



LOWDOWN

Edited by Jim Hightower and Phillip Frazer ♦ Vol. 11 No.1 ♦ January 2009

"Sen. Richard Shelby of Alabama... is a bought-and-paid-for advocate for non-American carmakers."

Toyota, Honda, Hyundai and Mercedes-Benz all operate in Alabama, a so-called right-to-work state where unions are scarce—but taxpayer help for corporations is not."

—ERROL LEWIS, columnist, *New York Daily News*

Hawking the myth of the \$73/hour auto-worker

Senators bail out their banker buddies but stiff workers and their unions

THE 8,000-MEMBER GREATER GRACE TEMPLE in Detroit is the home church of many autoworkers, and its Sunday service on December 7 spoke directly to their troubles. The tone was set by the choir's opening selection, "I'm looking for a Miracle." The Pentecostal pastor kept the spirit moving with a sermon he titled "A Hybrid Hope," after which the congregation joined in a full-throated, hallelujah version of the gospel classic, "We're Gonna Make It."

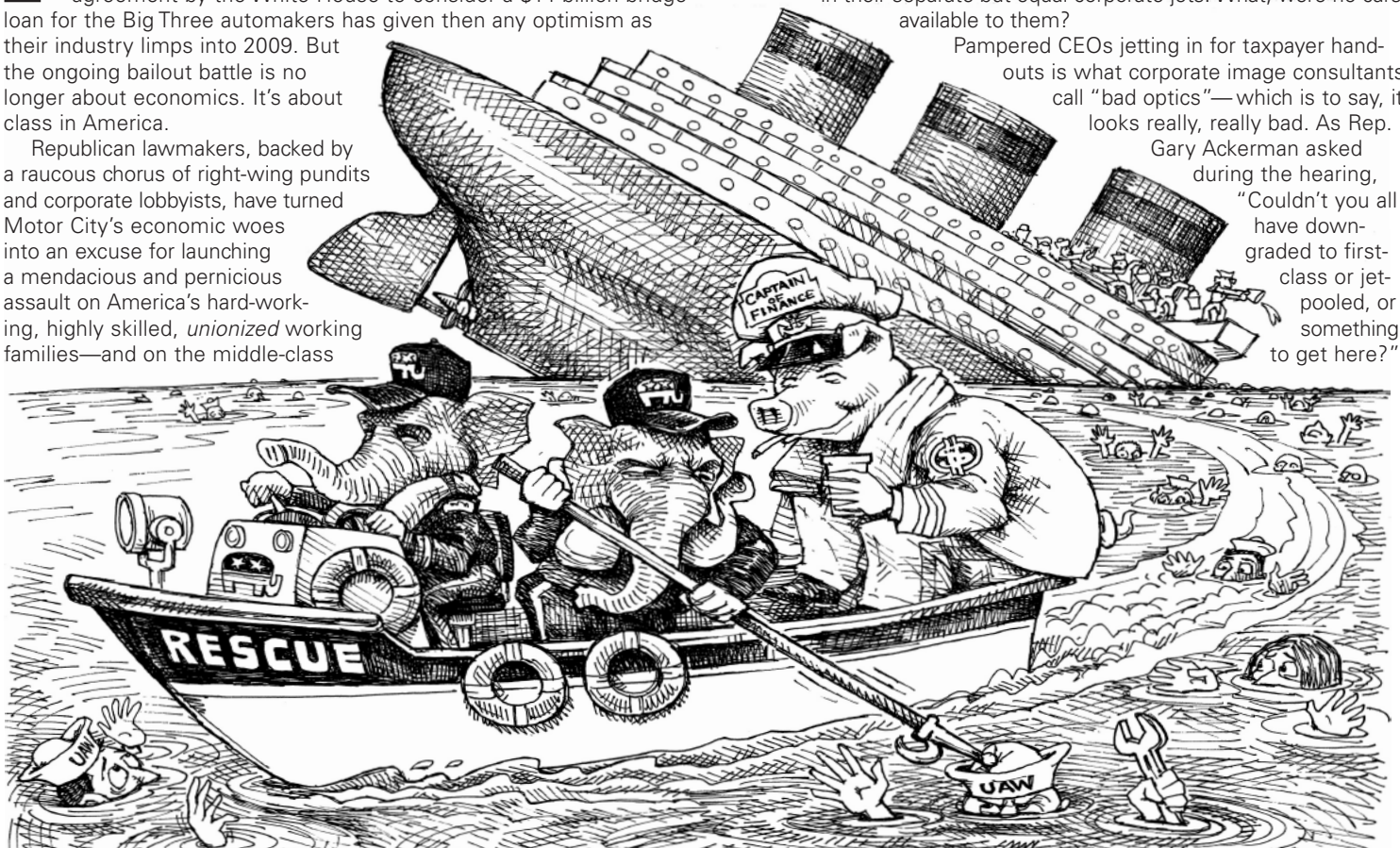
For the men and women who actually do the work in automobile manufacturing (America's quintessential industry), the only hope left for dealing with a catastrophic economic meltdown seems to be prayer. Their corporate leaders have failed them, and Congress has stiffed them. Only last month's begrudging agreement by the White House to consider a \$14 billion bridge loan for the Big Three automakers has given them any optimism as their industry limps into 2009. But the ongoing bailout battle is no longer about economics. It's about class in America.

Republican lawmakers, backed by a raucous chorus of right-wing pundits and corporate lobbyists, have turned Motor City's economic woes into an excuse for launching a mendacious and pernicious assault on America's hard-working, highly skilled, *unionized* working families—and on the middle-class

ideals that they embody.

Okay, admittedly Detroit's bailout request to Congress was botched from the start by the industry's own boneheaded bosses. Rick Wagoner of GM, Alan Mulally of Ford, and Bob Nardelli of Chrysler goobered badly by winging off to Washington for the bailout hearings ensconced in their separate-but-equal corporate jets. What, were no cars available to them?

Pampered CEOs jetting in for taxpayer handouts is what corporate image consultants call "bad optics"—which is to say, it looks really, really bad. As Rep. Gary Ackerman asked during the hearing, "Couldn't you all have downgraded to first-class or jet-pooled, or something, to get here?"



Wars tend to be run by smart people doing stupid things.

Take the gross stupidity of cluster bombs, which America's political and military leaders embrace as an effective weapon of warfare.

A cluster bomb has hundreds of small bomblets packed inside it. When the container bomb explodes, it showers the bomblets over a wide area. Some explode, but a big percentage fall to the ground and just lie there, stupidly.

Days, months, or even decades later—after the battles are over—along comes a child, a farmer, or someone just walking along. BLAM! Another stupid bomblet goes off, maiming or killing another innocent. Handicap International reports that 98 percent of cluster-bomb victims are civilians, and 27 percent are children.

Last month, nearly 100 nations signed a treaty, agreeing to ban cluster bombs—but the United States was not one of them. Our nation has about a billion of these murderous weapons in ready supply, and our leaders do not hesitate to deploy them. Nearly four decades ago our military left an estimated 80 million of these unexploded bomblets in Laos. Since then, some 15,000 Laotians have been killed by them, and many more horribly wounded.

When White House spokeswoman Dana Perino was asked why the Bush administration opposes the ban on cluster bombs, she said, "I have forgotten." No doubt she forgot because no rationalization makes a lick of sense. But if anyone needs a reminder of why our great country should take the lead on banning this stupid weapon, contact The Cluster Munition Coalition: www.stopclustermunitions.org

Then the optics got worse. Having arrived, the bumbling hunchos proceeded to act as though showing up was all they had to do to get bailout funds. They were unprepared to tell Congress how they came up with the \$25-billion number they were requesting. They had no plan, no explanation of how they'd spend the money. Congress got its back up, giving a gaggle of tongue-clucking, sanctimonious Republican senators the political opening they needed to deny any funds for automakers.

The double standard

What the auto execs didn't grasp is they are not Wall Street bankers, our country's ruling financial royalty. They are from Detroit and run a working-class industry. As the Detroiters soon learned, royalty is treated differently, even deferentially, by Washington. After all, hadn't the purple-robed princes of Citigroup, AIG, JPMorgan Chase, Bank of America, and other bailees from The Street also flitted in and out of Washington aboard their jet-powered corporate carriages? Yes, they had—but not a peep of protest was uttered by those holding the public purse strings.

Also, while Congress squawked about the blue-collar crowd's relatively paltry request, it had totally caved in to the banking elite, who did not request money but demanded it. Lawmakers meekly rushed out \$700 billion for them, a taxpayer gimmie nearly 30 times larger than the one Detroit was seeking. What plan did the bankers present? What explanation did they give of how they'd spend our money?

None. They simply dispatched their designated consigliere, Treasury Secretary Hank Paulson (formerly the reigning prince of Goldman Sachs), to hand Congress a three-page ultimatum. It contained not a single specific or promise of results. It was, in effect, a hold-up note.

But that \$700 billion was just for openers. It has not been widely reported, but the total Wall Street bailout—counting government loans, stock purchases, debt guarantees, and backdoor handouts by the Treasury and the Federal Reserve—is nearly \$8 trillion. That's eight followed by 12 zeroes!

What have we gotten for this gargantuan giveaway? Zip. The rationale for indiscriminately pouring public funds into big banks, investment houses, insurance giants, hedge funds, and the like was that our money would "unclog" the financial markets, allowing credit to flow again to businesses and consumers—as though America is having a plumbing problem and our national treasury is a bottomless vat of Liquid Plumb.

But, guess what? It didn't work. Credit is still not flowing. As a result, an economic crisis has swiftly spread across the country, including a rash of business bankruptcies, construction shutdowns, massive job losses—and, yes, a credit crunch that is crushing auto sales, auto dealers and suppliers, auto makers, auto workers...and Detroit.

The reason that the Wall Street bailout has not worked is quite elementary: Congress and the White House attached no requirement whatsoever that the recipients of our money use it to make loans! It seems that Washington didn't feel that it should "interfere" in the decisions of the financial deities.

Country rubes attending their first carnival sideshow are not this gullible.

With no conditions put on the phenomenal taxpayer windfall they received, the wizards of Wall Street have chosen to spend it selfishly, rather than for any public purpose. They've already used billions to buy out some of their competitors, a perverted use of bailout funds that will reduce our banking choices and raise the bank fees we're

charged. Other billions have gone to the banks' big investors, to executive pay, to pad the bottom line, or simply into bank vaults to be hoarded—while America remains starved for capital.

Even more amazing, the very same Congress that harrumphed about trusting Detroit automakers with taxpayer money was not even told where most of the \$8 trillion Wall Street bailout went. Which banks got government backing, and how much did each get? That's a secret, Congress was told by the Bushites. What are they doing with the money? We can't tell you, say those who doled out the cash.

Moving from amazing to reckless audacity, Secretary Paulson has even taken the law into his own hands. Last September, he unilaterally, secretly, and illegally nullified a federal law because it was in the way of his unauthorized plan to help big banks take over smaller ones. Hank's autocratic decree allows banks to use offshore tax dodges that Congress banned 23 years ago. This executive maneuver provides an under-the-table tax subsidy for predatory banks wanting public financing to absorb their rivals—a subsidy that will cost our national treasury upwards of \$140 billion even as it reduces bank competition.

This is a flagrant usurpation of Congress's constitutional power and a kleptocratic transfer of public wealth by executive fiat. Yet it was met with barely a meow from lawmakers.

Roar of the kitties

Oh, but what tigers some of the congressional kittens became when Detroit showed up!

Right-wing senators from the South and West were suddenly baring claws and hissing furiously that to get aid these supplicants had to restructure their businesses in accordance with government dictates. These congressional one-time free-market holy rollers made a demand that was specific and blunt: Whack your unions.

Sen. Bob Corker, a multimillionaire real-estate baron from Tennessee, led the charge, demanding that all three automakers close plants, cut jobs, and slash pay of union workers. "Before we even contemplate making a loan to these companies," popped Corker, "we need to put in place specific and rigorous measures."

Sen. Jim DeMint of South Carolina piled on, asserting authoritatively that Detroit manufacturers "are struggling because of a bad business

DoSomething!

For information and action items, go to www.aflcio.org/joinaunion.

At least since the days of Ronald Reagan, corporate interests have aggressively spread the myth that the American people hate unions. Not so. In fact, 68% of the public today say that unions are necessary to protect working families, and nearly 60 million unorganized American workers say they would form a union tomorrow if they could.

There's the rub. Presidents, lawmakers, regulators, and judges have succumbed to corporate pressure over the years to rewrite American labor law so that it now effectively prevents the formation of unions in the workplace. Corporate executives are routinely able to harass, intimidate, stall, coerce, and fire employees who try to organize.

To stop these tactics and to give Americans a fair chance to join together and bargain with corporate bosses, the AFL-CIO has launched the Employee Free Choice Campaign.

structure with high unionized labor costs," adding that taxpayers "should not be forced to pay for them." Then came Sen. John Kyl of Arizona: "They have a bad business model. They have contracts negotiated with the United Auto Workers that impose huge costs." How huge? "It's \$73 [an hour]," hissed Kyl.

Wow, that's a paycheck of about \$146,000 a year. I want that job!

Problem is, the \$73 figure is a hoax. The right-wing contrived it by lumping in all of the health-care and pension costs of retirees, plus tossing in training costs and the payroll taxes that the companies owe.

No Detroit autoworker is skipping away with anywhere near \$73 an hour. In fact, the base wage of a veteran UAW member in a Big Three auto company is about \$29 per hour, compared to \$26 per hour for a non-union worker in Toyota's Kentucky factory.

Also, the learned senators who're now moonlighting as labor negotiators failed to do any rudimentary homework before assailing the UAW. Last year, the union agreed to concessions in their new contract with Ford that, by 2010, will lower the company's total labor costs to a level on par with what Japanese corporations are paying non-union American autoworkers. In addition, a new contract with GM is expected to give that U.S. company a labor-cost advantage over Toyota.

In fact, it's not wages that burden the auto companies—it's the skyrocketing cost of health care in America. Japanese, Korean, European, and other carmakers don't pay this cost because their countries have national health care for all, financed by taxpayers. Curiously, none of the senators who now profess to be outraged by American labor costs have

Congress gives Citi all it wants

A DECADE AGO, CITIGROUP led a full-court lobbying press on Washington, ultimately winning what big bankers, insurance giants, and high-rolling investment wizards wanted: government deregulation. By forcing the regulatory cop off the Wall Street beat, these geniuses were then able to merge into huge financial conglomerates and amass fortunes on such inherently **risky Ponzi schemes** as subprime-mortgage derivatives (see *Lowdown*, November 2008).

Now, just a few years later, the house of cards they built has crashed down on our entire economy, and Citigroup went down as well. But this avaricious and arrogant conglomerate was quickly deemed "too big to fail," by Bush and Congress, so **Treasury chief Hank Paulson** rushed to its side with plenty of taxpayer balm to revive it. The bungling bankers got \$25 billion from the original Wall Street bailout fund, another \$20 billion cash injection from the feds and a \$249 billion government guarantee to cover losses on those bad investments it made.

No congressional hearing was held on this **\$300 billion giveaway to one bank**—even though it was being handed twelve times more money than all three of America's auto companies sought. Nor did Washington impose any requirement that Citigroup use our public largesse to make loans to American businesses—like, say, the hard-hit, capital-starved auto industry. On its own initiative, however, Citi has since made a major investment in the transportation industry. **In November, the bank agreed to spend \$10 billion to buy a toll road operator...in Spain.**

By the way, where were those senators who're now so loudly demanding that union autoworkers take wage cuts as a price of federal loans being given to their corporations? Apparently, lawmakers didn't even ask how much **Citigroup's CEO is being paid this year. So, for the record, it's \$216 million.** Or breaking it down to terms a wage-worker can relate to, \$108,000 an hour. Why didn't the senators whack his pay?

stepped forward to support universal health care in our country, which would drastically improve the global competitiveness of all of our industries.

There's one more number that union-busting senators don't mention: 10%. That's the share of a made-in-Detroit car's price tag that goes to cover *all labor costs*, including health care, pensions, etc. That's it. Ten percent. In short, labor is nowhere near the financial burden it's portrayed as being. To the contrary, unionized workers bring award-winning productivity to the industry. They are assets, not liabilities. Meanwhile, 90% of what we consumers pay for cars goes to

bankers, bondholders, investors, executives, suppliers, dealers, and a myriad of others who are part and parcel of every vehicle we drive. The senators could force UAW members to work for free, but that would not begin to solve the industry's financial problems.

Look upstairs

Again, the current squeeze on all automakers—domestic and foreign—is the result of the same tight-fisted lenders who've already pocketed trillions of our taxpayer dollars. Since these bankers won't lend to the companies or to consumers, cars are either sitting on dealers' lots or not being made. GM's sales

NEW YEAR WISHES FOR A BETTER AMERICA

To celebrate the big changes in Washington in 2009, I've come up with my new year's wishes for some special people.

For members of Congress, for example, I wish that, from now on, all 535 of them will restrict themselves to the exact same level of annual pay, health care, and pension that the typical citizen gets. No more, no less. If they have to live as we do, I'll bet they'd take a personal interest in raising everyone's standard of living!

For the CEOs of Citigroup, Bank of America, JP Morgan Chase, and all the other barons of Wall Street whose ponzi schemes crashed our economy, I've sent hand-lettered pink slips. With gold-leaf edging, of course. Having made such a mess, why should they still be on the job? With time on their hands, some might even have a moral epiphany and volunteer with Habitat for Humanity to help a few of the families who were ruined by Wall Street's machinations.

For George W. "Buckshot" Cheney, and Karl Rove, I chose leather-bound copies of Constitutional Law for Dummies. This tome might come in handy this year as they wonder why they are being hauled before grand juries and being subpoenaed by congressional committees. Bush could also use his copy as a starter book for his new, secretly-funded presidential library.

And I've sent President-elect Obama a jumbo glue gun filled with super glue. When the corporate lobbyists and business-as-usual politicians descend, Obama can give himself a shot to stiffen his spine so he can stand up firmly for the people's interest.

This year is also the start of the *Lowdown's* second decade. Our February issue will celebrate our feisty little letter's 10th anniversary.

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The Tribune Company, which owns the *Los Angeles Times*, *Chicago Tribune*, *Baltimore Sun*, South Florida's *Sun Sentinel*, *Orlando Sentinel*, *Hartford Courant*, 23 television stations, cable station WGN, and the Chicago Cubs, was bought last year by a Chicago real estate baron named Sam Zell.

Sam didn't have anywhere near enough money to pay the \$8.2 billion purchase price, but, hey, that's no problem for a striver. Zell simply got the company's CEO to let him use the employees' pension fund as collateral for bank loans to buy the Tribune Company. The employees had no say in the deal, nor in how their newspaper was run, and it was run badly. Facing an intolerable debt load—\$300 million just in interest payments in 2009, for example—Zell tried slashing newsroom staff and substituting marketing for journalism. That didn't work, and now, less than a year after Zell's takeover, the Tribune Company is bankrupt, and employees are likely to lose jobs, severance payments, and pensions.

And those who pulled off this heist? The former CEO got more than \$40 million, Citigroup and Merrill Lynch got about \$36 million each for being "advisors" on the deal, and another Wall Street bank, Morgan Stanley, got \$7.5 million just for writing an "opinion" that Zell's use of the pension fund was "fair."

And Zell? He had put up less than 4% of the purchase price to get control of the company, and while he might lose some of that, he cut the deal so he will be first in line to get his money back—before the employees whose company and pensions he wrecked.

In a just world, Sam Zell would not be in bankruptcy court—he'd be on trial for grand theft.

Union faces down banker greed

IRONICALLY, AT THE VERY TIME that boneheaded senators in Washington were working furiously to impose their anti-union extremism on our country, most Americans were captivated by some 250 feisty union members in Chicago, joyously cheering them on.

These were members of **United Electrical Workers (UE)**, who were employed at Republic Windows and Doors. I say "were employed" because on December 5, it was announced that **Bank of America** had abruptly yanked the company's financing. With only 3 days notice, the workers were terminated, their health coverage was cancelled, and they were denied the vacation pay and severance they were due. "Adios, chumps," they were told, "out the door you go."

Well... "No," said UE's members, "we won't go." **For 6 days, they simply stayed in the plant**, refusing to leave until they were paid what they were owed. Bank of America certainly could afford to do what's right, since it was getting \$34 billion from us taxpayers in Washington's Wall Street bailout scheme.

The union's defiant stand captured the public's imagination. "We're doing this for the other working people in the country," said a 14-year machine operator. "What's happened to us can happen to anyone." Bank of America could not weather the outrage it had generated—**so the union members won**, getting \$1.75 million to cover the pay and benefits the bank had taken from them. They left the building chanting, "Yes, we did!"

for November 2008 were down 41% from the previous year, Toyota was off 34%, Ford 30%, Chrysler 47%, Honda 32%, Nissan 42%...right on down the list.

The people responsible for the uniquely bad situation of Detroit automakers are not the workers on the factory floor, but the suits up in the executive suites. UAW members are not the ones who decided to make Motor City's business model dependent on a never-ending supply of cheap oil; the rank and file were not the ones myopically fighting better fuel-efficiency standards; and GM workers did not make the decision a decade ago to recall and kill the EV-1, the forward-looking electric car that the company had pioneered. The folks making these strategic business decisions are CEOs who pay themselves from \$7,000-an-hour (GM's Wagoner) to \$10,000-an-hour (Ford's Mulally).

Speaking of pay, am I the only one who thinks it's ridiculous to hear senators chastise working families over earnings? Come on—Corker, DeMint, Kyl, and the others who're throwing hissy fits about UAW wage levels are drawing nearly three times as much from us taxpayers in base pay, plus getting platinum-level health care, golden pensions, and all sorts of senatorial perks. And, unlike autoworkers, senators don't have to have any real skill, do any heavy lifting, or produce any products.

Yes, these union workers make a good living—but what exactly is wrong with that? Indeed, they're a tremendous American success story. UAW members define our country's middle-class ideal. They can afford to buy homes (and cars), send kids to college, take vacations—and pay taxes, including those that cover salaries and benefits for U.S. senators.

Sustaining, expanding, and extending such a vibrant, productive middle class ought to be the top goal of economic policy makers. Yet, too many Washington officials keep pushing in the opposite direction, constantly pursuing a cheap-labor America that enriches the few at the expense of our nation's true economic strength. They are doing the bidding of a corporate elite whose only industrial idea of the past 30 years has been to kick labor in the shorts.

We saw this tired old ploy tried again last month when Detroit's honchos finally presented their restructuring plans to Congress. To no one's surprise, all of the restructuring would be down on the assembly line. GM, for example, bluntly promised that in exchange for \$18 billion in taxpayer money, it would gladly boot another 25,000 workers out the door. A tax-paid mass firing—what a deal!

These executives—and the congress critters who enable them—should be given Henry Ford bobbleheads to remind them of the power of a democratic economy. The auto pioneer famously outraged his competitors by paying Ford workers \$5 a day, more than double the industry standard at the time. As he explained in 1926, "An underpaid man is a customer reduced in purchasing power. He cannot buy. Business depression is caused by weakened purchasing power. Purchasing power is weakened by uncertainty or insufficiency of income. The cure of business depression is through purchasing power, and the source of purchasing power is wages."

That remains true today. Middle-class wages are the lifeblood of the American automobile industry... and of the American economy.

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