

LaRouche Intervenes in GM Crisis: Save U.S. Industry

by Marcia Merry Baker

At the time of a March 23 LaRouche PAC Town Hall Meeting in Detroit, Lyndon LaRouche launched a drive for collaboration on a “reconstruction agenda” for the United States, to save the nation’s industrial capacity in the face of the breakdown impact of the threatened financial collapse of General Motors/GMAC, the world’s largest automaker and a \$300 billion financing operation. LaRouche is calling for action, based on the conceptualization of the science of infrastructure for an economy, to start the *re-industrialization* of the United States, which will be of crucial benefit internationally as well.

What’s at stake in the GM crisis, is not simply ill effects from one more big-bang blow-out, like the global tremors from the 2003 Italy-based Parmalat dairy/financial bust, but the core manufacturing capacity remaining in the United States—its workforce and households, plant and equipment, communities and potentials. The GM/GMAC complex, with a debt total in the range of \$302 billions and a negative cash flow, is facing falling auto sales, imminent degrading of its debt to junk-bond status, Wall Street-ordered downsizing—the GM locomotive division was sold off in January—and the pending bankruptcy of its component suppliers. Ford’s total debt is \$174 billion, with some \$37 billion due this year in refinancing or pay-up. Likewise, its parts suppliers, mainly Visteon, are operating on a week-to-week basis.

The two maps here show the drastic decline in the percent of the U.S. workforce involved in manufacturing of all kinds, by county, over the 25-year period from 1975-2000.¹ During the 2001-2005 George W. Bush/Dick Cheney years, the process has accelerated. The darkest tones indicate the greatest concentrations in manufacturing as of 1975, from the textile

mill counties of the South, to the traditional heavy industry factory centers in the North Central states. Over the years of increasing globalization, and rigged “free” trade, these manufacturing activities were re-located to cheaper operations, mostly outsourced. Accordingly, there was a decline in the condition of the home communities, from infrastructure, to living standards of households.

Now the very core of what’s left of heavy industry in the United States—the auto sector—is sliding towards wipe-out. We are on the verge of losing industrial “fundamentals,” as one retired high-ranking military officer described the crisis, in agreement with LaRouche’s re-tooling mobilization.

Reconstruction Thinking

Besides saving manufacturing as such, LaRouche points out that the same kind of “reconstruction thinking” is required for other areas of the economy now in utter breakdown crisis, such as Medicaid. There must be collaboration and intervention to restore provision for health care and sanitation, and that means *physical infrastructure*. He addresses the full scope of this in his paper, “Situating Health-Care Policy: What Is Infrastructure?” (see *Feature*). LaRouche intends next to issue a paper on the principles involved in saving industrial capacity in the face of the GM crisis.

The response to LaRouche’s initiative has been immediate and optimistic. The first reaction among lifelong, highly-skilled individuals in the auto sector in Michigan has been, to put it simply, “We can do what’s needed,” referring to the prospect of re-tooling current auto industry plants for production capacity inputs to large-scale infrastructure-building—rail systems, power plants, bridge and dam components, facilities for health care and affordable housing, etc.

Some indicative specifics in Michigan:

1. See a color map sequence of the manufacturing decline on *EIR OnLine* at www.larouchepub.com. For information, johnhoeffe@larouchepub.com.

Decline in Manufacturing Workforce, 1975-2000



Source: Bureau of Labor Statistics. Map produced by MapInfo.

The map shows, by county, the percent of the workforce involved in manufacturing, with the darkest tone indicating the highest percentage. The data is from the Standard Industrial Classification series of the Bureau of Labor Statistics. The decline of manufacturing is evident throughout all geographic concentrations, from textiles in the South, to aluminum in the Northwest, to steel, auto and machine tools in the Northeast and Upper Midwest.

- Hamtramck. At the plant of American Axle, which does 80% of its business with GM, the employment has dropped from 10,000 workers in 1985 down to 2,100 today; but the potential for gear-up still exists. At present, the plant produces axles and drive shafts, but with its numerically-controlled machine tools, and cadres of engineers, “job setters” (who set

up the machine tools) and workers, new products are very possible. One UAW leader summed it up, “Were the government to offer to our company to produce, say, for a monorail, and if that benefitted the company, we could do that.” Nearby is another plant, American Axle Forge, with similar versatility, yet facing complete shutdown.

- Ypsilanti. At the plant of Visteon—spun off from Ford in 2000 for financial-accounting reasons—the employment has dropped from 3,800 twenty years ago, down to 850 today; yet plant experts see gear up as very possible. One said of LaRouche’s retooling proposal, “We could just as well produce at this plant, components for high-speed rail systems, and a maglev system, as we could produce automotive components. Look, we used to produce shock absorbers and struts at this plant, also horns. Today, we specialize in starters and alternators. Obviously, we know how to retool to change over from the products we used to produce, which is different than [production of] starters. . . . We have the engineering and skilled workforce to produce new things. With the right machines and workers, you can produce almost anything that is needed.”

Intercontinental Rail Systems

One, most obvious focus for conversion in the endangered auto sector, is for inputs to restore a nationwide rail system for both passengers and freight, with intercontinental connections. In con-

trast to the Bush FY 2006 budget proposal ending all funding for Amtrak, bi-partisan bills have been repeatedly introduced into Congress in recent years, for proceeding with a set of upgraded high-speed passenger rail corridors, in several versions, including maglev. But under the prevailing neo-con thinking—either in agreement, or under intimidation—these

measures were never passed. For example, in 2001 two bills of this type were before Congress: the “High-Speed Rail Investment Act of 2001;” and the “Rail Infrastructure Development and Expansion Act (RIDE).”

With Federal action blocked, state leaders have still kept the prospect alive and under discussion in their regions. For example, in Nevada, former state Senator Joe Neal (D) last year presided over a detailed review of the benefits of maglev to Nevada and the West.

Also in response to LaRouche’s re-industrialization dialogue, long-time transportation consultant Hal Cooper has summarized some of the merits and priority features involved in getting to work on a nation-serving system. Foremost, is that high-speed rail means *electrified rail*, a modernization which the United States used for local mass transit close to a hundred years ago, then abandoned for both urban and interstate railroads! Cooper points out, “The overall problem is that the [current] transportation system is primarily based on petroleum as an energy source. This is a horrible mistake. America has a bi-modal transportation system, based on highways and airports. This is wrong.”

Converting transportation to modern, high-speed, and electrified systems—including especially, magnetized levitation rail—thus sets up an urgent need for new power generating capacity; namely, a full-scale nuclear program. In turn, this all sets up an enormous and urgent demand for re-tooling and vastly expanding the auto sector output potential.

Secondly, Cooper indicates some of the priority routes for freight, as well as the need for a national passenger system.

- New Alaska port/rail line to Canada and to the continental U.S.A. Currently, the California ports of Long Beach and Los Angeles are completely congested with Pacific trade flows, despite the 20-mile long Alameda Corridor of express rail-to-port infrastructure that was built a few years ago to relieve clogging. One-quarter of all incoming goods go through this system. There is talk of building a new, adjacent corridor. But faster, cheaper, and with greater overall benefit, would be to establish a new Asian-trade facility to a deep-water, ice-free port in Alaska; and a rail infrastructure corridor to Canada and the United States. Such a site is near Anchorage, on the Cook Inlet, at Port MacKenzie, in the Borough of Matanuska Susitna.

How long would it take to build? Cooper said, “Seven or eight years, but if we used a crash program, like Roosevelt, in five years. This is a necessity. Moreover, compare that to the idea of building another corridor extending out of Los Angeles, which doesn’t make sense, and that could take years and years.”

- Shenandoah Valley, Virginia/Interstate Route 81. To relieve congestion on this north-south, heavy freight-hauling highway route (extending from Winchester in the north to Roanoke and points south), a plan exists to extend the Norfolk-Southern Rail Road northward parallel to I-81.

However, it has been blocked by neo-cons and non-think highway advocates, who speak instead of adding two more lines to widen the existing four-lane Interstate. Cooper points out the stupidity of this. To extend the Norfolk Southern rails northward would cost about \$950-980 million, and take from five to seven years. By contrast, the plan to widen I-81 from four to six lanes would cost \$4.6-5.8 billion, and take 18-20 years.

LaRouche’s Authority

“Mr. Infrastructure,” is what one Republican, Navy logistics man calls LaRouche, since learning of his ideas over the period of the George W. Bush Administration and Iraq War. In fact, as the global financial system began to crack up over the past four years, LaRouche has not only been confirmed in his long series of successful forecasts and warnings; he has redoubled his efforts to deepen people’s understanding of the principles of “Science and Infrastructure” (a November 2002 paper), as the starting point for the needed response to the systemic crisis. His new series of papers elaborates these points.

LaRouchePac intends soon to publish a mass-circulation pamphlet, *LaRouche’s Forecasts and Reality, and the Options Now Available*. Included will be timelines of LaRouche’s forecasts, and the sequence of actual events in the financial system and economy, in particular since his January 2001 forecast of what the consequences would be of George W. Bush’s election.

Even before the open recognition of the GM/GMAC crisis this year, LaRouche opened the dialogue on what kind of response is required. On the campaign trail in November 2003, LaRouche spoke with industrial and community leaders in St. Louis and Detroit, about the perspective of reconstruction to save industrial capacities. On Nov. 20, 2003 in Detroit, he said: “We have an automobile industry, which has outlived its usefulness in its present form. So therefore, now we have to take the production capability of Michigan, Ohio, and Indiana, and use that productive potential before we lose it altogether, in devising a new variety of product required. . . . The area used to have engineering facilities, machine-tool capacities. It was not the automobile manufacturers that were essential to the industry; it was the machine-tool vendors who supplied the components of the system. This is the area, where a lot of the jobs have gone out. We now get imported assemblies from poor countries, for automobiles, rather than making the components ourselves.

“So, therefore, we have to rebuild that, and we have to orient our production capacity to national priorities, the way we went for the aircraft industry before, the automobile industry before then, and the railroads. So now we need a national transport system, which will do all kinds of things. . . . What we need is rapid-transit systems as a way of reintegrating and reconstructing our economy.”

Contact marciabaker@larouchepub.com.