The merger between Chrysler and Daimler-Benz: What it means for workers

Editorial Board
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The takeover of Chrysler Corporation by Daimler-Benz in a $38 billion stock deal is a powerful demonstration of the globalization of the world economy. The largest industrial company in Germany, and in Europe as a whole, is acquiring one of the biggest American corporations, creating a transnational giant with a work force of 410,000 and an annual output of over $130 billion.

The combination is the largest industrial merger in history and the biggest-ever acquisition of an American company by an overseas concern. The merged company, to be called DaimlerChrysler, will be the fifth largest auto maker in terms of the number of vehicles produced, ranking after GM, Ford, Toyota and Volkswagen. In terms of the value of the vehicles, DaimlerChrysler, will rank third. If DaimlerChrysler were a country, it would rank 37th in the world in terms of Gross Domestic Product, just behind Austria, but well ahead of six other members of the European Union?Greece, Portugal, Norway, Denmark, Finland and Ireland.

Unlike recent auto industry mergers, which frequently involved the gobbling up of small or failing companies by more powerful rivals, the Daimler-Chrysler deal involves two highly profitable companies, with combined net earnings of $5.7 billion in 1997. Daimler-Benz has rebounded from losses in the early 1990s to post record profits, while Chrysler makes a larger profit per vehicle than any other auto manufacturer.

The driving force behind the combination is the necessity to create ever-larger globally-based enterprises which can compete in all the major markets of the world, and especially in the three main centers of world capitalism: North America, Europe and Asia. Before the merger, Chrysler and Daimler-Benz were essentially regional producers--Chrysler with the third-largest market share in North America, Daimler-Benz controlling the luxury market in Europe.

Chrysler was compelled to sell its European and Latin American operations during its financial crises of the 1980s and early 1990s. Last month it sold only 17,713 vehicles outside North America, compared to nearly a quarter of a million vehicles in its home market. Daimler-Benz only opened its first plant outside Europe last year when it began assembling a sport-utility version of the Mercedes-Benz at a plant in Tuscaloosa, Alabama.

Neither company has a facility in Asia. At their joint press conference in London, both Daimler-Benz Chairman Jurgen Schrempp and Chrysler Chairman Robert Eaton hinted that the next step might be the acquisition of a Japanese company, possibly Mitsubishi, a former Chrysler partner, to round out the merged company's global presence.

In the wake of the merger, financial commentators and auto industry analysts predicted that the remaining regional auto manufacturers would be compelled to combine into global-scale firms in order to compete with GM, Ford, Toyota, Honda and the new DaimlerChrysler. They cannot remain nationally-limited manufacturers, selling to a national market. As one analyst told the *Times* of London, "The country flags have come down and the flag of profitability has gone up."

The coming attack on jobs

Both Schrempp and Eaton declared that the merger would not mean any plant closures because the two companies do not compete directly in most markets. These claims, uncritically echoed in the bulk of the media coverage of the event, do not hold water. Even if there are no immediate plant shutdowns, the merger is certain to cause widespread displacement among white collar and technical workers, as DaimlerChrysler moves to centralize administrative and engineering operations.

Daimler-Benz has cut 40,000 jobs since 1995, when Schrempp became CEO, and officials at the German company said that one of the most attractive features of Chrysler was its "expertise" at cutting jobs and slashing costs. Chrysler has shrunk from 160,000 to 79,000 workers since the early 1980s.

Whatever the short-run impact of the merger, a principal goal of every such combination is to consolidate operations and achieve economies of scale, which inevitably involves the destruction of jobs. This fact was underscored by Compaq Computers' announcement, on the same day as the formal announcement of the auto merger, that it would slash 15,000 jobs at Digital Equipment Corporation as a result of a merger announced earlier this year.

The *Detroit News* referred to estimates that the merger would involve "writeoffs of up to $25 billion from closing underused plants worldwide." *News* columnist Jon Pepper interviewed Chrysler Chairman Robert Eaton and wrote that the Chrysler boss was guided, not by immediate profit considerations, but by concerns over the company's prospects over the next decade.

"What drove Eaton to move was a potentially calamitous shakeout in the global auto industry," Pepper wrote. "He worried about the growing overcapacity in the world's automotive industry. By 2002, he figured, there would be 80 more assembly plants than the market demanded, an overcapacity equal to six Chrysler Corporations."

This gigantic surplus of productive capacity is "excess" only from the standpoint of capitalism, because it means that far more cars can be produced than can be sold at a profit. This productive capacity cannot be put to use, within the framework of the profit system, to meet the needs of people all over the world for cheap and convenient transportation. Instead, it looms over the industry, insuring that the next downturn in the business cycle will have dire consequences for auto workers and the working class worldwide.

Last year alone there were 750 auto-industry mergers and acquisitions worth a total of $28 billion, as car and parts manufacturers combined operations and shed jobs. The $38 billion Chrysler-Daimler merger insures that 1998 will see a record volume of such combinations.

Globalization and the unions

The Daimler-Benz takeover of Chrysler is part of an enormous outflow of capital from Germany, as giant corporations like Hoechst, Bertelsmann's, Siemens and Volkswagen buy foreign companies or invest in new plant and equipment outside the country. In the last year alone, ten times as much was invested by German companies overseas as foreign companies invested in Germany.

The goal of this investment is to achieve higher profits by obtaining labor at cheaper rates than these corporations currently pay within Germany itself. Volkswagen has purchased Skoda, the biggest Czech manufacturer, while Siemens acquired the electrical equipment business of Westinghouse and now has more than half its corporate work force outside Germany.

Daimler-Benz has bought or built plants throughout the former Soviet bloc. Its most recent excursion in search of low-paid labor is to Alabama, where labor costs were less than half the $29-an-hour which the company pays in Stuttgart and other German cities.

Peter Hans Kailbach, manager of the Tuscaloosa plant, gushed about the advantages of the American South in an interview with the *Washington Post*. "It's been a great experience," he said. "The product standard matches anything built in Germany, and the cost advantages are extraordinary."

The takeover of Chrysler is likely to be followed by a further shift in production by the merged company from Germany to North America, slashing the jobs of German workers while, in the short term, maintaining or even temporarily increasing the number of jobs in the US and Canada.

This explains the enthusiastic support for the merger from the union bureaucrats of the United Auto Workers and the Canadian Auto Workers. They count on increasing their dues income at the expense of their counterparts in the German IG Metall. Moreover, the UAW and CAW bureaucrats hope that Daimler-Benz officials will extend to America the corporatist policies carried out in Germany under the rubric of "co-determination." Under the German system, union officials are given half the seats on the corporation's board and play a more substantial role in the administration of the business than their American counterparts.

Co-determination, however, has nothing to do with genuine industrial democracy, workers' control or socialism. It is only a more developed form of the labor-management collaboration which the UAW has embraced over the past two decades, sacrificing the jobs and living standards of auto workers in return for well-paid perks and posts for union bureaucrats.

Despite the selfish and nationalistic calculations of the UAW and CAW, however, there is no question that American and Canadian workers, like their class brothers and sisters in Germany, will feel the effects of the merger and the overall onslaught on jobs, living standards and working conditions.

Schrempp's own record is a warning. The Daimler-Benz CEO spent a total of 11 years running the company's operations in South Africa under the apartheid regime. He also spent two years in Cleveland, Ohio, running a truck plant which the company had acquired, until he convinced top management that the plant was unprofitable and should be sold off. As soon as he became CEO in 1995, he sought a confrontation with the German auto workers, unilaterally abrogating a longstanding policy on sick leave which provoked a series of bitter strikes.

The alternative for the working class

The Chrysler-Daimler merger demonstrates the urgent necessity for the working class to develop an international strategy to fight the attacks of globally organized capital. It demonstrates the backwardness and stupidity of those, from union bureaucrats to middle class ex-radicals, who seek to limit the working class to struggles within a national framework, or waged by purely trade union methods. It underscores the incapacity of the old nationally-based labor organizations to provide an effective means of struggle for the working class.

The capitalists organize their operations on a global scale, and the working class must respond in kind. The accelerating pace of the global integration of production is an objectively determined process, fueled by the revolutionary developments in technology and the inherent drive of the productive forces to overcome the stifling limitations of the national market.

To "oppose" globalization is no more viable than to oppose the law of gravity. The question is: on what basis, and in whose interests will this process be carried forward? In so far as globalization takes place on a capitalist basis, carried out from above by the transnational corporations and the industrial and financial elites of the various countries, it will mean ever more brutal attacks on the working class.

If, on the other hand, the working class unites its forces internationally and carries out a revolutionary political struggle against the profit system, establishing its control over the productive forces, the vast potential of the global economy will be harnessed to dramatically raise the material and cultural level of the world's population.

The International Committee of the Fourth International is the only political movement which seeks to unite the international working class in a common struggle, based on a socialist program. The Chrysler-Daimler merger is another powerful proof that only the perspective of socialist internationalism offers a way forward for working people.