive was lifted, during the first nine days of October, GM's sales fell 57% compared to the first nine days of September. Standard & Poor's rating service has downgraded GM bonds to BB-, which is four levels below investment grade. GM is inches from bankruptcy.

On Oct 20, Ford Motor Company CEO William Ford announced that during the third quarter of this year, Ford had suffered a \$284 million loss, and declared that he will shut a "significant" number of plants in the United States, starting January 2006.

This destruction is spreading throughout the U.S. auto suppliers sector, which employs more than 700,000 workers. Delphi is in bankruptcy, with its chair Miller vowing to liquidate most American plants, and move them to slave-labor shops overseas. On Oct. 20, one of America's largest auto parts producers, Dana Corp., announced that it will close two plants in Virginia—in Bristol and Buena Vista—that employ 545 workers, and will shut down one of its assembly and component lines at its plant in Lima, Ohio, and move that portion of its work to its plants in Mexico.

In his Oct. 12 international webcast, LaRouche presented the World War II-style top-down approach that a summit to save the auto sector would urgently need: "In the past, . . . we have put an entity or a group of entities under Federal protection, not with the intent of privatizing them, but of resuscitating them." He added, "So, you want to take an area like western Pennsylvania, Ohio, Michigan, Indiana, Illinois, for example, which are prime areas; the Ohio River basin, the Great Lakes. . . . You want to take that area and make sure you stabilize that . . . by keeping people where they are. . . . You come up with some new work for them to do. Work we need. Do we need a national railway hookup? . . . Do we need to increase employment? Yes. Do we need to get the other employment which will come as a spinoff of maintaining these firms in operation? Yes. Does it have to be automobiles? No. It has to be the combination of . . . science-driven machine-tool capability, which turns design of a product and the tools of the production of that product into a product which is produced by masses of people working in that industry, the way we did in World War II."