

Cerberus Takeover of Chrysler Sends Auto Deeper Into Hell

by Nancy Spannaus

The aptly named Cerberus Capital Management corporation improved its capacity to send the U.S. auto industry to Hell May 14, when it announced its \$7 billion takeover of the Chrysler Corporation, the third-largest U.S. automaker. The Cerberus private equity fund, which is named after the legendary three-headed dog of Greek mythology, which guarded the gates of Hades, has already moved in on General Motors' financial division (GMAC), and the auto-parts manufacturers Delphi Corporation, Tower Automotive, and Collins and Aikman. Auto unionists, and long-term industry observers, are already predicting that a "bloodbath" will quickly ensue, with layoffs and sell-offs, if not total shutdowns.

In February 2005, Lyndon LaRouche warned that the financier crowd behind Vice President Dick Cheney was intent on dismantling the U.S. auto sector. As the signs of impending bankruptcy and looting of General Motors grew, LaRouche urged the U.S. Senate and House to take emergency action, Franklin Delano Roosevelt-style, to save the vital machine-tool capacity and skilled workforce of the United States, by putting it to work rebuilding the dilapidated U.S. transport, power, and water infrastructure. Fascist financier, and Democratic Party moneybags Felix Rohatyn moved in to counter LaRouche's plan, which initially garnered significant support. The line went out: "They" won't let the auto industry disappear.

Tragically, as well as stupidly, the leading Congressional Democrats, many of them beholden to Rohatyn or to hedge funds directly, for their financing, bought the line.

More than two years later, the evidence is overwhelming that LaRouche was right. The international financial powers who run the likes of Cheney and Rohatyn, have pursued a systematic course of looting and shutting down the U.S. auto

industry, starting with GM, Ford, Delphi, and other auto parts suppliers. Tens of thousands of autoworkers have already lost their jobs to "buy-outs," which have devastated communities and families, and shut down invaluable production centers. Where plants are still operating, they are now often staffed by replacement workers, paid half the wages of the unionized workforce they replaced. Many factories have been literally dismantled, and either blown up or sold to overseas buyers for pennies on the dollar.

LaRouche's emergency measures to save the auto sector are still available, if Congress has the guts to act—not only to enact legislation like his Emergency Recovery Act, but to clean the political saboteurs out of both the Republican *and* the Democratic Party—Cheney and Rohatyn, to be precise.

The Takeover

The Cerberus Capital Management buyout of Chrysler announced May 15 is likely to result in the carving up and resale of parts of Chrysler in the near future, accompanied by plant closings and accelerated layoffs above the 13,000 Chrysler has already announced, according to auto industry and union sources, and private equity analysts.

Auto analyst David Cole told the *Wall Street Journal* that foreign buyers, including Chery of China, were anticipating buying up parts of Chrysler, "waiting for the private equity companies [i.e., Cerberus] to do some of the cleanup work to make Chrysler an attractive deal."

For public consumption, Chrysler's management has been putting out the line that the company does not plan to sell off any of its three models—Dodge, Chrysler, and Jeep—and that, at least in Canada, "there will be no layoffs as a result of this ownership change."



Cerberus, the snarling, three-headed canine at the gates of Hades, from which the destroyer of the auto sector proudly takes its name (watercolor by William Blake).

Labor on the Chopping Block

In fact, the only question is whether Cerberus will dismantle the company, or try to dismantle the United Auto Workers' (UAW) contracts, first.

UAW president Ron Gettelfinger's sudden endorsement of the Cerberus takeover he was publicly fighting a month earlier has dismayed many unionists. Gettelfinger said in a May 14 press conference that he had been assured by Daimler-Chrysler management that Cerberus would not dismantle the company. He had not, however, talked to Cerberus management itself, when he backed the takeover. And Cerberus, or the Chrysler Holdings entity it is forming to take control of Chrysler in late Summer, will take the lead from GM and Ford in confronting the UAW in the 2007 national contract negotiations, demanding wage cuts for the 55,000 current production employees of Chrysler, and health-benefit and pension cuts from its retirees.

Cerberus management has already pushed hard for severe cuts from the UAW employees at Delphi Corporation since December 2006, when it appeared to begin a takeover of Delphi. This has been its *modus operandi* in many previous takeovers and "restructurings." Cerberus, like other big private equity funds, expects 20% return on investment—on a company which has been losing money.

Chrysler is known to have a huge \$18 billion in unfunded liabilities for retiree health care and pensions (\$19 billion, according to the *Kaiser Daily Health Policy Report May 15*); this is where the Cerberus restructuring knife will demand to make the biggest cuts. "There's going to be bloodbath there" in health benefits and pensions, Gerald Meyers, former CEO of American Motors, and now a university professor, told the

Detroit Free Press May 14. "It's going to be wicked in Southeast Michigan and Indiana," he said, referring also to wage-cut demands and possible plant closings.

The already-announced 13,000 Chrysler job cuts, to be made in the U.S. and Canada (16% of the company's workforce), were justified as a means to make the company "saleable" to a Cerberus or a Blackstone, when it put Chrysler on the block in February. And the rehired Wolfgang Bernhard was the Daimler-Chrysler executive who, between 1999 and 2002, eliminated 26,000 Chrysler jobs and closed down six of its U.S. plants.

Ironically, it was precisely Bernhard's drastic shrinkage plan that made Chrysler "profitable" for three years, which has created the huge unfunded liabilities in health care and pensions, since the cuts sent the ratio of retired Chrysler production workers to active ones, zooming up to four to one.

The Private Equity Disease vs. FDR

The destruction of the U.S. auto industry, which is crucial if the U.S. economy is to have a productive manufacturing base again, is a particularly serious crime. Older Americans will recall that the conversion of the auto industry to war production provided the indispensable economic engine for the defeat of fascism in World War II. Now that capacity, which has the unique potential for being retooled to build the infrastructure and industry of the future, is being thrown onto the scrapheap. GM, Ford, and Chrysler are all in the hands of pirates, looking to make nothing but money.

Equally serious is what this takeover of industry by predatory private equity and hedge funds means to the entire economy. As a result of the successful assault on the FDR tradition, which had brought the Federal government back into its rightful role as the protector of the General Welfare, the lives and living standards of the American population have been turned over to the "markets," which now means the ruthless, quick-buck mega-financiers who run private funds.

Essentially, what's being established is a new feudalism, where private *fondi* run a world financial empire for the sake of the oligarchs of London, and use the entire world as their plantation. There was *one* successful revolution against that system—the American Revolution. As LaRouche has emphasized, it's going to take the reassertion of those same American Revolutionary principles, as revived by Franklin Roosevelt, to prevent this new wave of looting turning into a New Dark Age. As the case of Cerberus' takeover wave shows, however, the time is short indeed.