

Senate hearing sets the stage for the impoverishment of US autoworkers

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The hearing held by the Senate Banking Committee Thursday on a possible bailout of the US auto industry made clear that any government assistance will be contingent on autoworkers accepting poverty wages and a return to conditions of exploitation not seen since the 1930s.

Senators of both parties insisted that any government loans to the companies be accompanied by unprecedented cuts in auto workers' wages and benefits, well beyond the concessions already agreed to by the United Auto Workers union, as well as tens of thousands of layoffs and the closure of scores of plants. They also called for the establishment of some form of government trusteeship that would have the power to unilaterally rip up existing union contracts and impose more onerous ones.

There remain deep divisions within the political establishment over a government loan to avert bankruptcy by one or more of the Detroit-based automakers, and it is not clear whether General Motors, Ford and Chrysler will receive the \$34 billion they are seeking. This is despite warnings from many quarters that the collapse of GM—which says it needs an immediate \$4 billion infusion just to stay in business until the end of this year—could result in the destruction of 3 million auto-related jobs and an outright collapse of the financial system.

Senate Majority Leader Harry Reid said on Wednesday that he does not have the votes to pass a bailout bill, and the Bush administration is refusing to use any of the \$700 billion allocated by Congress for rescuing the banks to aid the auto companies. In an interview with NBC News on Thursday, President Bush said, “No matter how important the autos are to our economy, we don’t want to put good money after bad.”

Also on Thursday, the Federal Reserve Board turned down a plea from Democrats that it directly lend the Big Three auto companies money to keep them afloat.

Following another round of testimony by the Big Three CEOs and UAW President Ron Gettelfinger on Friday, this time before the House Financial Services Committee, Congress is slated to vote on a bailout bill next week. There is speculation that Congress might approve \$10 billion in loans, pushing off a decision on the rest of the aid until President-elect Barack Obama takes office.

It was clear from Thursday’s Senate hearing that any aid that might be forthcoming will be doled out in stages, so that the government will be able to use the threat of withholding further loans to extort further concessions from the autoworkers.

A significant number of senators, including Alabama Republican and ranking member of the banking committee Richard Shelby, argued that a bailout was an unacceptable interference in the workings of the “free market” system. Shelby and other senators—many of whom come from Southern states where Detroit’s foreign competitors have set up nonunion factories—argued that bankruptcy would be the best way to rip up existing union contracts and impose drastic pay and benefit cuts, if not organize the complete liquidation of the companies.

In opposition to this position, virtually all of the Democrats on the committee and some Republicans from states with major Big Three facilities argued that the collapse of the domestic auto industry would have cataclysmic consequences for a US economy already mired in recession. Several senators called for the approval of an emergency loan to avoid a “disorderly bankruptcy.” Further funds would then be parceled out only if the automakers met specific benchmarks, above all, an accelerated downsizing of the industry and agreements by the UAW to impose ever-deeper concessions on its members.

On November 20, the Democratic congressional leadership, including Senate Majority Leader Harry Reid and House Speaker Nancy Pelosi, blocked a bipartisan compromise bill that would have offered a bridge loan. Instead, they demanded that the companies outline their plans for a return to profitability and return for new hearings this week. This maneuver was aimed above all at pressuring the UAW to agree to new and drastic concessions.

Over the past two weeks, the congressional Democratic leadership has worked closely with members of Obama’s transition team, the auto companies and the UAW to craft a plan that requires a drastic downsizing of the industry, including the elimination of another 31,000 jobs by GM, and virtually unending concessions from autoworkers. This was praised by Obama earlier this week as a “more serious plan.”

The general sentiment expressed by Democrats at the Senate hearing was that the plans submitted by the automakers represented moves in the right direction, but that much more was required. These plans include the UAW's agreement to end the "jobs bank" program that protects some laid-off workers, allowing the companies to defer payment of tens of billions of dollars into a union-controlled retiree health benefit fund, and reopening the contracts with the three companies.

In his opening remarks, Banking Committee Chairman Christopher Dodd, Democrat from Connecticut, struck a phony populist pose, pointing to the obvious double standard between the government's transfer of hundreds of billions of taxpayer dollars to Wall Street banks, with no strings attached, and its insistence that the auto companies provide proof of their viability in return for a small fraction of these sums. He failed to note that he had played a central role in pushing through the bill that gave Treasury Secretary Henry Paulson unlimited and unilateral power to use the \$700 billion bailout fund as he saw fit. In his own remarks, Dodd reiterated the mantra that Congress must not give the auto companies a "blank check."

In their testimony, the CEOs—Richard Wagoner of GM, Alan Mulally of Ford, and Robert Nardelli of Chrysler—spelled out the dire situation facing the entire auto industry due to the credit crunch, growing unemployment and the collapse in auto sales.

The auto companies, which over the past five years have reduced the number of UAW workers from 305,000 to 139,000 through plant closings, buyouts and early retirement programs, pledged to accelerate their downsizing plans and shrink the industry to meet a far smaller demand for their cars. In its plan, GM announced the shutting of another 11 plants in North America.

The auto executives all praised the UAW for negotiating a "transformational" labor agreement last year that reduced new-hires' wages by half, to \$14 an hour, cut health care and pension costs and allowed the auto companies to dump their retiree health care benefits. Mulally said the industry looked forward to assistance from the union in accelerating the removal of higher-paid senior workers and their replacement with new workers making entry-level wages, in order to establish "full competitiveness" with the nonunion US plants operated by Toyota and other international companies.

In his testimony, UAW President Gettelfinger demonstrated the complete prostration of the union before the auto bosses and the government. The day before, UAW officials had agreed to reopen the union contracts—for an unprecedented second time in three years—in order to negotiate further concessions.

Aside from echoing the remarks of the CEOs, Gettelfinger's only contribution was to inject a poisonous note of economic nationalism and chauvinism into the proceedings, railing against "unfair trade deals" and policies that benefited "foreign competitors."

Several senators, including Idaho Republican Mike Crapo and New York Democrat Charles Schumer, promoted the idea that a government oversight board or trustee should be appointed in conjunction with any government loan. This board or individual, they said, should be given all the power of a bankruptcy court to abrogate contracts, unilaterally impose wage and benefit reductions, etc.

Schumer asked Gettelfinger, "Would you agree?" The union president compliantly answered, "I think it will work."

Tennessee Republican Bob Corker departed from the general praise for the UAW, saying that what the union had agreed to up to this point "is not so much." He demanded that the UAW give up supplementary unemployment benefits for laid-off workers and allow the companies to pay half of the money they owe to the retiree benefit funds in worthless stock.

Gettelfinger meekly responded, "I can't answer without expert advice" from the union's Wall Street consultant, the Lazard Group.

The concern of the UAW is not the defense of its members' jobs and living standards, but the continued existence of the union apparatus and the lucrative salaries and perks it provides for the union bureaucracy. Gettelfinger is well aware that the collapse of GM would spell the end of the UAW. That is why the union is willing to do whatever is necessary to keep the companies afloat, including imposing poverty wages and conditions on its members.

The Senate hearing made clear that the government, the corporations and the UAW bureaucracy are using the threat of mass unemployment to blackmail autoworkers into accepting the destruction of all the gains won over generations of struggle. This reactionary operation will be the beginning of a new offensive against the working class as a whole.

This entire framework of the so-called "bailout" must be rejected. The only way to defend the interests of autoworkers and the working class as a whole is through the nationalization of the auto industry and its transformation into a public utility democratically controlled by working people. This must be part of a socialist reorganization of the entire economy, including the banking system, to guarantee jobs and decent living standards for all.



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