

White House, Congress close to bailout deal

“Car Czar” to slash wages, jobs of US autoworkers

Jerry White
10 December 2008

The White House and Congress are reportedly close to a deal to provide a \$15 billion bridge loan to General Motors and Chrysler. The proposed legislation would establish the framework for drastically shrinking the US auto industry and sharply cutting the wages, health benefits and pensions of autoworkers.

There are still disputes within the political establishment over the bailout, with a section of right-wing Republicans denouncing any government effort to prop up the failing automakers as “socialist” and arguing that bankruptcy is a more effective way to slash labor costs or simply liquidate unprofitable companies.

However, a consensus appears to be emerging—involving the Democratic congressional leadership, the Obama transition team and the Bush administration—that the failure of the auto industry and the loss of hundreds of thousands more jobs could lead to a full-scale depression and collapse of the banking system. A bipartisan agreement is near to avert the bankruptcy of the US automakers, at least in the immediate future, while appointing a government overseer who would have as much, if not more, power over the Big Three companies than a bankruptcy judge.

The plan, drafted by the Democratic congressional leadership and submitted to the White House Monday, empowers Bush to appoint a so-called “car czar” to oversee the dispensation of federal loans and the restructuring of the industry. The choice of the term “czar” is apt because the official will have dictatorial powers to tear up union contracts, review financial

books and records of the companies and approve or reject all capital expenditures over \$100 million.

According to some press reports, this official, whose appointment will not be subject to Senate confirmation, will have the power to dictate terms to GM, Chrysler and Ford as well as to the United Auto Workers and other unions, suppliers, vendors, and creditors. The mandate of the “czar” will be to ensure that the companies take any and all measures needed to pay back the government loans.

In a staggering display of hypocrisy, Bush administration spokesmen are invoking the interests of taxpayers to demand that the auto companies demonstrate that they will not take public funds only to return later for more. This is coming from the same government that allocated \$85 billion to bail out the insurance giant American International Group and then handed over an additional \$55 billion to the financial firm, and which injected \$25 billion into Citigroup and then provided a \$300 billion bailout to avert the Wall Street giant’s bankruptcy.

The real motivation for this sudden concern for the taxpayer is revealed by official statements and press reports indicating that the “car czar” will require far deeper cuts and more brutal concessions from the UAW than those agreed to up to now by the companies and the union bureaucracy.

The destruction of tens of thousands of auto jobs and the gutting of what remains of the wage, pension and health care gains won by previous generations of

autoworkers is to be used as a precedent for a new and unprecedented attack on every section of the working class.

Under the bill submitted to Bush by the Democratic leadership, the presidential appointee will draft, by January 1, a series of benchmarks the automakers must meet. If these requirements, including submitting new long-term reorganization plans, are not fulfilled by March 31, the “car czar” can call in the emergency loans for immediate repayment, throwing the companies into bankruptcy and liquidation.

House Financial Services Chairman Barney Frank, a Massachusetts Democrat, said the bill would give the loan overseer “a lot of the powers that you would get in bankruptcy.”

Two weeks ago the Democratic congressional leadership, including House Speaker Nancy Pelosi and Senate Majority Leader Harry Reid, blocked a bipartisan loan agreement on the grounds that the automakers had not presented serious plans for returning to profitability. Last week the automakers returned to Capitol Hill, pledging to slash jobs, wages and retiree benefits, with GM saying it would close nearly two dozen plants and eliminate another 31,500 jobs.

The United Auto Workers union signaled its total surrender, agreeing to reopen its contracts and negotiate wage and benefit concessions that would put labor costs on par with non-union workers at the US plants operated by Detroit’s foreign competitors. In addition, the UAW agreed to abolish the Jobs Bank program—which provides temporary income security to laid-off workers—and allow the automakers to defer billions in payments for retiree health care benefits.

At a press conference on Sunday, President-elect Barack Obama said, “The automakers have come forward and put a more serious plan on the table, but more needs to be done.”

In an interview the same day on NBC’s “Meet the Press,” Obama said the bailout bill would put the auto industry’s “feet to the fire” and “put the pressure on,

the way a bankruptcy court would” in order to force through “tough decisions” involving management, labor and all stakeholders. “We have to figure out,” he said, “how workers can maybe have to take a haircut but still keep their jobs, their health care and homes.”

BusinessWeek noted that GM was proposing to reduce its total debt and long-term liabilities from \$63 billion to \$30 billion. While this would be difficult to wrench out of creditors and suppliers, the magazine noted, “Getting the union to budge might be easier.”

The Democrats and Republicans are in negotiations for an appointee who would retain the “car czar” position under a new Obama administration. Former General Electric CEO Jack Welch—who was dubbed “Neutron Jack” in the early 1980s for eliminating 112,000 jobs—has been named as a possible choice. Nancy Pelosi reportedly favors the appointment of Paul Volcker, the head of the Federal Reserve under the Carter and Reagan administrations who was chiefly responsible for the wave of downsizing and union-busting that occurred during the recession of the early 1980s.

The UAW has demonstrated its willingness to go along with any attack on jobs and living standards, without even the pretense of opposing the demands of the corporations, the Bush administration and Congress.

In exchange for sacrificing autoworkers’ interests, the UAW is reportedly seeking a deal to protect the income and privileges of the union bureaucracy. An article in the *Wall Street Journal* Monday noted that in return for concessions, the UAW is seeking to expand the number of equity shares it holds in company stock and obtain a seat on GM’s board of directors.



To contact the WSWS and the
Socialist Equality Party visit:

wsws.org/contact