Obama's Auto-Eroticism Disastrous for Economy

by Paul Gallagher

Aug. 13—Preening himself at several Detroit auto plants in succession on July 30, President Barack Obama proclaimed himself the savior of "an industry on the brink," through the forced bankruptcies of GM and Chrysler run by his "auto czars" Steven Rattner and Ron Bloom. Rattner (who has since withdrawn due to exposed involvement in a New York State pension scandal) and Bloom both have long associations with Lazard Frères, the synarchist bank of Felix "the Fixer" Rohatyn, planner of "tactical bankruptcies" to get rid of union workers, and reduce wages and benefits in the auto industry, since the 1970s.

In these Obama bankruptcies, which were rushed through the courts in April (Chrysler) and June (GM) 2009, the Obama Administration put some $76 billion in taxpayer bailout funds into GM, and into Fiat's effective takeover of Chrysler. The United Autoworkers effectively scrapped the wage and health benefit provisions of its contract, and took on some aspects of a company union. Mass layoffs occurred; GM and Chrysler dealerships were permanently closed in large numbers across the country; their auto production nearly ground to a standstill during Spring and Summer 2009.

Now, "This industry is growing stronger," Obama declared from the floor of Chrysler's Jefferson North plant, which recently added a second production shift. "You are proving the naysayers wrong. The three American automakers have created 55,000 new jobs," since his bankruptcies, he boasted. Visiting plants of all three automakers, Obama claimed his favorite car was, depending on the location, his Cadillac Presidential limosine, a Ford Escort he doesn't drive, and a Chrysler Jeep he once owned.

In fact, Obama's policy has not only been devastating to the current auto industry, but represents a mortal danger to the machine-tool capacity—manpower, and plant and equipment—it represents, a machine-tool capacity absolutely required to implement the NAWAPA

White House/Pete Souza

President Obama poses behind the wheel of the new "green" electric Chevy Volt, during his tour of the Detroit auto industry, which his policies have nearly shut down.

policy LaRouche has identified as crucial to a world economic turnaround.

I Fired Them Before I Hired Them

But apart from affirming his "savior" self-image, often mocked as "The One," Obama, as usual, did not know what he was talking about. Just as the oceans are not receding under his Presidency, as he promised they would, in Denver in August 2008, so the collapsed industrial capacity of the U.S. auto industry is not being revived as of August 2010.

The employment picture in the auto/machine-tool industry is grim. When Obama took office in January 2009, automakers and suppliers employed 713,600 workers in the United States, already a loss of 45% of the auto workforce since 2000. Since this workforce was skilled in the use of the biggest and most versatile inventory of machine tools left in the U.S. economy, their vanishing employment is a critical loss to our ability to recover. But by June of 2010, as Obama readied his Midwest boasting tour, the auto industry was employing just 680,900, an elimination of 43,000 more, or loss of another 6% of the employment, since his inauguration. Auto is now employing just half of its workforce of ten years ago.

During the period of the GM/Chrysler bailout/bankruptcies themselves (April-July 2009), there was a very rapid elimination of nearly 80,000 more auto jobs, most paying close to $30/hour plus benefits.

Then, starting July 2009, there has been gradual rehiring by the automakers of, by now, over half the number who were rapidly laid off last Spring. But, as new hires, these workers are earning only $14/hour. Autoworkers, who, for nearly a century, set the wage horizon for others wearing blue collars, and "created the American middle class," are now going to work well *below* the national average hourly wage of roughly $20.

Add to this, the fact that, since the Obama bankruptcies, the mass shutdowns of auto dealerships have eliminated "tens of thousands of small-business jobs," according to TARP Inspector General Neil Barofsky, in testimony to Congress July 12. Barofsky's report made clear that the Obama White House ordered those *immediate closures of 2,200 dealerships*; GM and Chrysler management wanted to eliminate only 330 dealerships, over a longer period of time.

And in the auto parts and systems supply area, where the most advanced machine-tool inventory is found, no fewer than 50 auto-supply companies went into bankruptcy in 2009 and the first quarter 2010, with no bailout support from the White House and TARP. By the second quarter of 2010, auto production had fallen to the point, where dealers nationwide cannot meet consumer demand, even though demand is 35% lower than three years ago. Nor can those dealers get credit to support a showroom inventory.

Auto industry capacity utilization fell from about 80% in early 2008 to 56% in late 2009, the lowest level since the mid-1930s, even as capacity itself was shrinking rapidly as plants closed. Other industrial capacity utilization in the U.S. fell "only" by about 10% during that time, from 77-78% to about 67-68%. Capacity utilization of what little plant remains open in auto, is about 76% in August 2010, but that has fallen from 81% in July.

Destroying Machine-Tool Capacity

In the auto industry as a whole, 100 production, assembly, and other facilities were closed in 2008; and in 2009, despite the "savior pulling the industry back from the brink," the disaster continued: 70 more facilities were shut down! More than 200 GM, Ford, and Chrysler production facilities, of all sizes and functions, have been closed since 2006.

EIR warned of these shutdowns, plant by plant, with national maps and lists, in 2005-06, when Lyndon LaRouche led a national mobilization behind his proposal to retool this vast excess capacity in the auto arsenal, to produce the elements of modern economic infrastructure, under an "infrastructure plants corporation" with Federal credit. His urgent legislative proposal was stopped in Congress when the Democratic leadership "turned green," from February 2006 on, leading them to the failed Presidency of Obama.

Now, on Aug. 10, Obama's Director of Recovery for Auto Communities and Workers, Ed Montgomery, has resigned with just three (!) of those 200 facilities having been put to any new use. One, a large GM/Toyota innovation center in Fremont, Calif., which employed 2,400, has become a much smaller Tesla Auto facility with a Federal loan arranged by Montgomery. A second, GM's Delaware assembly plant, has been taken over (but not yet reopened) by Fisker Automotive. The third, in Reading, Pa., now houses an amusement park. For virtually all of the closed machine-tool sites, "cleanup" (getting rid of the plant and its machine-tool inventory) has been the Obama task force's objective.

So much for "pulling auto communities back from the brink"; Obama's man Montgomery is leaving the job to his 32-year-old deputy, and the communities have gone over the brink and into the pit of mass unemployment.

Just one of all of GM's closed plants, for example, appears to have a prospect of reopening: GM has notified Spring Hill, Tenn., and Janesville, Wisc., that it is considering reopening *a* plant. Spring Hill is typical, because GM laid off 2,000 workers there in mid-2009, *during Obama's "saving" bankruptcy*. Some 1,000 remained working in an attached facility. As for Janesville, former UAW Local 95 shop chairman John Dohner says that GM has already "decimated" the workforce there. Dohner and other GM Janesville employees have retired or transferred to other plants.

Engineers on the Scrap-Heap

The loss of all this auto/machine-tool employment points to the decimation of even more skilled employees and engineers whose skills and creativity are deployable to build crucial new infrastructure, starting with the vast water- and weather-management undertaking known as the North American Water and Power Alliance/NAWAPA.

In the national economy as a whole and over the past decade—and mostly over the past four years—a shocking picture emerges from data of the Commerce Department. Among electrical machinery workers and engineers, for example, 222,000 jobs have been lost since 2000, or 37% (!) of national employment of those skills. Among electrical power machinery producers, 67,000 jobs are gone since 2006, or 15%; among other machinery producers, 200,000 jobs eliminated since 2005, or 16%.

Some 43,000, or 7%, of all electric utility employees have lost employment since 2000; 15,000, or 6%, of rail transportation employees since 2006. Among civil and heavy construction engineers, there has been an employment loss of 301,000 since 2005, or 16%, of all such engineers employed in the country; among specialty contractors' employees, 28% or 1.436 million jobs lost since 2005; and among all construction workers, 21.5% or 2.44 million jobs eliminated since 2006.

These are the workers who would be immediately put to work, en masse, with the realization of the NAWAPA program, and provide the basis for employing millions more, including the unskilled.

Anyone who believes that Barack Obama has "saved" any part of collapsing U.S. industry and its skilled employment, perhaps needs—to quote arrogant White House spokesman Robert Gibbs—"to be drug-tested."