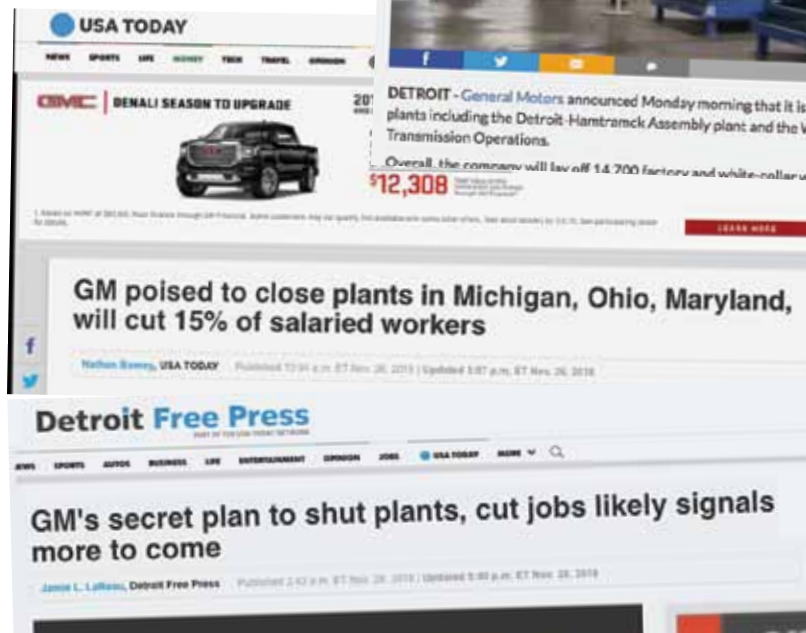

I. What Is Economics Really?

General Motors Is No Longer a Car Company, It Is a Doomed Financial Corporation

by Bill Roberts

Dec. 17—The leadership of the United States must soon decide whether our economy will continue to serve the British monetary system that has all but destroyed us since the end of the Bretton Woods system in 1971, or whether we will return to the American *credit* (not monetary) system of Alexander Hamilton and Franklin Roosevelt, which was Roosevelt's intention for



Bretton Woods. By leadership I do not mean the U.S. Congress. The idea of the Congress of the United States taking leadership on economic policy is an anachronism, something that went by the wayside in the wake of the 2008 so-called Troubled Asset Relief Program (TARP)—a bailout of the Wall Street financial speculators.

By leadership, I mean thinking citizens, cognizant of the potential of President Trump's convening a conference with the leaders of China, Russia and India, to lay the basis for crafting a reorganization of the global monetary

system into a global credit system for the benefit of all nations of the world. (See Lyndon LaRouche's article in this issue.)

LaRouche Saw it Coming and Drafted a Solution

In March of 2005, Lyndon LaRouche warned of an imminent collapse facing General Motors. He called upon Congress to intervene to save the auto industry as a whole, placing unused plant and equipment into government-supervised receivership as part of a program geared toward



CC/P199

Aerial view of GM Canada's automobile assembly plant in Oshawa, Ontario, Canada, scheduled to be closed in 2019.

an overall economic recovery. In a draft [proposal](#) entitled “The U.S. Economic Recovery Act of 2006,” he proposed retooling the productive capacity associated with the auto industry to build vitally important infrastructure such as high-speed rail and nuclear power plants, and to rebuild the aging locks and dams along our navigable waterways. In particular, he warned Congress that any liquidation of the nation’s machine-tool capacity would cause irreparable damage to the economy as a whole.

But Congress failed to act, and within months, machines worth hundreds of thousands of dollars were being sold off for pennies on the dollar and shipped overseas. The Bush-Obama auto bailout saved the Big Three’s creditors, but crushed much of the most highly-dynamic small and medium-sized shops that once functioned as the real creative brains of the “make anything” business in and around the Motor City.

As the family member of a salaried GM employee recently characterized the present situation, there is a collective state of anxiety and depression in anticipation of further job cuts and auto plant closures coming in the greater metro Detroit area. On November 26, autoworkers at the Detroit-Hamtramck GM Assembly plant learned that their jobs will soon no longer exist, as Gen-

eral Motors announced a restructuring process underway that will close two assembly plants in the United States, one in Canada and two U.S. transmission plants before the end of 2019.

One of the five plants being shuttered, the sprawling four million square foot Detroit-Hamtramck Assembly plant, employs more than 1,500 workers. GM’s Lordstown, Ohio Assembly plant in the Mahoning Valley is even more massive. At 6.2 million square feet, it could easily fit four smaller auto plants inside it, but as it presently operates at one third of capacity, it will also close during the course of 2019. In total, 14,000 white collar and hourly employees will be let go, GM’s Board of Directors has announced.

But given General Motors’ secrecy regarding future plans, many more workers are worrying that their jobs will be next, as an additional four other GM

plants are now only running at one shift a day. These plants in Kentucky, Kansas, and two more in Michigan, are operating far below their production capacity, and even below what would be required to make a profit. One long-time veteran of one of the small GM-UAW skilled-trades divisions told me that they are being reduced down to a skeleton crew, as no new work is being assigned to them presently.

What is troubling about this particular information is that this UAW skilled-trades division typically begins tooling up for new products roughly two years ahead of production. While GM has talked about a reallocation of its resources to the production of autonomous and electric vehicles in North America, it certainly appears to be rather unlikely that there will be anything but a continuing overall reduction of General Motors’ workforce and production in North America in the immediate future.

The reality facing General Motors is not unique by any stretch of the imagination. Ford Motor Company announced a [similar restructuring](#) not long ago.

To understand these decisions, don’t look at new car sales or how fast refrigerators are moving off of the showroom floor. Instead, look at the growth in the volume of corporate debt in the last year to \$15 trillion,

and how this is making debt refinancing for the so-called non-financial companies more expensive. This sort of process reaches a point at which the only way to roll over debt is to drastically cut capital expenditures. Yet it cannot be over-emphasized that it is not a corporate-debt crisis that we face. We are in the midst of a total systemic breakdown of the trans-Atlantic British monetarist economic system, of which this untenable corporate debt cycle is itself merely a product, as was the mortgage-debt cycle which blew up ten years ago.

GM is Not a Car Company

If you want to understand why GM is laying off 335 employees at the Warren, Michigan transmission plant, it's because General Motors isn't a car company. Its product is not cars. GM is more focussed on selling debt than on selling cars. General Motors is a financial corporation that has an automobile production operation on the side that it loots in order to pay debt for loans acquired for the purpose of buying its own stock.

Another example of the gap between financial reality and production reality: The stock of Ford Motor Company (which makes billions in profit every year) is valued lower than that of the electric car company Tesla (a company that loses hundreds of millions of dollars every year). We can discuss the attractiveness of a particular line of vehicles to a certain base of customers, or the consumption habits of a particular generation of consumers—but all of this completely misses the point.

Lyndon LaRouche, the world's most successful economic forecaster, identified the real situation for Americans decades ago. Until the United States frees itself from the grip of British monetarism, we will continue to see our economy cannibalized, as our real incomes drop further and further below that required to reproduce ourselves as a society.

In its pursuit of low-cost labor, GM has sacrificed the very thing that gives life to human economy in the first place; the close-knit relationship between human creativity, culture, technological development, and machine-tool design. Much of GM's operations associated with tool and die making have been gutted, ripping out the middle part of its design, tooling, and production



GM/Joe Plimeri

Final assembly at GM's car assembly plant in Lansing, Michigan.

process. General Motors has, in fact, gotten rid of the more highly-skilled, dynamic, "make anything" aspect of its workforce. One of the things that gave the United States a slight upper hand over the Soviet Union in the space race, for example, was breakthroughs made in the area of flight dynamics by the engineers at Chrysler Corporation under contract with NASA, working in conjunction with the U.S. Air Force in building the massive boosters for the Saturn rockets at a former tank production plant in Michoud, Louisiana.

Where are the Tool and Die Makers?

While we constantly hear of all the great opportunities awaiting those who are willing to apply themselves to becoming apprentices in machine tool-related areas, we also hear stories of highly-skilled machinists being forced to work at repairing the pin-setting machines at bowling alleys. Which is it? Is there simply a huge discrepancy between supply and demand when it comes to skilled tradesmen like tool and die makers? Are young people just too lazy to commit to learning a skilled industrial trade?

Unfortunately, tool and die making in the United States is a vanishing profession. The average tool and die maker is about 56 years old, and 75 percent are expected to retire in the next 5 to 7 years.

In March 2006, Delphi Corporation, the spun-off GM parts-producer subsidiary once known as AC Delco, began the process of mass liquidation of most of



All photos USDA/Lance Cheung



Five views of Port City Castings Corporation's facility in Muskegon, Michigan, where highly skilled operators manufacture precision, high-pressure aluminum die-castings, mostly for the automotive industry. The facility features a variety of robotic presses, computer controlled machining, a quality control facility, and a complete measurement and testing laboratory.

its North American operations. More than 20,000 hourly workers were laid off or bought out, and 21 of 29 plants in North America were eventually closed. Today, the four remaining former Delphi plants in the United States are owned by the GM subsidiary known as GM Components Holdings, which employs less than 10,000. Workers at GMCH are paid poverty level wages from \$16.25 to \$19.86 per hour, regardless of seniority.

Especially since 2006, money spent on retooling for the Big Three has been erratic, creating big fluctuations in employment in the tool and die industry in the Detroit area, which is highly dependent on the automotive sector. Consider that it takes about ten years to become a master tool and die maker, and that the average wage for tool and die makers is about \$52,000 per year—and the problem becomes apparent. Anyone considering entering into a career in a skilled industrial trade has to think about whether it is going to be a reliable area of work. Can he or she afford to start a family, or get a mortgage?

Fox Television commentator Tucker Carlson addressed this very issue on November 8, in his criticism of

the Republican Party's non-appeal to average, middle-of-the-road Americans in the 2018 midterm election:

Republican strategists seem to forget that a huge percentage of Americans don't pay federal taxes. By definition they don't care very much about tax cuts—cuts to taxes they don't pay. For them and many others, the economy is not measured in stock prices and GDP numbers. Their concerns are tangible concerns. "What does gas cost? Can I afford to live in a safe neighborhood? Will I go bankrupt if I get sick?" These are real questions for tens of millions of people. The party that effectively addresses these questions tends to win elections. Republicans, for whatever reasons, tend to ignore these questions, and that's a big reason they just lost the House. . . . Republicans are supposed to care about families . . . and yet increasingly, the American family is vanishing. Young people can't afford to get married, or to have children. Take a look at the num-



USDA/Lance Cheung

Another view of the Port City Castings facility showing an operator forklifting foundry ingots into the furnace crucible.

bers some time. They are publicly available; they are shocking; and they foretell an ominous future for all of us.

The Problem Is the Financial Markets

The problem is that financial markets under the present British system, with their fluctuating trends and flavors of the day, do not create families. They do not create dynamic economies capable of creating themselves anew and better. People who dedicate themselves to developing their skills and powers of creativity do that. They are the ones who are responsible for proving that a new idea, a new technology, is viable in the real universe, outside of the fantasy-dominated, predatory, financial-monetary markets.

On July 23, 1997, LaRouche [spoke](#) I as follows on this subject to a Washington, D.C. audience at an *EIR* seminar titled, “War on the British, or, How to Save the Economy”:

When you’re dealing with science, scientific discovery, when you discover an idea, you’ve got to prove it, haven’t you? You say, “I’ve discovered a solution to this problem.” Someone says, “Well, how can you prove it’s true, how can you prove it’s right? How can you prove it in nature?” So, you construct what’s called an experiment. It’s called a crucial, or proof-of-principle, experiment, to prove that nature works the way your discovery says it works. That’s called a Ma-

chine-Tool Principle. Now, when you take the apparatus, which you used to construct that experiment, you walk into a guy who designs machine tools, or similar kinds of products. This guy, having seen your experimental device—he probably helped you build the experiment—now says, “Look, I can design a whole group of new kinds of products, and new kinds of machine tools, on the basis of this discovery which you demonstrated, by looking at your experiment, understanding your experiment. I can see how to build a whole new class of products and processes out of that.”

Lyndon LaRouche’s “[Economic Recovery Act of 2006](#)” solution for auto-related machine tooling is still the gold standard for rebuilding the productive economy. Idled plants must be placed into receivership through an operation similar to the Defense Plant Corporation Act of 1940, and retooled as part of an overall economic mobilization. In this way, the United States can become a contributor to a new global economic paradigm, producing components for our own and other nations’ infrastructure needs, in conjunction with other advanced, capital-goods exporting nations. Such a plan must occur within the context of a new Four Powers agreement, re-establishing fixed exchange rates for national currencies as the hallmark of a New Bretton Woods international credit system among sovereign nations.