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Politics & Prejudices

Now: The hard part

BY JACK LESSENBERRY

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Finally, at long last, the election is over. Now comes the really, really hard part. Our nation is facing a bad time economically. Detroit and Michigan are facing something much worse. Avoiding something that looks more like a depression than a recession will be tremendously difficult. That is no exaggeration. You almost cannot exaggerate how much our lives are about to change.

The Rev. Harry Cook gets it in a way few people do. Though a man of the cloth, he was a journalist and an editorial writer for many years. He has a strong sense of economics and history. "An economic tsunami is headed for the community in which I was born and have lived for most of my life," he wrote in a weekly essay he posts on his website (harrytcook.blogspot.com). "If it doesn't peter out before it reaches us, it will sweep away the better part of a century of a social structure built by the hard labor of three generations of working men and women who made automobiles that changed the way the world got around."

Here's what's happening, in a nutshell: General Motors wants to buy Chrysler, an idea that would once have been indignantly rejected by the antitrust division of the U.S. Department of Justice. What's worse, GM wants the government to help pay for the costs of what they are billing as a merger. This would largely be a merger something like the one you will perform tonight with dinner.

What General Motors mostly wants, as far as anyone can determine, is a pile of cash Chrysler has — perhaps \$9 billion or \$10 billion. Chrysler, which is now owned by Cerberus Capital Management, a private equity firm, borrowed this money earlier, before the financial crisis effectively froze the credit market. And GM needs cash. They are hurtling toward the earth, re-entering without a heat shield. They are losing vast amounts of cash, and within less than a year, will have to declare bankruptcy. Swallowing Chrysler might give them more time, though it doesn't seem to make sense otherwise.

Mergers make sense when they are designed to improve both companies, as when a firm that makes staples merges with one that makes staplers. *The New York Times* called the GM-Chrysler idea "preposterous," adding, "Neither automaker has been able to produce cars that consumers want to buy. Both are losing money hand over fist. Gluing them together would not change this dynamic."

General Motors would cannibalize Chrysler, keep selling Jeeps, yes, and maybe a few other vehicles, but otherwise close it down. Such a move would devastate Michigan's economy. If this merger is allowed, everybody agrees that the vast majority of the 49,000 remaining Chrysler workers will lose their jobs within months, or at most in a year or two.

What will that mean for Michigan? Sean McAlinden is the chief economist for the nonprofit Center for Automotive Research, based in Ann Arbor. He thinks a GM takeover of Chrysler could cost our state 100,000 jobs in a very short time, when the "ripple effect" of lost Chrysler jobs moves through the economy. Unfortunately, experts pretty much agree Chrysler is no longer viable as a stand-alone company.

Patrick Anderson, CEO of the Anderson Economic Group, doesn't dispute McAlinden's gloomy figures. But he thinks that for GM to take over Chrysler is the best, or least bad, thing that could happen. Otherwise, he fears Chrysler will declare bankruptcy and be broken up and largely closed down, resulting in even more job losses.

Last week, his company released part of a huge report on the impact of a potential GM-Chrysler merger. I read it; it was enough to make you want to start drinking on the job.

"The possibility of the bankruptcy of one of these entities (Chrysler or, for that matter, General Motors) with the ensuing collapse of many suppliers and closure of hundreds of dealers around the country would cost the federal government much more," than it would to help GM buy Chrysler.

But even Anderson doesn't pretend that this would automatically fix General Motors. (He's not exactly a wimp; he was in the World Trade Center on Sept. 11, and survived.)

Frankly, he appears to not be at all sure that it would work: "A GM-Chrysler merger could have been a marginal success under the economics of the industry 10 years ago.

"However, given the serious erosion in market share for both entities since then, the even more dramatic drop on market value of the companies, and the slowdown in the U.S. market ..."

You get the picture. Last time I checked, the far right was snarling and blaming regulation and fuel economy standards. If the formerly Big Three were allowed to poison the atmosphere with impunity, everything would be all right. That kind of thinking has destroyed much of our economy over the last eight years.

I am writing this before the polls close, and don't know what you do: Exactly how this election came out. But if, as seemed likely Monday, there was a significant Democratic victory, we have to hope that President-elect Barack Obama and the newly strengthened Democratic Congress have the strength to be bold and ignore the right-wing ranters.

Yes, something needs to be done for Detroit's automakers, though they've worked for years at not deserving it. But that something needs to be intelligent, creative and long-term. We need a creative vision for the future. Anderson says: "It is not unreasonable to believe that [the Big Three] might survive as self-sustaining companies if government money can get them over the credit crunch and deep recession that is expected."

That's a gamble that I reluctantly think our government should take. I have no interest in helping creatures like William Clay Ford, or the long-term, stupidly arrogant leaders of General Motors — or, for that matter, the shortsighted leaders of the United Auto Workers union. But this entire region doesn't deserve to be punished for their sins.

What everyone has to get through their noggins is that it is never, ever going to be like it was. Things are going to get worse before they get better, if they get better, no matter what.

"The U.S. consumer has been the beneficiary of intense competition, improved product quality, and much lower prices ... however, that era is coming to an end," Anderson concludes. Now we must fight for an era in which we have jobs, and hope.

Losing all proportion: As it became more and more likely that voters were going to reject the lies and fearmongering that had worked before, the nutty far right became more and more hysterical.

Those of us in the media were subjected to a vicious stream of the nastiest propaganda I've ever seen. Right-wingers who hate free speech went berserk, trying to organize a campaign to have me fired from Michigan Radio, Wayne State University and, I think, my Cub Scout troop. They hated that I pointed out the blatant lies told by those opposing stem cell research, which caused some loony tune to say I was discriminating against Roman Catholics.

Another man even demanded I report that the Book of Revelation clearly indicated that a man who looked like Barack Obama and who was a Muslim would destroy us all. When I pointed out that Revelation was written long before Islam was invented, he swore violently at me and hung up. Freedom, like civilization, is a delicate thing indeed.

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