A Corporate Bailout to Save the Country

During the last week of September, the news media informed Americans that the profitability of General Motors, other auto makers, and presumably other manufacturing concerns which have operated in the United States since before World War II, is severely impacted by the obligations that those manufacturers undertook to their employees over the course of those many years.

Employers contracted with their employees during the 1940's, '50's, and '60's to provide generous future retirement benefits, including lifetime health care. That would have seemed a good business decision in 1960, when the projected lifespan was 72 years. Who would have thought that so many retirees would inconveniently still be drawing benefits into their eightieth and ninetieth years of age?

This unexpected plethora of long-lived retirees has proved a financial disaster to established American employers, on a scale comparable to Katrina's impact on government revenues in Louisiana. In 1974, with the leadership of Senator Metzenbaum, the federal government set up the Pension Benefits Guarantee Corporation, which established a tax-funded "insurance" fund that pays to retirees some portion of the retirement income their former employers had contracted to pay them prior to those former employers filing for bankruptcy protection in the federal courts. The effectiveness of this system is demonstrated in Ohio, where Republic/LTV Steel bankrupted in 2001, reneged on its labor contract obligations to current employees and retirees, and sold its production assets to International Steel Group. ISG prospered in the absence of employee and retiree contract obligations and has made steel at a profit since, putting to shame foreign competition.

Bankrupting out from under employee contract obligations is less attractive for businesses like GM who sell to the consumer public, which has been trained at great expense to respond to the GM brand names. Who would pay $60,000.00 for a vehicle produced at a former Cadillac plant if it was called "International Auto Group Escalade"? So there has to be a more subtle way to let American auto manufacturers escape their contractual retiree and employee responsibilities and still keep their consumers.

Hopefully some pro-big-business Republican, as distinct from "fiscally conservative" Republican, will figure out that an efficient way to bail out long-established American manufacturers with decades of retiree-health-care obligations, is for the federal government to take over paying for everybody's healthcare. A national single-payer healthcare payment plan to bail out American industry? Who'd have thunk it? Besides Canada and Great Britain and Germany and France and Japan, that is.

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