

# In bid for loans, Detroit auto makers outline plans for drastic downsizing

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The CEOs of Detroit's Big Three auto companies are appearing before the Senate Banking Committee today to present plans for the restructuring of the US auto industry as they seek federal loans to avert bankruptcy. The plans involve the destruction of the jobs and living standards of tens of thousands of auto workers and factory closures that will devastate communities across the country.

Last month the Democratic congressional leadership rejected the auto companies' appeal for a bridge loan of \$25 billion, insisting that they present plans to return to profitability. General Motors, Ford and Chrysler CEOs have returned to Washington, this time requesting \$34 billion in loans. GM and Chrysler have acknowledged that they will run out of money in a matter of weeks without federal support.

At a news conference yesterday announcing his pick of Bill Richardson for commerce secretary, President-elect Barack Obama said, "Congress did the right thing" in rejecting the companies' previous request. "They weren't offering a clear plan for viability over the long term... This time out, the executives from the automakers are putting forward a more serious set of plans."

Obama and other leading Democrats, including Senate Majority Leader Harry Reid and House Speaker Nancy Pelosi, had no such reservations about using taxpayer money when they handed over \$700 billion, with no strings attached, to the Wall Street bankers whose recklessness and avarice have brought the world economy to the brink of collapse.

Over the last two weeks, congressional Democrats, working closely with the Obama transition team, have collaborated with the auto bosses and the United Auto Workers union to work out a "bailout" plan that will be contingent upon a massive assault on auto workers.

On Wednesday, the UAW announced it would reopen its contracts with the Big Three and accept the elimination of the Jobs Bank—which provided income protection for laid-off workers—and allow the auto companies to delay or reduce billions of dollars in payments to provide health care for more than one million retirees and their dependents.

UAW President Ron Gettelfinger announced the agreement after a meeting with local union presidents and bargaining officials that was timed to precede the congressional testimony by the auto executives.

Far from protecting the jobs and living standards of UAW members,

Gettelfinger was shameless in making clear that the union leadership is willing to hand back the gains won by previous generations of auto workers in return for government loans to the companies. "We're in a race to the bottom," Gettelfinger told reporters. "I used to cringe at the word 'concessions.' Now I say, why hide from it? That's what we did in '03, '05 and '07."

In its submission to Congress, General Motors said it needs \$4 billion before the end of December and another \$4 billion by the end of January as part of an \$18 billion loan. "Absent such assistance, the company will default in the near term," GM said, "very likely precipitating a total collapse of the domestic industry and its extensive supply chain, with a ripple effect that will have severe, long-term consequences to the US economy."

The company will eliminate up to 31,500 jobs, dropping its total number of hourly and salaried workers to as few as 65,000 by 2012. By contrast, at the time of the last major national strike against GM, in 1970, there were 350,000 union members at the company.

The number one US car maker will retain only four core brands—Chevrolet, Cadillac, Buick and GMC—and will sell, eliminate or consolidate its Saturn, Saab, Hummer and Pontiac brands. Its North American factories will be reduced from 47 to 36, and the number of dealers will be cut from 6,450 to 4,700, eliminating thousands of jobs in towns, small and large, across America.

Chrysler is asking for \$7 billion and has indicated it will run out of money by the end of the year. The company, owned by private equity firm Cerberus, has already eliminated brands, disposed of a large number of industrial assets and slashed 32,000 jobs over the last two years, including 5,000 salaried workers who were forced out of their jobs the day before Thanksgiving. Chrysler, which has held merger talks with GM, Nissan and other companies, is widely expected to be absorbed by another auto maker, leading to thousands more layoffs.

Ford, which claims it has enough money to last through 2009, is requesting a \$9 billion "standby loan." The company, which has closed 17 plants since 2003 and wiped out 45,000 hourly and 12,000 salaried jobs in North America over the last three years, promises to shrink its operations further, selling off divisions such as Volvo and pushing through other cost-cutting measures.

There are sharp differences within the financial and political establishment over the bailout, with a significant section advocating bankruptcy as a means of tearing up labor contracts or simply

liquidating the operations of one or more of the Big Three firms. This is the position of the *Wall Street Journal*, which declared in its lead editorial Monday, "There's no natural law that America must have a Detroit automotive industry, any more than steel had to be made for all time in Bethlehem, Pennsylvania or textiles in New England."

Various politicians opposing the bailout, including Alabama Republican Senator Richard Shelby, are, not coincidentally, from southern US states where the Big Three's Asian and European competitors operate non-union plants.

Those backing some form of bailout are insisting that it be contingent on the permanent shrinking of the industry and the destruction of the modest living standards for which generations of auto workers have fought. In a similar manner to the 1979-80 Chrysler bailout—but on a much larger scale—they are using the threat of mass unemployment to wrench concessions from auto workers and set a precedent for imposing the cost of the economic crisis on the backs of the entire working class.

The further gutting of wages and benefits and contraction of the industry, however, will do nothing to reverse the underlying crisis of American and world capitalism, which is at the heart of the collapse of the industry. It will only intensify the crisis as millions of working people are stripped of the means to purchase a car.

*BusinessWeek* magazine recently noted that the contracts signed by the UAW in 2007, which will cut new auto workers' wages in half—to \$14 an hour—mean that "for the first time since World War I we will have people building automobiles in America who won't be able to afford the vehicles they build."

The immediate cause of the collapse of the US auto makers is the global financial crisis precipitated by the frenzied speculation and financial manipulation of Wall Street over a period of decades, which has been accompanied by the dismantling of large sections of American industry. This immense growth of economic parasitism is itself an expression of the historic decline and internal decay of American capitalism.

The resulting credit crunch has made it increasingly difficult for consumers to obtain auto loans and has more generally depressed consumer spending, leading to further declines in production and a worsening of the financial crisis.

This was underscored by this week's reports on US auto sales, which fell to their lowest level in 26 years in November, with Detroit manufacturers suffering a 40 percent decline and even top-selling Toyota suffering a drop of 33 percent. Analysts predict that total 2008 US sales will be less than 11 million, down from 16 million the year before and a peak of 17 million. European and Japanese carmakers are also cutting production to meet declining global demand.

The auto companies' plans for revival are based on thoroughly unrealistic expectations of an economic stabilization and rising sales in the near future. Ford acknowledged, however, that its plan would have to be revised in the event that "industry volumes decline to per capita levels not seen since the great depression era, or if there is a global economic collapse, creating additional cash demands."

The crisis in the auto industry is an expression of the collapse of the entire profit system. It is not possible to reverse this catastrophe—outside of a devastating social consequences it entails—outside of a fundamental restructuring of the US and world economy on socialist principles of social ownership and democratic control of the major levers of economic life, including basic industry and the banks.

The working class is not responsible for this crisis. Auto workers have absolutely no say in the financial, investment and production decisions of the firms for which they work. On the contrary, the root cause of the crisis is private ownership of the auto industry and the means of production as a whole, the subordination of social needs to private profit, and the economic dictatorship exercised by the corporate and financial elite. Their incompetence, greed and single-minded drive to increase the "shareholder value" of the big investors and banks have played a major role in driving the auto industry and the entire economy into the ground. Now they turn on the workers, blame them for the crisis and demand that they pay the cost through the destruction of their jobs, wages, pensions and health benefits.

The precondition for solving the crisis in auto on a progressive basis and defending the interests of auto workers is a fight for the nationalization of the industry under workers' control and its transformation into a publicly owned utility. Auto manufacturing in the US should then be incorporated into a global auto industry based on a socialist program of rational planning and democratic control.

Nor can the jobs and conditions of auto workers be defended outside of the nationalization under public ownership and democratic control by the working class of the banking system. The big financial institutions must serve the needs of society, not the drive of the financial aristocracy to enhance their personal fortunes. All decisions concerning the allocation of financial resources must be made democratically, based on a plan to meet human need, not private profit.

To fight for this, auto workers must oppose the gang-up of the big business politicians, the corporate elite and the UAW and mobilize their strength in their own interests and those of the working class as a whole. This requires a political break with the Democrats and the building of an independent political party of the working class, based on a socialist and internationalist program.

This is what the Socialist Equality Party fights for. Auto workers who are looking for a new means of struggle and see the need for a socialist alternative to the profit system should join the SEP and help build it as the mass party of the working class.



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