

Live Bait & Ammo #111: A Perfect Capitalist Disaster

What appears to be a catastrophe in the auto industry could be the perfect storm for GM, Ford, and Chrysler. They've wanted to close plants and jettison dealerships for a long time. The 2007 contracts with the UAW gave the auto companies an unrestricted license to close plants because of conditions "beyond the control of the Corporation" such as "market related volume decline". Now they are ready to open that gift, that is, the contract.

Unlimited plant closings coupled with time limits on the Job Bank means the Concession Caucus has delivered the union's head upon a platter. But I am no great prophet and this is no great matter of speculation. Everyone knows "market related volume decline" is in sync with the goal to close plants and cancel commitments to dealers.

The 2007 GM-UAW contract listed nine plants to be closed for certain and one to be "closed or sold". But that was before the perfect capitalist disaster. Now, poaching is legal and the game are penned in.

Manufacturers didn't push free trade agreements because they expected to export from the USA. They never expected to export anything but jobs. The objective of free trade agreements was to close factories in the US, invest offshore, and import products formerly "made in the USA" back to the US market. The current capitalist crisis gives auto companies a perfect opportunity to bankrupt North American Operations and become major importers.

GM and Ford (like Delphi) invested profits overseas (foreign assets are protected under US bankruptcy law) rather than pump dollars back into US plants. Chrysler does not have extensive investments overseas but they have made a deal with Chery Motors in China and they could partner with another foreign auto maker to import small cars to the US. Unless Cerberus, the three headed private equity fund that owns Chrysler, prefers a fire sale. In either case we can't deny the dogs from hell are at the gates.

Some speculators feel that unlike Delphi it would be too risky for GM to declare bankruptcy because consumers would not want to buy vehicles from a bankrupt company. But Americans buy tickets to fly on bankrupt airlines maintained by

disgruntled mechanics and depressed pilots. Why wouldn't they buy a car from two bankrupt companies: Delphi & GM?

Under bankruptcy protection GM would continue to operate some plants in the US. The disaster scenario would enable them to accelerate the transition to lower tier workers and extort greater concessions from the UAW. Bankruptcy, like a boxer taking a dive, is a business plan.

There is simply too much cash to be skimmed by reneging on VEBA's and pensions. If they can't pay, they can't pay. So who will have to pay and pay and pay? I've said it before and I'll say it again. Money isn't lost, it changes hands. We are about to experience a massive transfer of wealth from workers to investors (inside investors). It will be the most enduring legacy of the UAW's partnership with the corporations.

The VEBA was sold to UAW members as an insurance against the specter of bankruptcy. What the Concession Caucus didn't explain is that the health of the VEBA depends on the profitability of the company. Because they didn't get the money upfront, the VEBA is essentially a promissory note. If the company goes bankrupt prior to an actual transfer of cash, the VEBA is busted flatter than a penny on a train track.

The security of retirees depends on the success of the VEBA. In turn the VEBA depends on concessions from workers and plant closings. Some would attest that the UAW has a serious conflict of interest. But members know better. The sweethearts have already made their beds.

Steve Miller, who is managing the perpetual failure at Delphi, said in a recent speech to the Detroit Economic Club, "One of the biggest factors in a decision to put new investment offshore is the punitive effect of health care costs on job creation in America."

Miller told the audience that after Delphi emerges from bankruptcy he would like to take a role in solving "the country's number one domestic political and economic issue [health care]". He thinks he knows how to take waste out of health care.

Look at what's left of Delphi and Bethlehem Steel, then ask yourself if you want the likes of Miller fixing your health care plan. Miller's idea of waste is workers. Or more to the point, the cost of workers and retirees who, as he said in a previous speech, live too long [(when workers retired at "age 65 and then died at age 70.....the social contract inherent in these programs seemed affordable.") Steve Miller, Detroit Economic Club, 4/03/2006].

One of the areas of waste that Miller cited during his speech was malpractice lawsuits. Miller is suing the Appaloosa hedge fund for backing out of an investment in Delphi. Apparently, due diligence exposed Miller's reorganization plan as flimflam. Miller didn't hesitate to file a frivolous lawsuit to force a hedge fund to invest against their better judgment.

What sort of businessman coerces someone into investing?

Miller has spent the last three years wasting money on fruitless legal proceedings and rewarding Delphi executives for continuous failure. If we don't mount a counter offensive to wrest control of health care from parasites like Miller, we will lose more than VEBA. Our lives are on the line.

We're not affordable. We live too long. Miller & Friends want to fix that.

Manufacturing workers have lost too many jobs and made too many concessions. Retaliation is in order. We know how to take the waste out of the system — cut out the middlemen. We don't need them. They do not perform any value added function in the delivery of health care. They are more than a burden. They are a moral hazard.

Why should duffers sporting cologne that costs more than a doctor visit be allowed to skim money from doctors, nurses, hospitals, clinics, medical supply companies, and patients? We don't need the middlemen. Give them six months severance and offer to retrain them for work in the foundry.

Health care is ground zero of the perfect capitalist disaster. Miller & Friends want to fix health care so retirees don't live too long and the private insurance industry keeps making jackpot profits. He and his class of vulture capitalists want health

care that restricts access to workers and retirees and specializes in serving those who were never exposed to the hazards of hard work.

One way or the other the perfect capitalist disaster will be a catalyst for change.

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