

Obama Fires the Maytag Repairman

by Edward Spannaus

In the Summer of 2004, Barack Obama, then an Illinois State Senator campaigning for a U.S. Senate seat, keynoted the Democratic Party convention, and declared:

“We have more work to do. More for the workers I met in Galesburg, Illinois who are losing their union jobs at the Maytag plant that’s moving to Mexico, who are having to compete with their own children for jobs that pay seven bucks an hour.”

Two months earlier, in May, when the Maytag Corporation was in the process of shutting down its Galesburg plant in order to ship its jobs to Reynoso, Mexico, where workers made just slightly over \$1.00 an hour, Obama spoke to the workers there, offering words of encouragement and hope. He appeared before them again on Labor Day with a similarly inspiring message.

Obama went on to incorporate his denunciations of the Maytag shutdown into his standard stump speech during the Presidential primary campaign, railing against corporations that use free-trade agreements, such as NAFTA, to replace highly paid union workers with low-wage foreign workers, and promising to right this wrong when he becomes President.

Obama’s Dirty Secret

Obama’s rhetoric sounded good. But Obama had a dirty little secret.

Unknown to the Maytag workers whom Obama was courting, was that the company’s largest shareholders—Lester Crown and the Crown family of Chicago—were among Obama’s biggest backers and contributors. The International Association of Machinists (IAM) points out that: “Long before he stepped onto that

Galesburg stage” on Labor Day 2004, Barack Obama had accepted \$121,500 in campaign contributions from the Crown family. And when Maytag ordered the shut-down of the Galesburg plant, the IAM charges, “He never lifted a finger to help those Galesburg Machinists nor those in Herrin, Illinois either. His inaction defines his loyalty and his debt to the Crowns.”

Indeed, the Crown family profited enormously from the Maytag shutdowns—in amounts variously esti-

imated from \$86 million to \$150 million. That was their yield when Maytag was taken over by Whirlpool in 2006. The takeover deal had been under negotiation for a couple of years, during which time, Whirlpool demanded that Maytag undertake drastic cost-cutting measures, which included shutting down plants in Illinois, Iowa, and Arkansas, and shipping the jobs off to Mexico and Asia.

Starting in 1992, Maytag demanded concessions from state and local governments, and the unions, as a condition to keep the Galesburg plant open. Up until it closed the plant in 2004, Maytag got \$7.5 million in state aid, \$3 million from the city, and tax abatements worth \$4 million. Observers believe that Maytag used the

money to finance the phasing out of the plant and the outsourcing of its operations to Mexico.

In 2001, Maytag reduced employment at its Galesburg plant from 2,400 to 1,600.

In 2002, Maytag management announced it would be closing the Galesburg plant within two years. This was after Maytag had built a new sub-assembly plant in Reynoso, Mexico.

In October 2004, the Galesburg plant was closed, throwing 1,600 workers onto the street.

This wasn’t enough for Maytag, which continued on its cost-cutting binge as part of the negotiations on the takeover agreement with Whirlpool, which was signed in August 2005.

Whirlpool’s takeover of Maytag was completed on March 31, 2006. During the negotiations, Felix Rohatyn and Lazard Frères were the chief advisors to Whirlpool. Around the same time, Whirlpool announced that it would also close Maytag plants in Herrin, Illinois and Searcy, Arkansas—as well as the



The Maytag repairman isn’t the only Maytag employee who is out of work: Thanks to Obama’s backers, the super-rich Crown family, their jobs have been outsourced to Mexico, where workers make just over \$1 an hour.

original Maytag plant in Newton, Iowa, which dated back to 1907. Many of the Newton workers dropped their boots in front of that plant in protest, as they walked away from the factory for the last time, in October 2007.

And back in Chicago, Barack Obama's patrons, the Crown family, walked away with millions.

Obama's Crowning Touch

When Henry Crown (born Henry Krinsky in 1896) died in 1990, his family fortune was estimated at \$2 billion (today it is over \$4 billion), and ranked 11th nationally in wealth. Henry was honorary chairman of General Dynamics, one of the world's largest defense contractors, which the Crown family controlled, the product of a 1959 merger with the Material Service Corp., which Henry Crown had founded in 1919.

Henry's son Lester controls the family holdings today, and has been president of Henry Crown & Co. since 1969. Lester was a director of Maytag from 1989 to 2005, and a member of its executive committee, finance committee, and its governance and nominating committee. Lester resigned from the board of Maytag on Aug. 30, 2005, after the merger agreement with Whirlpool was reached.

The *New York Times* (April 3, 2008) provided an account of how Obama built his fundraising base for his 2004 Senate race, after having lost his race for Congress in 2000. The Crown family and the Pritzker family (Hyatt Hotels) were key.

James S. Crown, son of Lester and grandson of Henry Crown, said that despite the formidable competition in the 2004 Senate primary, he was so impressed after meeting Obama for breakfast in early 2003, that he quickly lent his support. "I was just taken with his sensibility, his intelligence, his values and how he conducted himself during that campaign," Crown told the *Times*. He further explained that family members normally avoided taking sides in a primary, in part because it was not good for business. But for Obama, they made an exception, with ten family members giving a total of \$112,500. "I was just so personally impressed with Barack that it was worth the risk," said James, who is now co-chair of the Illinois finance committee for Obama's Presidential campaign.

When Obama came under attack for an insufficient commitment to Israel, Lester Crown came to his defense. "While my involvement in politics is motivated by a variety of issues, there is one issue that is funda-

mental: My deep commitment to Israel and to a strong U.S.-Israel relationship that strengthens both Israel's security and its efforts to seek peace," Lester wrote, declaring that "Senator Barack Obama's stellar record on Israel gives me great comfort that, as President, he will be the friend to Israel that we all want to see in the White House." Obama "is unyielding in defending Israel's security," Crown continued. "His conviction holds fast whether the threat comes from Gaza or Tehran."

As of April 2008, the Crown family and their employees had given about \$200,000 to Obama's Senate and Presidential campaigns. Additionally, James Crown and his wife Paula had each raised another \$200,000 for Obama.

Susan Crown, Lester's daughter, has been on the Board of Directors of Northern Trust mortgage company since 1997—the bank that gave Obama the sweetheart, discount mortgage in 2005 for the mansion he bought with the help of now-convicted Tony Rezko. According to an FBI affidavit, Northern Trust was used as a conduit for \$3.5 million from the British-Iraqi billionaire Nadhmi Auchi to Rezko and his family, friends, and lawyers, in 2007.

Earmarks We Can Trust

As the shutdown of the Galesburg plant was pending, elected officials, including the Illinois's Governor and Lt. Governor, and Galesburg's U.S. Congressman, aggressively lobbied Maytag to halt the shutdown. Astoundingly, despite his speeches repeatedly pledging support—and hope—to the Maytag workers, Obama did nothing. He didn't even raise the issue with his friend and financial backer Lester Crown—who, as Maytag's largest shareholder, was in the best position to take action.

When asked about this by the *Chicago Tribune* earlier this year, Lester Crown said Obama had *never* brought up the fate of the Galesburg plant with him. Obama's strategist David Axelrod claimed that Obama didn't even know at the time that Crown was on the board of Maytag—an assertion which defies belief.

Interestingly, although Obama didn't do anything to help the Maytag workers, he did personally succeed in getting a billion-dollar earmark for General Dynamics in the 2006 Defense budget. Obama requested an \$8 billion earmark, and obtained \$1.3 billion, for High Explosive Air Burst Technology funding for General Dynamics—on whose board of directors sit both Lester Crown and James Crown.