

CONTENTS

Introduction	vii
	CHAPTER 1
The Perfect Storm	1
	CHAPTER 2
Dogs at the Gate	23
	CHAPTER 3
Their Year of Decision	45
	CHAPTER 4
Government Motors	77
	CHAPTER 5
UAW	101
	CHAPTER 6
Ciao!	135
	CHAPTER 7
What's Good for General Motors . . .	165
	CHAPTER 8
Reuther's Ghost	201
	CHAPTER 9
Saving Our Cities	235
	CHAPTER 10
Electric Shock	271
	CHAPTER 11
What's Good for Wall Street . . .	313
	CHAPTER 12
Into the Brink	359
Bibliography	379
Index	381

INTRODUCTION

THREE HUNDRED AND FIFTY MILES southwest of Detroit, the roads run straight to the horizon in between tall cornfields and past gothic farmhouses, but also through small towns with traditional courthouse squares, brick-walled factory buildings, and now-cold smokestacks that tell of a faded industrial splendor. This is the heartland, the center of the center, the middle of the industrial Middle West. Once the vibrant core of America, it is becoming the New Appalachia. President Barack Obama's administration has shored up Chrysler Corporation and General Motors Corporation with \$77 billion worth of federal loans, at least for the time being. But the 2009 bailout of Detroit failed to halt the "Rust Belt" deterioration afflicting Middle America.

Obama had the opportunity to harness GM and Chrysler to the greater task of not only reenergizing the American economy, but in leading the charge to a greener future less dependent on imported oil. It could have been an enterprise of massive scale, not unlike the Manhattan Project that produced the atom bomb during the administration of Franklin Delano Roosevelt, or perhaps the lunar landing first envisioned by John F. Kennedy. Instead the opportunity was largely squandered. *At the Crossroads* tells how that happened.

The book follows two parallel tracks. One story recounts the taxpayer bailout of General Motors and Chrysler and reveals in

a coherent narrative the backstory of how these two industrial icons, as well as much of the nation's manufacturing industry, have been poorly served by Wall Street and Washington for at least the past generation. In the other track we see the consequences in the heartland. Hundreds of towns distant from Detroit are in themselves manufacturing satellites in the orbit of the big automakers. *At the Crossroads* tells the story of the auto industry crisis from the point of view of the people who live and work in such towns as they confronted their year of decision in 2009.

We meet small-town mayors who are the first line of defense against economic decline and the loss of community, but who often are the weakest players in a game where the rules are made elsewhere. We meet elected union leaders, dissidents and ordinary rank and file, but not through rose-colored glasses. The unions do not deserve all the blame for the auto industry morass, but they are not blameless either. We see small business owners and local activists who are trying to keep their communities intact in the face of what has been an economic tsunami.

We concentrate on Indiana because it has the largest proportion of manufacturing jobs of any state in the country, and is second only to Michigan in terms of automotive industry-related jobs. Indiana is a complex state demographically and socio-economically, but its automotive towns are smaller than Michigan's so the social and economic trends are more readily discernible. The state has three major research institutions in Indiana University, Purdue University, and the University of Notre Dame, as well pharmaceutical giant Eli Lilly and Company based in Indianapolis. But the state also includes large numbers of people who'd rather hunt and fish than taste wine and cheese, who'd rather vacation in Pigeon Forge, Tennessee, than Paris, France, and who drive Chevrolets because — yes — it's a union brand. This is not necessarily the stereotype of Washington, D.C., or Wall Street, where the fate of these workers was being decided.

In December 2008 talk of bankruptcy for either GM or

Chrysler was dismissed as misguided at best, heresy at worst, yet by the following summer both companies had emerged from remarkably quick, albeit carefully orchestrated, bankruptcies. Will they just die a slower, more humane death in the future, though? President Obama himself followed two tracks with the auto bailout — one was to at least save the domestic auto industry, no matter how downsized, as well as save the United Auto Workers. No reference to a GM or Chrysler bailout should ever be made without acknowledging that this was a UAW bailout by the Democratic president as well.

The other track was to pave the way for a partial or all-electric passenger car future in America. This was seen in the astounding increase in the Corporate Average Fuel Economy (CAFE) requirement set for 2015, as well as the distribution of big federal grants and loans for green and electric-powered vehicles the government began making in 2009. But by largely cutting GM and Chrysler out of that green future, at least temporarily, and by giving money to some foreign-owned companies such as Nissan instead, the Obama administration may have sealed the fate not only of these two still-important manufacturers, but of the industrial Midwest and important swaths in Canada and Mexico, too.

As this book will show, the entire region, what we call Middle America, has been scorched by the vicissitudes of a political and financial establishment in Washington and New York unattached to a manufacturing base that is essential to the national security and the overall economic prosperity of America. Since 2000, 5 million manufacturing jobs have vanished in America, eliminating more than \$200 billion in annual payroll.¹ More than 23,000 factories have closed.² Some officers at the National Defense University, an arm of the Pentagon, fear America no longer has the industrial capacity to sustain the armed forces in a prolonged major war.³ Meanwhile, the trade deficit has soared as the nation's appetite for imported oil and consumer goods far outstrips the exports that pay for all those imports. Now we borrow money to maintain our buying habits. China and Japan

together hold more than \$1 trillion worth of United States debt.⁴

At the Crossroads begins on November 19, 2008. Senior executives of Chrysler and General Motors were turned away by the Senate Committee on Banking after requesting \$25 billion in aid. The senators, who just six weeks earlier had appropriated \$700 billion for the troubled financial houses of Wall Street, refused any help for Detroit. Instead, they told the executives to return in December and show plans on how they would use any money to revive their companies. Some senators excoriated the executives for traveling to Washington, D.C., aboard their corporations' expensive jet aircraft, which was seen as proof that they were out of touch with the sentiment on Main Street. It all made superb political theater.

But for local leaders like Kokomo, Indiana, mayor Greg Goodnight (a former steelworker and truck driver), or Marion, Indiana, mayor Wayne Seybold (who grew up in a trailer park and later competed in the 1988 Calgary Winter Olympics with his sister Kim in the pairs figure skating category), or Jeff Shrock (a former Major League baseball prospect who injured his arm and later became an elected official of United Auto Workers Local 685), the snub pounded home a cruel reality: America was turning a cold shoulder not only toward arrogant, even imperious corporate executives, but to its true native sons as well.

"Doesn't anyone realize what is at stake?" said Mayor Seybold who had struggled with the loss of a major television tube manufacturer in 2004 and in 2009 was scrambling to help save a massive metal stamping factory in town owned by GM.

Yes, two giant auto companies were ultimately saved. (Ford was never in the same desperate shape financially as GM and Chrysler were, though its sales had plummeted almost as much during the crisis.) Yes, tens of thousands of jobs were saved. But the future was not assured. In a time when many believe the United States can maintain its economic might and standard of living on ingenuity and high technology alone, or by sending all young people to college instead of recognizing that many want to work with their hands, the industrial center has been reduced to

an afterthought, even a cliché. Yet this industrial heartland also is home to most of America's engineers, manufacturing plant managers, and many skilled tradespeople. If the domestic auto industry is not reenergized, not only will communities fail, not only will talented, skilled people have to scatter with the wind, but we may lose our best chance to engineer an electric car or other alternative energy car that keeps the engineering brainpower in America (as opposed to an increasing reliance on foreign engineers and patents) and reduces our terrible reliance on imported oil, a reliance that has uncomfortably tied America to Middle Eastern wars and unstable societies in the Persian Gulf and South America.

This populist narrative ultimately is an exhortation: the auto industry can be recast larger than it has been left by this bailout. It is our opinion that Washington not only has failed to demonstrate a Manhattan Project-style commitment either to energy independence or to a role for American manufacturers in a green future, but it has also been unable to harness the country's sagging industrial base to a pro-jobs agenda able to repower the economy. Middle America will pay the price first, but in time all of America will come to understand the price of failure.

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 2. Employment in Manufacturing NAICS 31–33, U.S. Census Bureau, <http://censtats.census.gov/usa/usa.shtml>.
 3. Ted Evanoff, "A Losing Battle: Our Industrial Base," *Indianapolis Star*, October 9, 2006: C01.
 4. William Bonner, Addison Wiggin, *Empire of Debt: The Rise of an Epic Financial Crisis* (Hoboken, NJ: John Wiley & Sons, 2006) 37.

The Perfect Storm

GREG GOODNIGHT WONDERED WHAT he had got himself into. The forty-four-year-old native Hoosier was in the first year of his first term as mayor of Kokomo, Indiana — a manufacturing hub with 46,000 citizens about an hour’s drive directly north of Indianapolis. In his first State of the City address, delivered on an icy evening in February 2008 inside City Council chambers, Goodnight had warned local burghers, a couple of newspaper reporters, and a smattering of ordinary citizens — mostly older, the kind of people who always show up for these things — that the challenges facing the town were greater than ever and the plan of action more daring than anything people had seen before. Early in 2007, DaimlerChrysler, the major employer in Kokomo, had sold controlling interest in all its North American facilities, including its Kokomo auto and truck transmission plants, at a fire sale price to a private equity firm with no experience running a car company. The local economy had been reeling since October 2005 when Delphi, the other large auto industry employer in town and once a \$29 billion corporate giant, filed for bankruptcy. The housing market had started to tank locally, too, well ahead of the subprime mortgage crisis that would strike the rest of the country by 2008. Rapidly rising gasoline prices had eaten into disposable income and eroded retail sales on the once-vibrant courthouse square and the city’s two large shopping malls out by Highway 31, the major “four-lane” through Kokomo. Unlike the sanguine speeches presidents always make in their annual State of the Union addresses, Goodnight was here

to deliver only bad news — Kokomo was in a deep recession.

“Our city’s General Fund — our main operating account — will require us to take out almost \$400,000 out of our already low cash reserves,” he announced. “After this happens those cash reserves will have just \$460,000 remaining,” or less than 1.2 percent of projected annual revenue. The rules of good governance dictated that a healthy city have 5 to 15 percent on reserve, he told his audience. To balance the budget Goodnight would have to consider layoffs, including in the usually sacrosanct public safety sector. After all, payroll accounted for three-quarters of the city’s annual budget.

The mayor said something else that was a surprising thing to hear from an elected official anywhere in Middle America today. “My labor union philosophy taught me to make decisions based not on what is best for the individual, but on what is the best for the group as a whole,” he said, sounding like an amalgam of John F. Kennedy, who told citizens to “ask not what your country can do for you, ask what you can do for your country,” and Karl Marx, who preached “from each according to his ability, to each according to his need.” For, unlike most Indiana mayors, who often were licensed attorneys or successful businessmen, Goodnight was a mere high-school graduate, a long-time steelworker and factory hand who had nevertheless worked his way up the union ladder and local government to be elected mayor of his hometown in November 2007. He had been sworn in on January 1, 2008, just weeks before his State of the City address.

Goodnight — a Matt Lauer look-alike with an easy manner and a baritone voice, just a bit twangy from growing up locally — got his first good job out of high school in construction driving heavy equipment and tri-axle rigs between small Indiana towns. His father, Jimmy, a Teamsters Union official, got him the job. Later, he worked for Kokomo-based Haynes International, a manufacturer of high-tech nickel and cobalt-alloy metals. Goodnight wasn’t active in the unions at first, but after one layoff he landed another factory job at a non-union shop where he worked twelve-hour shifts with no lunch and two twenty-minute

toilet breaks. When he was called back to Haynes he decided his dad and all the guys he had grown up with were right — unions did matter. He was elected president of the United Steelworkers of America Local 2958, which represented twelve area factories in and around Kokomo, and was elected twice to the Kokomo City Council, winning the most votes of any council member in the 2003 election.

“I’m somewhat of the poster child for Kokomo, for the average person,” Goodnight said. “I have a high school diploma, a limited amount of college, just a few classes. I’ve worked in the factories. If someone had trouble understanding the contract, or the attendance policies, I would help them. I’ve been laid off a couple of times as an adult. I’m very familiar with the average person.”

Several months after that State of the City address Goodnight had begun making the tough decisions, trimming the city budget by six percent through involuntary layoffs and demoting two salaried administrators to hourly rate status, plus locking horns with the city’s 121 firefighters over a proposed pay freeze. Then there was the annexation fight with two unincorporated areas on the edges of town — you receive city services, you have to pay city taxes, he told the resentful citizens to their faces, many of whom promised to punish him at the ballot box if and when they got to vote in municipal elections.

Then there was Goodnight’s family life — just trying to maintain a semblance of normalcy in his family life was complicated by his wife Kelli’s continuing battle with Huntington’s, a degenerative brain disease. A second marriage for each, the Goodnights have four children — making theirs a blended family, yet another ongoing challenge. Several years ago on an early dinner date with Kelli and another couple at a family restaurant Greg pulled out discount coupons from his wallet and passed them around. “I figured she better know what I’m about before we went too far,” he said.

The Goodnights live in what was Kelli’s home before they were married, a wood-frame Colonial in what is called the Old

Silk Stocking neighborhood, but it's not as fancy as the name might suggest. Greg drives a 1997 Jeep Wrangler that he bought new and he earns \$79,000 per year as mayor, but that's about the same as he made as a steelworkers' union president in the 1990s and less than what some skilled trades in the auto plants still make.

Kelli, from tiny Walton, Indiana, graduated from Indiana University Law School in 1996, after studying journalism as an undergraduate. She worked for years as a full-time UAW lawyer ironically specializing in bankruptcy matters for rank-and-file members. She says most autoworkers stayed out of financial trouble, but she also saw those who lived beyond their means, often with a track record of declaring bankruptcy every seven years like clockwork after spending their money on big boats, Harley-Davidson motorcycles, and more.

Indiana has disparate geography: broad flatlands and farm fields dominate just north of US 40, the old National Road that cuts through the state from east to west. Sandy beaches and Lake Michigan are at the far northern edge of the state, while deep woods dominate in southern Indiana. The Goodnights often take day trips and Greg likes to stop in to the many small manufacturing towns that dot the state. In part it's to remind himself that he doesn't want his city to end up like some others, he admits. Yet, sometimes, he sees something working right and he'll call and investigate how this or that city is managing. But he and Kelli also want to make sure their children study for the arts and other professions. Their youngest child has just started to learn the piano and their oldest son, Brody, was scheduled to enter Ball State University in the fall of 2009, intent on studying telecommunications. He wants to make documentary films one day, kind of like a young Michael Moore.

Only in December 2008, near the end of his first year in office, did Greg Goodnight have a chance for a friendly night out on the town. It was the annual United Auto Workers retiree Christmas party in the Howard County Civic Center. About 5,000 retired UAW workers still lived in and around Kokomo and

their Christmas party was one of the big events on the community calendar each year, complete with a catered chicken dinner, prizes (floral arrangements this year), and rousing speeches by local union leaders and Democratic Party officials. It was a chance for Goodnight to set aside the constant budget battles and even forget an April 2008 *New York Times* spread on the city that he believes portrayed Kokomo as a town full of good old boys who sat in lawn chairs in the back of their pickup trucks and drank beer all day, a sad backwater not worth saving[†] and Goodnight liked to keep the clipping at hand as motivation — he would save his city just to prove the authors wrong.

Five hundred people showed up for the 2008 Christmas party, yet on the same evening, about 600 miles to the east, the United States Senate was meeting to vote on a proposed \$14 billion aid package for two of the Detroit Three domestic auto manufacturers. Goodnight had been prescient in his State of the City address as an actual bankruptcy at any of the Detroit automakers, but especially Chrysler, would not only cost current employees their jobs, but would put in jeopardy the prosperity of all the retired UAW workers in the area, as well. Everybody at the chicken dinner knew about the Senate hearings; that's all they really wanted to talk about that evening. It was a Thursday, about thirty-one degrees Fahrenheit outside, with sleet and freezing rain falling as it often does early in the winter in north-central Indiana. Goodnight left the Christmas party about 9 p.m. and returned to his office in city hall to watch the vote on TV. The deliberations were broadcast live on cable news stations. The auto industry crisis had become the talk of the nation, second only in public interest to the subprime mortgage crisis and credit crunch of 2008.

“Everybody had been following the debate,” Goodnight said. “I thought it was getting very partisan. I felt there was very little scrutiny given to the Wall Street package and very little discretion on how they were going to spend the money given to them, therefore I thought there was an overreaction to how they were going to give money to the auto industry. And there was a lot of

animosity to the UAW. I saw that.”

The bailout package never came to a vote that evening. Senate Democrats failed by a vote of 52–35 to “end debate” on the matter, so the bill authorizing the \$14 billion aid package simply died. “We have worked and worked and we can spend all night tonight, tomorrow, Saturday, and Sunday, and we’re not going to get to the finish line,” Senate Majority Leader Harry Reid said at the time. “That’s just the way it is.”²

Jeff Shrock, a third generation autoworker and an officer of UAW Local 685, which represents Chrysler hourly employees in Kokomo, was also at the retiree party that night with his wife, Tina, and two children, Samantha and Cory. Shrock, forty, is a former Major League baseball prospect who injured his throwing arm while on scholarship at Western Kentucky University in Bowling Green, a town that’s also home to Chevrolet Corvette production. When the “Tommy John” surgery (so named for a Major League pitcher who had his throwing arm successfully rebuilt after an injury) failed to save Shrock’s career, he dropped out of college and returned to Kokomo where he waited for an opening at Chrysler, then jumped in. Shrock, too, was following the proceedings live on TV with a group of friends from the auto plants.

“Jaws dropped. They were worried,” said Shrock, about six-foot-two and still fit, but with his thick, straight hair almost completely gray now. “They figured bankruptcy was inevitable. It was kind of a quiet time because everyone was speechless, not knowing what direction the company was going to take.”

Shrock missed the final vote on “ending debate” in the Senate, but received a call at home later that evening from the office of Indiana Congressman Joe Donnelly (Democrat, second district). Donnelly represents part of Kokomo and Howard County and had worked closely with UAW representatives to support the aid package in Congress. “That’s how I found out. It was like a death in the family,” Shrock said.

As an elected Local leader, Shrock no longer works in the factories, though he visits them almost daily to deal with employee grievances, work rules, and the like. His offices are in a plain,

single-story union hall south of downtown, which was built in stages beginning in the 1960s. The simple brick building is located in one of the city's family-style neighborhoods where many of the autoworkers have lived for decades. Large signs by each entrance to the parking lot declare that all "non-union" cars will be towed at the owner's expense.

Shrock is unapologetic about union activism in America. A relatively gentle, even laconic speaker, he has a soft accent that is not a drawl nor is it Southern. It's a voice that could very well be like that of pioneers in Indiana in the beginning of the nineteenth century. Just think of Gary Cooper in *Friendly Persuasion*, the movie about a pacifist Quaker family in Indiana during the frontier days. "As we followed the debate we knew the bailout was in trouble," Shrock said. "That was the word in the plants. Once the people heard [Tennessee Republican Senator Bob] Corker there was a lot of anger in their eyes."

Corker, who demanded UAW concessions as a condition for a bailout loan, had raised hackles in Kokomo when he stared down Robert Nardelli, the Chrysler chairman, during earlier congressional hearings. "Chrysler doesn't really want to be a standalone business," Corker told him, cameras rolling. "That's well-documented. Your plan is to hang around so you can date someone and hopefully get married soon before you run out of money."

But the people in Kokomo wanted Chrysler to survive, and they believed that Nardelli did, too. Some workers wrote Corker or called his office to protest his remarks. One fellow wrote to say he was canceling his annual fishing vacation to Tennessee.

Corker was an equal opportunity offender — he chastised both the failures and insularity of the Detroit Three management, but also what he perceived as greediness and poor shop-floor habits of the autoworkers. To people like Corker the unions were part of the problem, not the solution. But Shrock didn't see it that way at all. As a child he virtually grew up in this union hall — a hall with a full gym in back with basketball hoops, free weights, and more, plus a large banquet room for mass meetings