

Autoworkers Say: Act Now To Save the U.S. Industrial Base

On the Sept. 23 “LaRouche Show,” the weekly internet radio program, an hour-long discussion took place between United Auto Workers leaders from three Upper Midwest manufacturing states; Bill Roberts, of the LaRouche Youth Movement in Detroit; and Paul Gallagher, EIR Economics Editor and liaison to Capitol Hill. The UAW leaders were Dan Aude, Green Bay, Wisconsin; Michael Balls of Saginaw, Michigan; and Andy Kristich, from the Lockport/Buffalo region in western New York.

The Show’s theme, “Time Has All But Run Out” referred to the fact that so far, Congress has refused to initiate needed Federal intervention—to stop the dismantling of the auto/machine tool sector, and instead to retool for building up U.S. infrastructure, and re-establishing the U.S. industrial base. A call for this approach was sounded in March 2005 by Lyndon LaRouche, and now, actual draft legislation exists. Thousands of state and local lawmakers, plus autoworkers and citizens-at-large want action, but Congress still holds back.

Host Marcia Merry Baker, opened the discussion by referring to those in powerful positions, who oppose the existence of nation states, and are deliberately acting to destroy U.S. industry. To make the point, she read a quote from banker John Train, the longtime “secret government” operative, specifically behind a “Get LaRouche Taskforce.” (See next article). Here are excerpts of the discussion.

Marcia Merry Baker: In an April 1, 2006 article now posted on his website, John Train, the anti-industry investment banker, said that he’s proud that his grand-daddy Mr. Train worked with old J.P. Morgan, and they did things right, they didn’t “dither” around. They made brisk decisions when they had to hive off whole divisions of factories and get rid of surplus workers, excess workers. They knew how to run companies; they didn’t shilly-shally like the people who’ve run Ford and other companies. The article is titled, “Invest Like Mr. Morgan, Not Like Mr. Ford.”

Train wrote in April, “Ford and GM just announced major cutbacks in their U.S. operations, which are hemorrhaging cash. Also, they say they will reverse their traditional policy of producing what customers weren’t buying, just to keep the plants running and the unions happy. Should not young Mr.

Ford and his counterparts have had the courage and skill to perform the major amputations required to save the main body of their companies ten years ago?”

So, this is what Mr. John Train had to say about dozens of thousands of workers now losing their jobs—they should have been “amputated” years ago. You can see why LaRouche said in recent weeks, “Get the dirt out on John Train.” Some of the other things that could be said about John Train, I can’t say on the air. . . .

Paul Gallagher can open the discussion on the situation in Congress.

U.S. Industrial Existence at Stake

Gallagher: The one thing I want to say respecting the effort in Congress, which is where this has all been focussed for a year and a half—since we last discussed this problem on this show—is that, this is not the collapse of the auto industry that we are discussing with Congress, or that we’re witnessing: It’s the collapse of the industrial economy of the United States. People talk about it as an auto industry crisis or an auto industry collapse . . . and we sometimes talk about “saving auto.” But that’s presenting it falsely: It’s a general economic-industrial collapse in the country, within which the auto industry, and broadly the auto sector, is the biggest prize for the economy, that needs to be saved, and used, and developed further. But it’s by no means the only part of the economy that’s in this collapse.

Now, for a year and a half, Congress has been looking at the auto sector and they have been declining to act, refusing to act, to save the auto industry, when they believed it was a special problem within auto. This is reprehensible, especially on the part of the President, who refuses to even talk to anybody in the auto industry—union, executive, or anything else—probably because he doesn’t want to deal with [anything so complex]—he’s an idiot and he can’t handle a complex problem like that, so he just doesn’t want to discuss it.

But even the Democrats in the Congress have had the opportunity, over and over again, in discussions with us, and they have declined, they have refused to act, to save the auto industry as such, as crucial as it is, as a capacity. They’ve said they couldn’t do it because they were in the “opposition,”



EIRNS/Gene Schenk



EIRNS/Dan Sturman

Synarchist banker Felix Rohatyn has been a key operative in shutting down the auto industry since his temporary takeover of Chrysler Corp. in 1979-80. In 2005-06, he helped organize the bankruptcy of Delphi Corp., the top supplier to the auto industry. Shown here is a closed Delphi plant in Sandusky, Ohio, scheduled to be replaced by a Honda dealership.

they didn't control the Congress. They said they couldn't do it because the problem was too big. And they have simply stepped back from it.

What is changing now—and even within this poor showing, it is changing the situation in Congress relative to our legislation—is that they are beginning to realize, behind all the constant noise over the war and terrorism, that the economy as a whole, is going. The housing sector, the housing bubble is imploding. Mainly as a result of that, many other things are going down, commodity markets are going down. Hedge funds, even the biggest of them, are finding that nowadays it's difficult to make money even by cheating. And so a lot of them are losing a lot of money. You've had reports to come out of regional Federal Reserve Banks and so forth, indicating just how fast economic activity, job creation, and incomes are falling. And remember, Lyndon LaRouche said in March, that September-October were the months in which this real crash of the economy was going to occur.

So, in that situation, it is no longer the auto industry that we are demanding that they save, but rather, the collapsing U.S. economy that we are telling them they've got to act on. And they've got to act on it through the auto industry, which is the most capable and versatile tool that they have to stop this ongoing collapse. Given that situation, things are changing, and the time for a maximum pressure on them is absolutely now, because we're approaching the election, we're approaching the time in which a great number of things could change quite suddenly. . . . We still have the "I'm too small,

I'm out of power, the Republicans control everything" and so on and so forth—but this interest is [now] also among Republicans.

So, the opportunity is definitely there now, for the retooling legislation that LaRouche has put forward, and we've got to redouble our efforts. We have a funny report here, in Loudoun County, Virginia, where we're broadcasting: It's supposed to be the county with the highest median income in the country—\$98,000 annual income for a household . . . and 12% of the households in the county visited and relied on the food bank for free food aid, much to their embarrassment in many cases, during the last year that ended June 30. That's 35,000 people, nearly 10,000 families—in the supposedly wealthiest county in the country—had to go to the bread line.

So there's the condition into which these bubbles have brought this economy, and that's the situation in which Congressmen and Congresswomen are going to be forced to act on this; because they're going to be run out of town on a rail if they won't do anything about jobs, and won't do anything about reversing this: The auto industry is their means to do it.

Service Economy Mentality

Kristich: One of the first things that I'd like to say, is, I agree with Paul 100%, it's not just an auto industry, it's a whole system of government and politics that allows basically corporate greed. And it's not only allowing it, it almost seems to be encouraging it. We seem to making a big deal out of Federal intervention; there's so much resistance to it here, for

whatever reason. . . .

Aude: We have a lot of politics going on here [Wisconsin], we have a chance to gain an open seat, so we have a lot of attention going on here. My biggest fear is that when there is a change in Congress, that we end up, as Democrats, doing the same as the Republicans. It's interesting to me, as I learn, both as a candidate and as a member, and somewhat active in politics, how they actually believe in this service economy, which, for those of us that go to work in a factory, or are in manufacturing, just does not make sense.

When we were at one of the lobbying webcasts, while we were out in Washington, we talked to a legislative assistant to Mr. Sensenbrenner (R-Wisc.), and I had to ask him to explain to me, how the service economy works, because it just seems to be a mess. And he basically said, "Well, there's financial investors, and advisors, and then there's people that deliver pizza." And I was shocked that he actually said it—and that he meant it!

For anyone, this should be very alarming, that not only have we witnessed manufacturing going under, the good-paying jobs leaving, are affecting all areas of the economy, and that should be more than a red flag.

Kristich: And that's not unlike what was said by Mr. Miller, the CEO of Delphi, where I believe what he said, is "we have educated people, and lawn cutters," and we were referred to as the "lawn cutters of society."

And for what it's worth, my position at Delphi—I'm no longer there, and I'm no longer a union officer, I had to give up that position. I've taken a \$4/hour cut in pay. I'm no longer a skilled tradesman, and I've transferred to another plant, which is my third plant since I started working for GM. I'm two and a half years away from reaching eligibility for pension, and I made this shift hopefully to lock in a pension, which is one of the things we all look forward to, and work towards. But at Delphi, it didn't look too secure, so I gave up quite a bit—again—just to maintain that, and we'll see where this goes. I am on my third plant at this point.

Aude: I'd encourage anybody who had to take a different job or a cut in pay to try to provide for their family, to get involved and put the pressure on Congress. It truly is up to the people to force them to do their job and legislate, and look out for the general welfare of all of the people.

Kristich: I'm right there with you, Dan. In the years past, I always thought: "Well, someone will do this. Someone will do it." And obviously, someone isn't, so it's up to people like you and I and the rest of us that are on this call today. . . .

Gallagher: We're all out to name the names of the deindustrializers, who don't come from the industrial sector. They come out of the banking sector into industry, and they wreck it. Steve Miller was mentioned, but Felix Rohatyn started this when he took over Chrysler Corp. temporarily in '79 and '80, and that was the first company that shrunk in the auto industry, and he shrank it. And Rohatyn—it is

essential to name his name, just like John Train's name, and the banks they represent, so that people understand who it is that's really doing this.

That's part of the fight also, and that's where we have gotten under the skin of the Congress, to the point where individual Congressmen—and Bill knows this, from the LYM organizing—individual Congressmen have jumped up and down and yelled at us: "Rohatyn! Rohatyn! Why are you talking about Rohatyn? Why are you always talking—? Get away from me with this stuff!" That's when you know that you've gotten under their skin, just like Bill Clinton knew that he had wiped the floor with Chris Wallace in the Fox News interview.

Roberts: And along with Rohatyn, there is George Shultz, the architect of the Bush Administration. These are the Synarchy networks, and that has to be brought out.

Baker: What about the Michigan Congressional delegation? They come from the "auto state" of the world . . . Michael, you're in Saginaw. . . .

Balls: Yes, I work for Delphi Corp. It used to be Saginaw Steering and Gear Products of General Motors, and I thought something was up, when they split us off, and set up Delphi. And sure enough, now they're fixing to file bankruptcy, they're fixing to retire everybody by January, and they're bringing in workers for \$14/hour. They've been messing our economy up so bad, that we've got people coming into work making \$14/hour. And they're so happy to have those jobs, they don't know what to do—with no benefits. But yet, the same guys who split us off and do that, they [top executives] have got all the benefits in the world, and making all the money that they want to make.

I'm extremely unhappy with this situation, and I hope our Congressmen and state representatives can do something better. And the people in D.C., seemingly they just don't care. . . .

Roberts: I can tell you, gentlemen, that you'll be happy to know that the LaRouche Youth Movement has been involved in giving the Congress a healthy ass-kicking over the last couple of months. Over the course of the month of August, the LaRouche Youth Movement was deployed nationwide, as the Congressional members were back in their districts. And we deployed ourselves into the town hall meetings—and there were dozens of these things being held—and spoke out at these sessions, because we wanted to increase the pressure, on especially the Democratic Caucus, the Democrats in the Congress.

We pushed the issue, that it's time to impeach Cheney and Bush, why are you not doing it? And we brought up the question of the need for the Economic Recovery Act, the need for nuclear energy to be built. And what happened through these town hall meetings and through our interventions, and pamphlet distributions, as these Congressmen were back in their districts, is they got an enormous amount

of pressure put on them.

So, when Congress came back in September, what we found was a bit of a different Congress. And we haven't let off one bit on the question of the need for them to implement the Economic Recovery Act of LaRouche's.

National Security Issue

Aude: One of the things I think the public is missing about the deindustrialization of our country, is, that it is a national security issue, and those that are amputating it, really are traitors and need to be dealt with. And we have to make things in this country, and we have to be able to defend ourselves and provide for our defense, and we're going to be extremely vulnerable if they complete this, if not worse off.

Kristich: I agree 100%. The industrial base was the backbone of our nation, and if you look at almost every other rising, up-and-coming nation, that's what's doing it for them. And it just doesn't seem to make any sense to dismantle completely our industrial base: If you don't produce anything, it seems to me your economy is based on paper and plastic, and it can only go so far before it caves in on itself.

Baker: Well, one e-mail question from Texas, is asking you all, how is it that, "a lot of people still look around and pretend they don't see a failed economy." When will this change?

Gallagher: Well, we have to change it. . . . The crucial thing is what Dan just brought up a minute ago: The people who have deindustrialized the country are traitors. You can't do anything about this, without finding out who they are, who the most important of them are, getting out an exposé, getting Felix Rohatyn's names and crimes and rubbing it in the face of every Congressman, as the LaRouche Youth Movement was doing both on the Hill and in the recess, as Bill was describing: You've got to do that.

Call out, to the public at large: "We've found the traitors! Here they are, here's what they're doing. Help us bring them down!" That is an entirely different approach than asking for aid for troubled industry or something of that sort.

So, that's what has begun to dent—that approach is what has begun to dent the Congress, to where we now hear some of them sort of shouting at us, "No! No! No! No! Not until after the election!" Whereas a month ago, or two months ago they were saying, "No, no, not me, not me, I won't do it!" Now it's changed to "No, I won't do it until after the election."

And as he said, we are driving these people still, to put this Economic Reconstruction Act of LaRouche in. We've written it all out as legislation, we've given it to them, we've done that work for them.

Balls: I believe wholeheartedly what I've been hearing so far. It seems like Bush and the boys are doing more economic terrorism, than any terrorist I ever heard of in my life!

I mean, they're worried about the other terrorists, and yet they're making money off the so-called terrorist situation that

they're having, by flying all these airplanes over there. Who's getting paid for that? What industry's getting paid for every bomb that they drop? Who's getting paid to fuel those airplanes that keep on coming back and forth? I think it's got to be Bush and Cheney and their friends.

It's just really shameful that they would do this to America, just keep—they try to bloody up those families, when they want their family name to be in the history books forever as far as financially or politically, and stuff like that is concerned.

I mean, people in the Midwest are really hurting right now. Before, we were supposed to be one of the biggest auto industrial areas in the country, and now we're getting laid off, and the families are being disrupted, and people are going from one state to another chasing General Motors, and it's just really shameful what's happening in Saginaw right now.

Regional Economic Complexes

Baker: Another e-mailer from Texas points out the aspects of auto-sector shutdown, in terms of the secondary effects throughout the entire region.

Kristich: Absolutely, that's very big here, in New York State. Because, we've got Tonawanda Power Train, which produces engines for General Motors. Lockport has the Delphi Thermal Plant, which produces air-conditioning and heating units. You've got Saginaw Gear and Axle in Buffalo which makes rear axle assemblies. [In 1994 GM's Saginaw Division was spun off into American Axle, based in Detroit, which in New York State, operates in Buffalo, Cheektowaga, and Tonawanda]. And then you've got a forge that produces engine blocks and raw forgings for the axles. And each one of those plants is fed primarily by local businesses.

There's a place called, Curtiss Screw and Bolt—something to that effect—they supply massive amounts of nuts and bolts for the auto industry. There are plastics companies—even small mom n' pop machine shops; they just take on small prototype work, that type of thing.

But you see the ripple effect: The trucking industry, the people that drive, and everything that goes with that. Wherever you have people going to work, you have people buying coffee and donuts and breakfast, and stopping on the way home to have clothes cleaned.

Every industrial place, whether it's blue collar or not, has a white-collar workforce as well, whether it be 2 or 200, but you have dry-cleaners, just the whole gamut of things. You name it, every little business, mom 'n pop shops.

In Lockport in particular, houses are going up for sale at a reduced rate, coffee shops have shut down; all those little businesses, on top of being "Wal-Marted" out of business, now there's just no money to support them.

Aude: Absolutely. We find the same thing here in Wisconsin, and I guess that's one thing I'd like to let those that are listening, and their friends, know: This will affect every person in this country, whether they have an MBA—because

TABLE 1

The U.S. Auto Industrial Sector Collapse

July 2005-December 2006 Auto Sector Shrinkage

Total Employment July 1, 2005	1,090,000*
GM Job Cut	33,000 (buy-outs)
GM Job Cut	4,000 (firings)
Ford Job Cut	10,000-plus (buyouts)
Ford Job Cut	14,000 (firings)
Chrysler Job Cut	6,000 (layoffs)
Delphi Job Cut	20,000 (buyouts)
Other Parts/Supply Sector Job Losses	40,000
Total Sector Job Losses	127,000 and rising
Shrinkage Total Industry	11.7%

*U.S. Bureau of Labor Statistics.

Company	Third Quarter Production Cut	Fourth Quarter Production Cut
General Motors	6.0%	12.0%
Ford	11.0%	21.0%
Chrysler	12.0%	20.0%
All Makers in U.S.	4.6%	6.5%*

*Projection Global Insight, Inc.

North America Total Auto/Light Truck Sales

2004	17.1 million
2005	16.9 million
2006	16.3 million*
2007	16.1 million†

North America Total Auto/Light Truck Production

2003	16.05 million
2004	16.0 million
2005	15.8 million
2006	15.44 million†

*Projection, Reuters Detroit "Autos Summit," Sept. 12, 2006

†Projection, Global Insight, Inc.

there's no more factories left—or if it's a financial advisor—there won't be the 401(k) income to provide their job. The service economy is really set up for complete failure, when manufacturing goes under.

Gallagher: And in terms of the details of what the Texas e-mailer said: It is 60,000 jobs that have been lost in the auto supply sector since the beginning of 2005, so that's less than two years. And then you just add the ones that have left GM in the same period, you're already at 100,000 in the auto sector—jobs that have been lost, and most of them are in supply, rather than in the big automakers' assembly plants. And then, as Andy was describing, you've got jobs, and jobs,

and jobs around them. The auto sector is shrinking at something like 10% a year at this point. And for 100 years, it's been the center gear for the United States economy. (See Table 1.)

So any leadership that would let this happen without taking action to reverse it, is just a pack of fools—or else they're criminal bandits like we've got in the White House now. . . .

Aude: Even as the economy crashes, construction down in Madison [Wisconsin] had been booming for quite some time. But, it has now hit the bricks. Carpenters—union carpenters, non-union carpenters—contractors are going into bankruptcy, and the unemployment in the trades is rapidly picking up.

Baker: Yet, the unemployment process could all be reversed, if we start building up again. Look at all the work involved in rebuilding the Ohio River Locks and Dams.

Roberts: Yes. The Army Corps of Engineers held hearings in a number of towns in the various districts along the Ohio River this Summer. And they wanted to get testimony from people who lived in that area, and whose industries and work were affected by the many shutdowns that occurred in the lock systems along the river. And it was very good: At a number of these meetings you had a large turnout of people who understood very precisely what the link was between this public infrastructure and their own livelihood. In certain instances, you had people speaking who actually understood the history of this area as an economic region, as a product of this infrastructure having been built, going back 50, or 80 years. It was very clear. . . .

It's in times like these that people can get over their cynicism and realize that history in fact is shaped by ideas, and not by any of the things they thought it was shaped by, like money.

Kristich: Ideas, and people willing to take a chance.

Baker: In fact, we could have chain reactions of rebuilding, instead of chain reactions of shutdown, with the right leadership. Look at the still-remaining vacant capacity in New York state.

Kristich: Oh, absolutely. Millions of square feet, not only in our location, but all of these other plants. They just announced Friday [Sept. 22], that American Axle in Buffalo will be closing in 2008. That's a million square feet of floor space for potential production. And it's got rail lines tied into it. Trucking roads were put in specifically for the use of that plant. State money was garnered to put in specific roads to allow trucking access within the last 10 years.

This is another thing: I just find it criminal that these companies soak up all of this state and Federal money on the pretext of, "Help us, give us the money and we'll stay in your town"; they take that money, the roads are put in; and then they say, "Sorry, we can't make it." Well, where did the \$10 million go that we gave you?

Baker: Well, you've had the last word: And it's always good to denounce corruption, along with cowardice and evil. Down with the "Halliburton effect!"

'Amputations' of Workers And Auto Plants Necessary

The following article, "Investing Like Mr. Morgan, Not Like Mr. Ford," was published April 1, 2006, by John Train, and is available at web.mac.com/train.ontrack. Train refers to his grandfather, Charles H. Coster, a partner of J.P. Morgan, who was in charge of Morgan's takeovers of the U.S. railways that had been built by government-subsidized nationalist industrialists. J.P. Morgan was famous for his vow, never to invest in any enterprise that was not "complete" already; that is, Morgan would not put a penny into the creation of new industry. As EIR documented in its Sept. 29 issue, Train is a kingpin in the bankers' "secret government," and a decades-long enemy of Lyndon LaRouche.

In the course of studying the techniques of great venture capital investors, I have noticed a number of common traits. J.P. Morgan, of whom my grandfather was a partner, had a cardinal rule: look first at the character of the people involved.

You could not get money out of his firm if he had any doubts about your integrity, skill or industry. The quality of the business was secondary, although of course he looked long and hard at that too. This emphasis on integrity is probably a more welcome conception today than at many other times, what with the sequence of horrible scandals we have been seeing. One minute management claims the company is going great guns, and a few months later it declares bankruptcy.

Incidentally, in a science-based company it is much more important for the CEO to have business skill than scientific skill. It is like the story of Machiavelli, who was a military theorist as well as a political theorist, trying to explain to his patron an idea he had about infantry tactics. The Duke took him out into the courtyard of the palace, called for a box for him to stand on, and told him to give the necessary orders to the palace guard. In a few minutes he had them tied up in a hopeless tangle. The Duke called over the guard's commander, who had been watching the performance, and Machiavelli showed with a stick in the sand what he had in mind. With a few orders the commander straightened the men out and got them into the desired formation.

Big ideas are one thing and execution another, particularly in business. It follows that an inventor is almost never the right CEO for a company. Indeed, with wonderful exceptions, the founder of a company is not likely to be the right CEO either. You need an experienced manager, who knows all about finance, marketing, coping with regulation, handling personnel, dealing with unions and the like. . . .

For that matter, the venture capital investor should always

consider Train's Fourth Law: *Most Things Don't Work*. Rather than invest at an early stage, when all the money gets perhaps forty percent of the deal, which probably won't make it, one is usually better advised to be patient until the company is a going concern, with a quoted stock, enjoying established markets and have strong management in place, and then wait for a market washout, when you can buy in on the basis of just the cash in the bank, getting the whole company for nothing. These moments come along quite regularly. J.P. Morgan was once asked what he thought the market would do. "It will fluctuate," he replied, portentously. This sounds like a put-down of a presumptuous question, and yet it is a great investment truth: You can count on the market collapsing from time to time, and then recovering and going to overvaluation.

One question you hear a lot in venture capital is, "What about the exit?" People with a proposition often start talking from the first about when they are going to get out. I don't like to hear that. I'd prefer to hear the entrepreneur talk about achieving his dream in full—being married to it.

As a banker, Morgan was always concerned with cash. The typical cause of death in new companion companies is not the failure of the conception, but, rather, working capital asphyxiation. If there isn't enough cash to let the company function comfortably, the CEO may spend more time fending off creditors than operating the business itself, a disastrous situation. By this I mean cash flow, not profits. If the company's taking in more from sales than its costs, before depreciation, then it's airborne, not sinking, and can carry on indefinitely. Counting profits can come later, and dividends later still.

A final Morgan characteristic was the ability to decide important questions without dithering. The CEO of a company you are thinking of backing should possess this quality. He should have enough knowledge and enough self-confidence to settle issues briskly. Let the competitors have their long committee meetings—which may not reach or render any good conclusions anyway. One time during a financial panic, with banks failing one after another, a group of terrified bankers came to Morgan in his famous library. He studied the situation, and, writing off a number of banks whose situation was hopeless, answered, "The rot stops here," telling the group that they had to guarantee the solvency of a particular bank that could be saved, so that all those that were in still better condition could rise above challenge. So too the competent CEO must be able to abandon a losing project or a losing division to concentrate his cash and his attention on the good ones.

Ford and GM just announced major cutbacks in their U.S. operations, which are hemorrhaging cash. Also, they say they will reverse their traditional policy of producing what customers weren't buying, just to keep the plants running and the unions happy. Should not young Mr. Ford and his counterparts have had the courage and skill to perform the major amputations required to save the main body of their companies ten years ago?