

How the US airlines got their \$15 billion bailout

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The intimate ties between corporate America, the Bush administration and the two main political parties were illustrated in sharp relief last month by the speed with which Congress passed the bailout of the airline industry. Less than two weeks following the September 11 terror attacks the airlines had secured \$15 billion dollars in federal money, with none of it going to the thousands of airline workers who have lost their jobs and seen their benefits slashed.

Only the day after the attacks, the airlines sprung into action. Their lobbyists converged on Capitol Hill to convince Congress that the industry needed billions of dollars. In fact, they argued that the very survival of America was dependent on the injection of huge sums of federal money into the airline companies' coffers. Senator Peter G. Fitzgerald (R-Illinois), the only senator to vote against the bailout package, told the *New York Times*: "The airline industry made a full-court press to convince Congress that giving them billions in taxpayer cash was the only way to save the republic." He described the airlines' lobbying efforts as "masterful."

The airlines have a powerful lobby in Congress, including 27 lobbyists working directly for the airlines and another 42 from Washington firms. Included among them are former White House aides, transportation secretaries and retired congressmen. Haley Barbour, a former Republican National Committee chairman, and Rebecca Cox, a former Reagan administration official and the wife of Representative Christopher Cox, a California Republican, were also on board for the airlines' cause.

Linda Hall Daschle, the wife of Senate Majority Leader Tom Daschle, is a lobbyist for American Airlines. While reportedly avoiding her husband and Senate Democrats in her lobbying efforts, Ms. Daschle

campaigning vigorously among House Democrats for the bailout.

Airline top executives lobbied for their companies in person. Among them were Donald J. Carty, CEO of American Airlines' parent company AMR, and Gordon Bethune, chief executive of Continental Airlines. Both companies are based in Texas, and Carty and Bethune have known George W. Bush for years. Delta Airlines CEO Leo F. Mullin was also on hand.

Board members of the six major airlines made calls to leading members of Congress and the Bush administration to support their case. Kirbyjon Caldwell, a Continental director, phoned three senators on September 19, saying the bailout was needed to transform "a moment of fear to a moment of faith." American Airlines Director John W. Bachmann called Missouri Representatives Richard Gephardt and Roy Blunt to say the airline industry's losses were nothing less than "breathtaking" and required immediate action.

The airline industry has long been a big contributor to the Democratic and Republican parties, and this support was rewarded generously in the bailout package. American Airlines' board members contributed \$148,000 to Republicans in the 2000 campaign, and American donated \$100,000 to the Bush inauguration. The boards of Delta, United, Continental and American gave a total of \$712,569 in soft-money to both the Democrats and Republicans. Since 1998 the airlines overall have given a whopping \$7.4 million to Republican candidates and committees, and \$4.6 million to the Democrats.

On the evening of September 14, only three days after the attacks, the airlines came close to ramming through a \$12.5 billion rescue package. The vote on the House floor—which was virtually abandoned after members had been sent home for the day—almost passed

unanimously. Representative Lloyd Doggett (D-Texas) was the only one to object and the measure failed to pass. Continental Airlines, based in Doggett's home state, unleashed its wrath against the congressman and began an automated telephone campaign throughout Texas claiming Doggett should be held responsible for any future layoffs at the airline.

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Pressure by the airlines for the bailout did not let up. Thousands of airline workers' jobs were eliminated—a process that had begun before September 11, which the industry accelerated following the attacks. More than 100,000 airline employees have now lost their jobs, but the \$15 billion bailout package that was finally passed by Congress contains not one penny for these workers or their families. The Senate voted 96-1 to approve the bill and the House voted by an overwhelming 356 to 54.

The bill contained \$5 billion in immediate cash to the airlines, along with \$3 billion in emergency spending directed by Bush as part of the \$40 billion authorized by Congress in response to the attacks. Another \$10 billion was provided to the airlines in the form of guaranteed loans. The bill also makes the federal government the insurer of the airline industry for the next 180 days, after which insurance companies are expected to offer renewal of coverage at higher rates. The provisions of the bill are also tailored to favor the biggest airlines at the expense of the smaller ones, whose markets are limited and who lack the political clout of the major carriers.

In addition to the airline bailout, the economic stimulus bill being pushed by the Bush administration will provide in excess of \$60 billion in tax cuts for the rich while providing token assistance to the millions of Americans suffering as a result of the terror attacks. The airlines are among the most energetic supporters of provisions in the bill that will allow corporations to reduce their tax liability.

As was shown in the swift and lucrative bailout for the airline industry, the Bush administration and Congress have made it clear they can be counted on to do whatever they can to see that the impact of the terror attacks does not adversely affect the profits of the airlines and other powerful sections of big business. In fact, the political establishment has seized on the tragic

events to push through measures which corporate America was lobbying for long before September 11.



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