

# The Destruction of the American Middle Class

## What's Good for GM is no longer good for America

By Jim Hightower

People like Robert Paulk and Jerry Roy are the heart of corporations like General Motors. Paulk, 58, and Roy, 49, are longtime, highly skilled, hourly employees who've been working-class proud of being part of GM. Over the years, they've known their share of the hard labor, heavy lifting, and stress that come with being an auto worker, but they've stayed loyal, taken great pride in their work, and kept increasing their skills and productivity—doing their part to help General Motors become the largest car seller in the world...and helping GM's investors pocket years of profits.

The job has been good to Paulk and Roy, too. Under the contracts negotiated by the United Auto Workers, Paulk, his wife, and their two teenagers have been able to enjoy a slice of middle-class comfort. Likewise, Roy, a third-generation GM worker, has done well enough to afford a modest but pleasant house on a lake near Flint, Michigan, where his job is.

The Paulks and Roys represent a common story that can be told by millions of Americans of their generation. It's the story of our country's "social contract"—an implicit agreement between working stiffs like them and corporations like GM. This is a remarkable success story, embodying our nation's egalitarian ideals and our commitment to the common good. In practice, America's historic social contract has established within our huge, diverse, and fragile society something essential: a stable middle class. While the Constitution and Bill of Rights are the legal glue of our nation, this contract is the social glue—it binds us as one people, giving tangible evidence that "we're all in this together." Those who produced this democratic advance were not the founders back in 1776 but our parents and grandparents—and doing so did not come easily for them.

In the 1920s and '30s, working families in industry after industry openly rebelled against the rampant corporate greed, workplace abuses, and political corruption of the day. As they organized, marched, and held sit-ins and strikes, they were bludgeoned, shot at, and often killed by corporate bosses, Pinkerton goons, police, and even the National Guard. It was a hellacious period of bloody labor war, deep social unrest, and spreading political upheaval. Finally, fearing for the very survival of capitalism, corporate chieftains began to signal to union leaders that they were ready to negotiate for labor peace and a new social order.

The ensuing bargain was straightforward: corporations would get labor, loyalty, and productivity in exchange for assuring job and retirement security. From the New Deal until the mid-1980s, unions, corporations, and government hammered out a series of explicit agreements, rules, and laws that gave legal structure to this implicit contract. The result was a new balance of power that made ordinary people like auto workers the first decently paid, decently treated working class in the world.

Work was still hard and demanding, but the development of our social contract meant that, for the first time, tens of millions could find the American dream within their reach. By no means would you be a millionaire, but you could buy a modest home, have health care for your family, take a vacation, and not have to fear retirement—in other words, have the work ethic fairly rewarded. Such a contract also enabled working folks like Paulk and Roy to feel positive

about America's commitment to the common good, to pride themselves as being a valued part of the economy and the larger community, and to have hope for the next generation. Such feelings are more than touchy-feely niceties—they determine whether people support the social order. This is why the feelings of workaday folks like Paulk and Roy are a crucial barometer of America's well-being, and why today's corporate and political elite had better begin tuning in to them "We're all worried. Everybody is worried," Paulk says of GM's workers. "There are a lot of people that are really mad. They think this is the thing that revolutions are made of."

## The thing

What has the majority of America's working families worried, angry, and in a mood to revolt is that the Powers That Be have unilaterally decided to walk away from the social contract, and in so doing, to kiss off our country's middle class. The evidence of their abandonment is everywhere:

- Cut-backs, take-backs, and downsizings have become routine corporate practice, even in a time of soaring corporate profits.
- Wages have been deliberately depressed (now not even keeping up with inflation), while workers have dramatically increased the productivity, profitability, and competitiveness of their corporations.
- While CEOs slash wages, cut health care, and eliminate pensions for workers, they wallow in extravagant pay packages for themselves, get Cadillac health coverage for life, and grab rich pensions they haven't earned.
- Not only are most manufacturing corporations shifting their investments and middle-class jobs offshore (mostly to China), but the high-tech industry is also abandoning the American middle class, shifting even its professional work to low-paid countries (mostly to India).
- Corporate money has bought the White House and Congress (including too many moneysoaked Democrats), so Washington has been aggressively dismantling the framework of rules and laws that allowed labor to achieve some fairness in the workplace.
- The courts and regulatory agencies have been stacked with former corporate minions who are consistently ruling against worker rights and protections.
- Wall Street's powerhouse investors are now demanding that every corporation and the overall American economy be organized on the low-wage, no-benefit, antiunion model of Wal-Mart.
- The media establishment (itself corporate) has obligingly adopted the corporate spin that the day of unionism is long gone, that workers must learn to accept insecurity and a lowered lifestyle, that the social contract is simply too much of a burden on corporations and governments in this age of global competitiveness, and that, for success, tomorrow's workers "must take on the responsibility" to identify and acquire—"on their own"—"the emerging skill sets" that will be "valued in the marketplace" (believe it or not, this glob of gobbledygook actually came out to the mouth of an IBM executive, quoted approvingly in the New York Times).

## What's good for GM...

The middle class is not simply "vanishing" (as some well-paid scribes of the establishment media so blithely put it)—the middle class is being vanquished! The auto industry, for example, which once took pride in its workforce and in being America's economic engine for a shared prosperity, has now launched a particularly gruesome assault. Late last year, just before the holidays, General Motors (whose president once famously declared that what's good for GM is good for America) announced that it was closing 12 of its U.S. plants, eliminating 30,000 hourly jobs, and whacking a billion dollars a year out of the health-care benefits it owes to its blue-collar workers and retirees. Two weeks later, GM announced that it was going to triple the number of cars it makes in low-wage India.

At about the same time, Delphi Corporation went even farther. A division within GM until it was spun off in 1999, Delphi is the nation's largest supplier of dashboards, brakes, doors, power trains, and other components assembled by auto companies, hauling in more than \$28 billion a year in sales. It announced last October that it plans to close some of its 31 U.S. plants, terminate its health-care plan and life-insurance coverage for blue-collar retirees, reduce pension payments, and—get this—force its 34,000 hourly workers to take a two-thirds cut in their wages. Skilled workers there, who make as high as \$30 an hour, would be knocked down to as low as \$10 an hour. Asserting that the middle-class wages and benefits earned by auto workers are unaffordable luxuries these days, millionaire executives have begun the Wal-Martization of auto-making. This is not just another industry, and the severing of the social contract by GM and Delphi is not just another in a long string of corporate downsizings. This is one of our nation's premier industries, a symbol of America's economic vitality and can-do spirit, and a pacesetter for our entire economy.

In 1914, only a year after he opened his first assembly line, Henry Ford stunned the manufacturing world by more than doubling the hourly wage of workers on the line. At \$5 a day, he explained, they could afford to buy a Ford. Moreover, James Couzens, Ford's corporate treasurer at the time and the man credited with the \$5-a-day idea, said: "We want those who have helped us to produce this great institution and are helping to maintain it to share our prosperity."

Ninety-one years later, the managerial heirs to Ford and Couzens are disowning any corporate commitment to shared prosperity as they arbitrarily abrogate the good-faith contracts negotiated with auto workers. Today's industry executives are cutting off the top rungs of America's middle-class ladder, lowering the best-paid jobs to a level where employees will no longer have the income to buy the products they make.

In the name of "competitiveness" with third-world countries, these executives are creating a poorer, less secure—and angry—working class in our country, stealing the American Dream from millions of people. Their actions raise a number of Big Questions for the future of our society:

Around what shall we gather? Learning from early childhood the importance of fairness and sharing is central to our becoming social beings. Indeed, these were the basic values behind the social contract, which pledged that loyalty, productivity, cooperation, and quality work would be fairly rewarded. But these values are nowhere in sight when GM dumps 30,000 loyal workers whose productivity record, according to the very CEO who did the dumping, "has been dramatic," doubling in the past 10 years. These values are also absent when GM shuts down 12 facilities, including two that were ranked among the industry's best in quality and a third at

GM's Tennessee Saturn plant, renowned as a model of labor-management cooperation. GM has now emphatically declared that those virtues are no longer to be honored. If our society can no longer gather around the shared economic values of loyalty, productivity, cooperation, quality, and fairness...then, what? The only answer being offered by the elites is "Survival of the strongest"—but that's the law of the jungle, not a social ethic.

Why shouldn't workers be well paid? The CEOs (and the compliant media) keep hammering auto workers as the "aristocrats" of labor, claiming that their wages and benefits are excessive and must be slashed so that U.S. auto corporations can become competitive again. A New York Times reporter, in a tone of tongue-clucking criticism, noted that GM's American employees are earning far more than auto workers "in countries like Mexico and China." Well, gosh— I would hope so! Isn't getting ahead part of the American ethic? What's wrong with a blue-collar factory worker making \$30,000 or even \$60,000 a year plus health care and a good pension? That's success—for the workers and for America—and it ought to be held up as a model for a well-run economy, not a target of derision. Oh, by the way, how ludicrous is it for the pay of middle-class workers to be attacked by CEOs hauling away millions of dollars each and living in platinum cocoons?

What about the abject failures in the Executive Suite? Top management has become highly creative at blaming, reducing, and stealing from its workforce. If management put a tenth of that creativity into designing cars that the buying public might actually want, there would be no need for the massive cutbacks we're getting. Contrast Detroit's performance with the competition. Toyota, for example, makes cars here in America, paying wages and benefits comparable to Detroit's. But its high-quality, good-mileage, reliable cars are selling— American consumers are snapping up Toyotas faster than the company roll them out. Far from cutting back, Toyota and other foreign competitors are opening new plants in America, while the geniuses running GM are trying to shrink their way to prosperity. U.S. auto chieftains do not keep up with market demands or design quality cars. Instead, they run top-heavy corporate structures, engage in fraud (much of Delphi's present financial troubles come from its three-year, Enronish accounting scandal that cost investors more than \$1 billion), launch new "turnaround" schemes every few months, rely on money-losing discounts to move inventory, and dump money into silly advertising campaigns to try to cover up their production failures. Then, with revenues down, they demand more cutbacks for the blue-collar workers while merrily giving everyone in the executive suite promotions and raises.

Doesn't this cry out for a National Health-Care Program? A constant refrain from the auto companies is that the soaring cost of health care is crushing their bottom line. For example, GM honchos wail loudly that covering their autoworkers and retirees adds \$1,500 to the cost of each car. The only answer, they say, is to slash or even eliminate this protection for working families. But wait—before our country callously agrees to yank the health-care rug out from under the middle class, let's consider fundamentally reforming our bloated, bureaucratic, exorbitantly expensive, inadequate and unjust health-care system. Again, check the competition: Japan has a national health program that doesn't leave its population dependent on whether an employer wants to or can afford to cover employees. No matter what their job is (or if they even have a job), the Japanese people have the security of health coverage. Thus Toyota's workers enjoy health care without the cost being added to the price of the cars they make.

With a national health program for America, not only would GM improve its competitiveness by some \$1,500 per car, but our nation would also be made stronger by replacing the inefficiencies and greed of the massive corporate structure (insurance giants, HMOs, drug

peddlers, etc.) separating us patients from our doctors. America spends far more per person on health care than do Japan and other countries with a national plan— and they get superior care. It's time for the auto bosses to show leadership. Rather than retreating on the social contract, they should use their political and media clout to advance a national health-care program that'll truly be good for the country...and for General Motors.

### **A dangerous betrayal**

Today's corporate leadership is playing with fire. The elites are so focused on enriching themselves— knocking down the workaday majority's wages and benefits in order to grab more of the nation's wealth, for example, and getting Bush to keep piling on the tax giveaways for the rich at the expense of everyone else—that they have become blind to the looming threat that their avarice poses to the social order... and to their own well-being. Until recently, the Wal-Mart model has been taking advantage of lowskilled, low-income workers, but moving that model upward to autos, steel, high-tech, and other industries ensnares highly skilled, middleincome workers. There's a big difference between holding people down and knocking them down. Middleclass working families are people who've had a slice of the American pie—and for them to be told now that their slice will be taken from them and their children is not merely to shred the social contract and throw it in their faces, but to dissolve the social glue that holds our big, sprawling, brawling, country together. It's the betrayal of the middle class.

