

## Hoover Time

By *Robert Borosage*

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Summary:

There are defining moments in politics. Republicans have defined themselves. They are not free market conservatives, for they were willing to do the bailout. They don't object to nationalizing the banks or micromanaging the auto industry on the fly. They are class warriors, willing to risk a worse global economic calamity in order to break a union, to force workers into bankruptcy. Herbert Hoover time. Happy Holidays, too.

In their last obstruction, Mitch "Dr. No" McConnell's Senate Republicans blocked a bridge loan for the auto companies, unwilling even to sustain them long enough for a new administration to sculpt a responsible response to their crisis.

What was the sticking point? It wasn't getting rid of the CEOs that drove the companies into the ditch. It wasn't forcing the creditors to cut their loans in exchange for stock, giving them a stake in the future. It wasn't accepting an auto czar to enforce the agreement and drive a transition to fuel efficient cars. That was agreed to.

No. Led by benighted Tennessee Senator Bob Corker – known previously solely for his "call me" race-bait campaign ad that helped him win his 2006 election – Republicans wanted to break the union and punish the workers.

They insisted that the United Auto Workers agree to cutting workers wages and benefits immediately to match the average hourly compensation paid by non-union foreign auto companies based in the South. This would entail cuts in pay by about 50 percent within the next months. For Republicans, the problem wasn't the worst economic downturn since the Great Depression. It wasn't wrong-headed management that was skewered when soaring gas prices wiped out their SUV cash cows. It wasn't the Wall Street dominated trade policies that sacrificed US manufacturing behind a high dollar that made it profitable to move plants and production abroad and benefited foreign competitors.

No. For the Republican senators, the bailout was a chance for a little class warfare. Why should an autoworker make \$50,000-\$60,000 a year, plus health care? The workers should accept half that and be happy. Autoworkers have agreed to wage givebacks and benefit cuts over the last years. They pledged even deeper cuts in

relation to the agreement. But their sacrifices weren't great enough nor the cuts fast enough for Corker and the Republicans.

Now imagine telling a family that lives on from \$50,000 to \$60,000 a year that they will make one-half that in six months. They've got mortgages, kids in school and credit-card debts just like the rest of us. Outside of the Wall Street bankers who the administration has succored without asking them to slash their wages in half, how many Americans could survive a cut of half their paycheck in a few months, without going bankrupt? How many senators who pay themselves six-figure incomes with lavish pensions and health care could manage an immediate 50 percent reduction in their salaries? (Most of them, come to think of it, since the Senate is a millionaires' club).

Forget about the deepening recession. The Senate Republican position was essentially that the price of bailing out GM and Chrysler was to insure that the union was broken and the workers went bankrupt.

It was, of all people, Vice President Dick Cheney who reportedly warned the Republican caucus that failure to pass the bill would lead to an even worse economic downturn, that it would be "Herbert Hoover time" if the bill didn't pass. And after the Republicans torpedoed the bill, the Asian and European stock markets plummeted, with Wall Street about to follow.

There are defining moments in politics. Here Republicans defined themselves. They are not free-market conservatives, for they were willing to do the bailout. They don't object to nationalizing the banks or micromanaging the auto industry on the fly. They are class warriors, willing to risk a worse global economic calamity in order to break a union and force workers into bankruptcy. "Herbert Hoover time." Let's not forget this last ignoble obstruction, committed just as the Senators went home for the holidays.

## **Five Reasons to Support an Auto Industry Rescue**

By *Bernie Horn*

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Summary:

A lot of people are angry about the proposed \$34 billion package to rescue the auto industry. Much of this anger is misplaced. It should be directed at the Wall Street banks that caused this crisis and have garnered literally trillions of dollars in guarantees, loans and investments without real commitments to change their business plans or executive compensation. In contrast, the auto companies and their unions have detailed plans, including concessions on CEO compensation and wrenching concessions by the unions. Ultimately, whether or not we are angry, we are in a major recession and America cannot afford to let our auto industry fail.

## The Politics:

A lot of people are angry about the proposed \$34 billion package to rescue the auto industry. Much of this anger is misplaced. It should be directed at the Wall Street banks that caused this crisis and have garnered literally trillions of dollars in guarantees, loans and investments without real commitments to change their business plans or executive compensation.

In contrast, the auto companies and their unions have detailed plans, including concessions on CEO compensation and wrenching concessions by the unions. Any bridge loan should also require the companies to move toward high efficiency cars and keep jobs in the U.S. An independent board should enforce those conditions.

Ultimately, whether or not we are angry, we are in a major recession and America cannot afford to let our auto industry fail.

## The Argument:

**1. Letting auto companies go under would wreck the economy.** The industry is in crisis: November auto sales figures released this week showed a 37 percent decline in sales—the lowest per capita vehicle sales in 50 years. [[Advertising Age](#) <sup>[1]</sup>] The economy is in crisis: Friday (December 5), the Labor Department reported that America lost 533,000 jobs in November, the largest decline in 34 years. [[Reuters](#) <sup>[2]</sup>] The non-partisan Center for Automotive Research estimates that if the Big Three automakers cut U.S. operations by 50 percent—which is conceivable if one or more go bankrupt—America could lose 2.5 million jobs in 2009. [[Center for Automotive Research](#) <sup>[3]</sup>] Job losses would not be limited to employees of the Big Three. Suppliers, dealers, and retailers in factory towns would also be hard-hit. Increased unemployment would result in more home foreclosures, more bad debt, and more bank failures, further straining both financial markets and social services programs. We can't allow that to happen.

**2. It's cheaper to support the auto industry now than to pay the costs of failure.** Obviously, \$34 billion is a lot of money. But if automakers cut operations by 50 percent, that would cut personal income by about \$125 billion in 2009 and \$275 over three years which would directly cost the government \$50 billion in 2009 taxes lost and \$108 billion lost over three years. [[Center for Automotive Research](#) <sup>[3]</sup>] This does not count the inevitable expense of bailing out more banks and insurance companies, and propping up more mortgages gone bad as a result of auto industry layoffs—which could cost the government trillions of dollars. Other countries understand the economics and are moving to support their companies in trouble.

**3. This is a unique opportunity to promote energy independence and address global warming.** Almost 45 percent of American oil production and importation is used to fuel cars and trucks. [[Department of Energy](#) <sup>[4]</sup>] Autos are the source of more than one-fifth of the nation's carbon dioxide emissions. [[Environmental Defense Fund](#) <sup>[5]</sup>] So we have to modernize cars in order to solve the problems of dependence on foreign oil

and climate change. This project will cost a lot in any case. The auto rescue package is an opportunity to fast-track important changes that America clearly needs.

**4. The big problem is health care costs.** Conservatives argue that U.S. automakers aren't competitive with foreign companies because American auto workers are unionized. But foreign manufacturers are also unionized. And foreign auto companies, even Japanese companies that are usually held up as models, are facing sharp declines in sales. The big difference between those companies and ours is that other industrialized nations have universal health care—so their companies don't have to pay those enormous costs. [[Center for American Progress](#) <sup>[6]</sup>] One essential long-term solution for the auto industry is to enact an American plan for quality, affordable health care for all.

**5. Bankruptcy wouldn't restructure the industry, it would destroy it.** Conservatives want auto companies to go bankrupt in order to strip union members of their pensions and health benefits. They think those companies could keep operating through a Chapter 11 bankruptcy and emerge as strong, reorganized manufacturers. But consumers will be much less likely to buy a car from a company in bankruptcy because cars are expected to last for many years, and ultimately they require replacement parts. If there is a risk that the company won't be around in three or five years, it may be unwise to choose that company's cars over a competitor's. Bankruptcy isn't a workable solution. [[Reuters](#) <sup>[7]</sup>]

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