

# The Auto Crisis: What LaRouche Said, And What Happened

*Since the crisis of the U.S. automobile industry escalated into mass layoffs and plant shutdowns early last year, Lyndon LaRouche has issued one initiative after another, calling for Federal government intervention to save this irreplaceable core of the U.S. machine-tool sector, and for retooling the auto sector to produce—not more cars—but maglev advanced rail technology, and other vital infrastructure for the nation and the world. We review here LaRouche's statements, the breaking developments in the collapse, and the response of constituency leaders.*

## 2005

**March 16:** GM issues a statement saying that its 2005 earnings would be as much as 80% lower than its prior forecast of just two months earlier, January 2005, and that it expects a negative cash flow of \$2 billion for all of 2005.

Standard and Poor's lowers GM's credit rating to one step above junk.

**March 23:** LaRouche calls for a "reconstruction agenda" to save the nation's industrial capacity, in the face of the threatened collapse of General Motors, and expresses his intent to issue a paper on the principles required to do this.

**April 7:** In a Washington webcast, LaRouche addresses the "slaughter" of General Motors:

"There's no way that General Motors could be saved, in its present form, by a bailout or so forth. You could have a general reorganization of the economy. But what happens if General Motors is wiped out, the way that some people will treat it? What some people will do, in the financial market, they will not try to reorganize General Motors, the way that you had the famous reorganization of Chrysler. Nah, that's in the past. They wouldn't try to save General Motors; they would slaughter it. And that's what the Federal Reserve System is up to. That's its policy, right now.

"Now, with slaughtering General Motors—I don't have too much sympathy for the management of General Motors, which generally is pretty incompetent. But, I think there are better ways to get rid of incompetent management, than slaughter the company! Because General Motors represents the United States's greatest concentration of machine-tool capability, which is concentrated in the auto sector, and related sectors.

"Now, we are producing too many automobiles. That is, we can not market, presently, the number of automobiles that

would have to be sold, in the current price-range, in order to stabilize the automobile industry. Can't work. There's nothing you can do about it. *But!* The automobile industry contains this valuable machine-tool capability, which is *irreplaceable*.

"The danger is, that a bankruptcy of General Motors will mean the elimination of that last remaining hard core, largely in aerospace and auto, of the machine-tool capability, which can produce all kinds of things besides automobiles. . . .

"So, what our objective should be, is to go back to a denser utilization, county by county, of the territory and distribution of population of the United States; don't compel people to move such distances to get to and from work; stop the highway congestion; produce efficient mass transit in suburban, or urban areas; produce efficient railway systems, which we can produce. And what do we do, with this kind of reform? How do we do it? Well, we go to the auto industry! We go to the tool-and-die centers of the auto industry and similar industries. The machine-tool factor in the U.S. economy. Here are people working—in danger of losing their employment. And if they aren't employed, we lose their skills. Their machine-tool skills are what we depend upon to maintain a modern economy. If we want to build a new transportation system for the United States, and what goes with it, then we have to employ these people, as tool-makers, for the machinery we require for the new industries. . . ."

**April 9:** In a meeting with labor leaders and elected officials, to discuss a solution to the crisis, LaRouche calls for saving the auto industry as a crucial aspect for U.S. economic recovery. He proposes that the government intervene by placing the productive capacity of the industry into government-supervised receivership, and then fund the retooling and expansion of that capacity, to supply the components of national infrastructure projects.

**April 13:** LaRouche issues a policy statement for emergency action by the U.S. Senate, "An Economic Reconstruction Policy: Recreate Our Economy!" The only solution, LaRouche shows, is to move immediately to save vital productive capacities, such as General Motors, and then move to reorganize the bankrupt global financial-monetary system.

**April 19:** GM announces a \$1.1 billion loss for the first quarter. Wall Street institutions call for permanent closing of several assembly and feeder plants.

President Bush states in a CNBC interview that GM "is going to have to learn to compete. . . . In other words, if the consumer starts saying 'we want a different kind of automobile,' they're going to compete once again with, say, the Japanese automobile manufacturers to . . . keep their lion's share of the market."

**April 20:** Ford Motor Co. announces that its profit fell by 38%, compared to the same quarter last year, and that of the profit it did make, 60% came from its financial services. Chief Financial Officer Don Leclair announces a dismantling plan, saying, "We have more manufacturing capacity than we need." Indicating that Ford is looking outside



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*Lyndon LaRouche addresses a webcast from Washington on Nov. 16, 2005, on "The Tasks That Face Us in the Post-Cheney Era." Foremost among these tasks is rebuilding the bankrupt physical economy of the United States, starting with retooling the automobile industry to produce urgently needed goods, such as maglev and other high-tech transportation infrastructure.*

the United States for low-wage manufacturing sites, he adds, "We're aggressively planning to invest in growth areas and allocate our resources where it makes the most sense in the long term."

Standard and Poor's downgrades the credit rating of Visteon—America's second largest auto parts supplier, and the largest supplier to Ford—to three levels below junk bond status.

**May 4:** Corporate raider Kirk Kerkorian makes a move to raise his holdings to 9% of all GM stock. He wants to seize control of the residential mortgage unit of GMAC, the source of half of GMAC's profit.

**May 5:** Standard and Poor's downgrades GM debt two more notches, and Ford debt one notch, both deep into junk bond status.

**May 10:** LaRouche issues a mass leaflet, "Guts and Government," calling for Congress and other leaders to stop vacillating on the GM crisis. See *EIR*, May 20.

**May 11:** Kentucky State Rep. Perry Clark (D) files with the state House of Representatives "A Resolution Urging Congress To Take Emergency Actions To Save the Economy and the Auto Industry."

**May 12:** Cleveland City Council passes a resolution urging the Federal government to protect the automobile industry.

**May 13:** Missouri State Rep. Juanita Head Walton (D) files with the state House of Representatives "A Resolution Urging Congress To Take Emergency Actions To Save the

Economy and the Auto Industry."

**May 13:** Moody's downgrades Ford's credit, although it remains above junk level.

**May 14:** LaRouche issues a memorandum to Congress, "Congress Faces New Turn: On the Subject of Strategic Bankruptcy." Highlighting the collapse of the airline industry, the efforts of GM/GMAC to dump auto-workers' pensions, and the threatened collapse of GM, Ford, and others, he lays out the parameters for a strategic bankruptcy, in the interest of the General Welfare.

**May 18:** Michigan State Rep. LaMar Lemmons III (D) files House Concurrent Resolution No. 13, "to urge the Congress of the United States to take every possible action to promote and diversify the automotive and machine-tool sectors of our national economy."

**June 1:** Wayne County Commission, which represents the county including Detroit, Mich., passes a resolution calling for Congress to promote and diversify the automotive and machine-tool sectors.

**June 7:** General Motors CEO Rick Wagoner tells stockholders he will eliminate 25,000 additional UAW production workers' jobs, and close an unspecified number of production facilities—probably seven—by 2008. This is about a quarter of GM's remaining production workforce. Half a million people's incomes and pensions are threatened. During the first months of 2005, he had already sliced up five GM production facilities—closed or "indefinitely idled"—as 7,900 workers were laid off.

**June 8:** Detroit City Council passes a "Resolution for Federal Intervention To Rescue Automobile Industry."

**June 14:** Buffalo, N.Y. City Council passes resolution calling for "Federal Intervention To Rescue Automobile Industry and Save Jobs."

**June 20:** Columbus, Ohio City Council passes resolution to save auto industry.

**June 21:** Pontiac, Mich. City Council passes resolution on auto crisis.

**June 27:** Flint, Mich. City Council passes "Resolution of Expression Regarding the U.S. Automobile Industry's Current Financial Crisis."

**July 8:** St. Louis, Mo. City Council passes resolution urging congressional action to save the auto industry.

**Oct. 3:** Moody's downgrades GM debt two levels below junk status.

**Oct. 6:** Moody's downgrades Delphi Automotive Corp.'s debt to the seventh level of junk, because its management is preparing bankruptcy. Delphi is the largest U.S. auto-parts supplier, with 180,000 employees.

**Oct. 8:** Delphi Corp. moves for Chapter 11 bankruptcy protection. CEO Robert “Steve” Miller states that if the UAW does not accept his demands for draconian wage and benefit cuts, he will ask the bankruptcy judge to void the UAW-Delphi contract, and then he will unilaterally impose those demands—including a 63% pay cut, and a cut in pensions and retiree medical benefits of roughly the same percent.

**Oct. 12:** In a Washington webcast, LaRouche presents the World War II-style top-down approach that a summit to save the auto sector would urgently need, stressing that in the past, “we have put an entity or a group of entities under Federal protection.”

**Oct. 13:** Louisville, Ky. Metro Council passes resolution on auto crisis.

**Oct. 20:** Sen. Hillary Clinton (D-N.Y.) writes an open letter to President Bush, proposing the convening of a national emergency summit to defend the U.S. auto industry, and more broadly the manufacturing base of the country. “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,” she writes.

Ford CEO William Ford announces that during the third quarter, his company suffered a \$284 million loss, and declared that he will shut a “significant” number of plants in the United States, starting in January 2006.

**Nov. 16:** In a Washington webcast, LaRouche addresses “The Tasks That Face Us in the Post-Cheney Era.” He underlines, in response to a question from a member of the United Auto Workers, that organized labor must take on a *political* fight, on a high conceptual level:

“Any threat to the General Welfare is a political issue. It is a Federal, political issue. If you are going to win this, you are not going to negotiate and have the Federal government sit there and make faces at the enemy. You are going to bring the full power of the Federal government in, to *awe* the enemy. And say, you guys are going to sit here—remember some of these labor negotiations that some of you people have known, where they say: ‘You sit here, and you keep sitting here until you come up with an answer. We’re sitting here. We’re the government. We’re sitting here at the other end of the table. You guys talk, but you don’t get away from here until you come up with an answer!’ And, the trade union movement, at its best, understood that. You make it stick.

“Now the point is, the labor movement is weak. The unions are weak, because the economy is collapsing. They don’t have alternative jobs to run to. They don’t have the ability to withstand long strikes. Even though the corporations don’t either; they’re all bankrupt already. But, you have a financial system which is determined to *end the pension system*, absolutely. And that’s a political fight. Somebody’s trying to change the character, the constitutional character, of the United States government. That is an invading enemy. That’s an enemy from outside, because these

are foreigners who are doing it. And, therefore, we have to defend our country. Defending our country means the principles of our Constitution. . . .

“This is a political issue. It has to be treated as a political issue, otherwise it is a loser. Why stage a war you are going to lose? Bring your artillery in!”

Hundreds of youth and trade unionists attending the event lobby Congress for action on the LaRouche’s emergency plan for conversion of the auto industry.

**Nov. 22:** Ford Chairman William Ford, speaking at the National Press Club in Washington, calls for congressional intervention to address the auto sector crisis. He emphasizes the need for increasing the R&D tax credit to support companies working on new technologies, and to convert existing—but outmoded—plants into high-tech facilities.

**Nov. 23-26:** LaRouche issues a series of memoranda, published in *EIR* on Dec. 16, in response to Ford Chairman William Ford’s Nov. 22 speech in Washington (see accompanying reprints in this issue).

**Dec. 1:** LaRouche urges Congress to hold field hearings and town meetings everywhere the auto crisis is hitting.

**Dec. 3:** House Minority Leader Nancy Pelosi (D-Calif.) gives a speech at Harvard University, presenting the Democratic Party’s “Innovation Agenda: A Commitment to Competitiveness To Keep America Number 1.”

**Dec. 9:** The National Black Caucus of State Legislators (NBCSL), at its annual conference in Washington, D.C., adopts a resolution calling for congressional intervention to save the auto industry, by credit and retooling for economic infrastructure construction.

**Dec. 12:** Standard and Poor’s downgrades GM bonds once again, to far, far below junk grade.

**Dec. 15:** In a memorandum to *EIR* staff, “Rebuilding the U.S.A.: Travel Among Cities,” LaRouche provides a guide to producing the animations required to illustrate the tasks of economic reconstruction of the U.S. transportation grid. See *EIR*, Dec. 30, 2005.

## 2006

**Jan. 11:** LaRouche webcast in Washington, “Rebuild a Looted U.S. Economy.” Once again, he outlines the parameters for conversion of the auto sector to useful production. “Probably about one-third, or one-quarter of the present automobile manufacturing can be sustained, as an industry,” he says. “The rest of the industry, which is largely machine-tool driven, will be used for other things, like building railroad systems, repairing our river transportation systems, building power systems—lots of power systems; we’re in a power crisis. These kinds of things.”

**Jan. 19:** Democratic Party Congressmen and Senators assemble in Washington to discuss the “Innovation Agenda.” (See article in *National*.)

**Jan. 23:** Ford Motor Company announces 30,000 layoffs of production workers, one-third of its remaining North American production workforce.