

# The US auto bailout and the socialist alternative to concessions

17 November 2008

It is now clear that the central issue in the debate over whether to extend a bailout to the US auto industry is the destruction of the conditions of auto workers. Whether it takes the form of a government loan or the bankruptcy of one or more of Detroit's Big Three carmakers, the aim is to create conditions which will rip up existing labor agreements and drive auto workers back to conditions of poverty and ruthless exploitation which existed prior to the industrial battles that built the United Auto Workers union in the 1930s.

As Congress continues discussion this week on a possible \$25 billion loan package, divisions have emerged over how best to force workers to pay for the crisis. Congressional Republicans have denounced a bailout as an impermissible interference with the free market. They argue that auto companies should instead file for bankruptcy—even at the expense of millions of jobs—and use courts to slash labor costs and restructure on a far more profitable basis.

Democratic congressional leaders have meanwhile argued that a bailout is needed to help automakers continue the restructuring process which has already led to 100,000 job cuts since 2006. Speaking on NBC-TV's "Meet the Press" Sunday, Michigan's senior Democratic Senator Carl Levin boasted that the automakers had already eliminated half of their hourly workers and a third of their salaried staff. "Things have changed, if people will only recognize what the Big Three, what the UAW have worked out in terms of concessions, in terms of pay cuts, in terms of benefit cuts."

Industry analysts say that even with a bailout the auto companies will mothball at least another 10 assembly plants, eliminate 30,000 factory jobs and lay off thousands more engineers and salaried personnel. Much of the bailout money will be used to buy out older, higher paid workers and replace a portion of them with new-hires earning half the former workers' wages.

The news media has universally supported these measures which would destroy the gains won by auto workers over decades of struggle. In a particularly vicious and cynical column in Friday's *Washington Post*, called a "Lemon of a Bailout," Charles Krauthammer said bankruptcy would mean, "release from ruinous wage deals with their astronomical benefits... massive pension obligations and unworkable work rules such as 'job banks,' a euphemism for paying vast numbers of employees not to work."

For their part, liberals like Robert Reich—an advisor to President-Elect Barack Obama—insist that any bailout must be contingent on more sacrifices from auto workers. "In exchange for government aid," Reich wrote, "the Big Three's creditors, shareholders and executives should be required to accept losses as large as they'd endure under Chapter 11. And the UAW should agree to some across-the-board wage and benefit cuts."

The *Washington Post* also declared in a Friday editorial that if the UAW did not accept "revamped agreements that achieved greater workplace flexibility and lower labor costs," then "Congress should make clear that the alternative is bankruptcy court, which is likely to insist on a similarly radical restructuring."

The class issues could not be clearer. Those demanding that workers pay for the crisis are the same people who supported the multi-trillion-dollar bailout of Wall Street. No one is demanding that the banking executives make sacrifices. In fact, they are being handed the money without any strings attached or any requirements from the government.

The fact that the state has been forced to intervene in the economy is an implicit acknowledgement of the failure of the capitalist system. The bailouts organized by the two big business parties, however, have nothing to do with protecting the interests of ordinary working people. On the contrary, they are a massive theft of taxpayer money to secure the interests and private fortunes of the capitalist

class, which is responsible for the economic disaster.

This crisis demands a new strategy. The working class must intervene to defend society from financial ruin. The Socialist Equality Party calls for the nationalization of the auto industry under the democratic control of the working population. All decisions involving production, the allocation of financial resources, wages, working conditions—as well as the selection of managers—must be made by factory and workplace committees, elected by working people themselves.

Once the auto industry is publicly owned, the question of compensation to former owners and shareholders can be negotiated. This must be carried out in conjunction with the nationalization of the banks under public control in order to reorganize the entire economy based on the principle of production for human need, not personal enrichment.

A worldwide economic plan must be democratically drawn up to end destructive national competition that leads to the loss of jobs in every country with the attendant pitting of workers against each other to ascertain who will work for the lowest wages and under the worst conditions. The human and technological resources of the global auto industry must instead be used to provide safe, affordable and environmentally sustainable transportation for all.

Such policies are anathema to the incoming Obama administration, which just as much as the Republican president is beholden to the interests of the financial aristocracy. To carry out such a fundamental change the working class must build a mass political party—independent of the two parties of big business—to fight for a workers' government and genuine democratic control over economic and political life.

The attack on auto workers will be used as a precedent to impose the capitalist economic crisis on the backs of the entire working class. But workers are not responsible. They have absolutely no say in the business decisions that have been taken by the owners and top executives. The latter preside over a de facto corporate dictatorship, and blame workers when their avarice and incompetence lead to disaster.

The auto industry is a case in point. During the 1979-80 Chrysler bailout, auto workers were forced to hand over billions in concessions. The money was not used to improve the long-term viability of the industry but to increase the wealth of the biggest shareholders and corporate executives.

In 1984, the top executives of the US auto industry were

paid 12 to 18 times as much as the average blue-collar worker. By 2006, they were paid 122 times more, not including the golden parachutes worth \$100 million or more for each executive. The recent labor agreement accepted by the UAW will mean that auto executives will now receive compensation which will be an incredible 240 times that paid to new workers!

Private equity managers from firms such as Chrysler owner Cerberus Capital Management profited even more. Last year, the top 50 hedge and private equity fund managers averaged \$588 million—or more than 10,000 times what a current autoworker earns.

Such staggering levels of inequality and squandering of resources are symptomatic of a bankrupt and outmoded system that must be replaced with a far more rational and egalitarian system, i.e., socialism.

In the struggle to defend their jobs and living standards, workers cannot rely on the UAW, which has long functioned as a partner in the corporate attacks on the working class. Its only concern will be to secure, to the greatest extent possible, the financial interests of the bureaucracy, including shoring up the union's new multi-billion dollar retiree health care fund. In a column in Friday's *Washington Post*, UAW President Ron Gettelfinger boasted that the last contract signed by the union had erased the labor cost differential between union and non-union auto workers.

The great traditions that inspired the sit-down strikes of the 1930s, in which workers affiliated with socialist and revolutionary organizations played a decisive role, must be revived and new organizations of struggle built. Above all, this means building the Socialist Equality Party as the mass political party of the working class.

Jerry White



To contact the WSWS and the  
Socialist Equality Party visit:

**[wsws.org/contact](http://wsws.org/contact)**