

Bush, Democratic auto bailout fails in Senate, talks continue

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As of this writing, the bill negotiated between the Bush administration and congressional Democrats on the bailout of the US auto industry has been blocked in the US Senate. Intense negotiations are reportedly continuing over a new deal that could impose immediate and devastating wage and benefit cuts on autoworkers in exchange for an emergency loan to stave off the bankruptcy of Detroit's automakers.

Word of the deal's collapse led to a sharp sell-off on Asian stock markets Friday, including more than a six percent drop in Japan and Hong Kong.

Earlier Thursday, leading Senate Republicans rejected a bill backed by the White House and passed by the House of Representatives Wednesday night. By the end of the evening, however, the Senate's Democratic Majority Leader Harry Reid said "good faith" negotiations were underway to reach a compromise based on a proposal by Tennessee Republican Bob Corker, which demands even more draconian concessions from autoworkers than the House bill.

Corker's proposal insists that any federal assistance to General Motors and Chrysler be contingent upon the companies reducing their debts by two-thirds by March 15. If they fail to do so, they would be forced into mandatory bankruptcy.

In order to carry out such a massive cost reduction, autoworkers at Detroit's Big Three auto companies would have to take an immediate wage and benefit cut of approximately 30 percent in order to be on par with non-union workers at the US plants operated by Toyota, Honda, Nissan and other international companies.

Under the restructuring plan submitted to Congress by GM last week, wage and benefit levels would not be equivalent with the foreign automakers until 2012. This would largely be carried out through offering early retirement and buy-out

packages to higher-paid veteran workers and replacing them with new hires making half the wages, under the two-tier system introduced by the labor agreement signed by the United Auto Workers union last year.

Corker's measure also calls for an end to all supplemental unemployment benefits for workers who are laid off permanently or idled temporarily. In addition, he wants to force the UAW to take one-half of the payments to the health care trust fund for retirees as equity instead of debt or cash. This measure, which would involve accepting virtually worthless stock from the auto companies, would require a massive reduction in health care benefits for a million retired autoworkers and their dependents.

Corker told reporters that he had spoken on Thursday with UAW President Ron Gettelfinger about the proposal, according to Reuters. Additional meetings between lawmakers and the UAW were held as the day wore on, including a discussion involving Senate Banking Committee Chairman Christopher Dodd of Connecticut. Corker said GM "was very supportive" of his alternative, which he said was the "only way" a bailout was going to happen right now.

Two days ago, the House of Representatives passed by a vote of 237 to 170, a bill that would have provided \$14 billion in short-term loans to General Motors and Chrysler, which have both said they will fail by the end of the year without federal assistance. It also set terms for Ford Motor Co., which has said it will not take a loan but would ask for a \$9-billion credit line.

The backers of the bailout—including the Democratic congressional leadership, the Bush administration and the Obama transition team—have argued that the "uncontrolled bankruptcy" of one or more of the auto companies and the potential loss of millions of jobs could transform the economic recession into a full blown depression.

While staving off failure—at least until March 2009—the measure would put into place a government overseer, or so-called Car Czar, who would have powers equal to or even

greater than a bankruptcy judge.

That official—who would be appointed by President Bush—could demand the repayment of the loans or halt future assistance, essentially driving the companies into bankruptcy, if they did not meet specific restructuring benchmarks by March 31. According to plans submitted to Congress by the automakers, these would include the shutting down of dozens of factories and the elimination of another 31,500 GM workers' jobs.

The Democrats in particular are relying on the UAW bureaucracy to suppress rank-and-file opposition and collaborate with the automakers in the further downsizing of the industry and reduction of workers' wages to the level of the non-union workers in the US factories operated by Detroit's foreign competitors.

Rejecting appeals from the White House, leading Republican senators opposed the House bill for failing to mandate immediate and specific wage and benefit cuts. Announcing his plans to vote against the bill, the Senate Republican Minority Leader Mitch McConnell of Kentucky said, "This proposal isn't nearly tough enough."

McConnell blamed the industry's crisis on "decades of complicity between management and labor" and said it was "delusional" to expect the automakers to compete with companies in neighboring states paying far lower wages.

McConnell and other Republican senators from southern states see the crisis as an opportunity to settle scores with the trade unions—even though the UAW long ago abandoned any struggle against the corporations. They are deliberately setting the bar so high in order to simply liquidate the unionized companies or to extract concessions that would reduce autoworkers to the most brutal conditions of poverty and exploitation.

The faction of the financial and political establishment represented by the Democratic congressional leadership and the incoming Obama administration are essentially seeking the same goal—a massive rollback in the conditions of autoworkers—but want to do this with the assistance of the UAW bureaucracy and without the wholesale collapse of the US-based auto industry.

Both factions, however, are seeking to exploit the crisis in the auto industry to permanently reduce the wages and benefits of autoworkers, who, through decades of struggle had established a modest standard of living, which is now

deemed unaffordable by American capitalism.

It is significant that leading Democrats are lobbying for Paul Volcker to be selected as the new auto czar. As Federal Reserve chairman under the Carter and the Reagan administrations, Volcker drove interest rates up to 20 percent, precipitating the worst economic recession since the Great Depression in order to use mass unemployment to break resistance to the wave of wage-cutting and union-busting of the 1980s. He played a key role in the 1979-80 Chrysler bailout that led to massive wage cuts, the destruction of tens of thousands of jobs and the decimation of cities like Detroit.

In recent comments to the Economic Club of New York, Volcker complained, "It is the United States as a whole that became addicted to spending and consuming beyond its capacity to produce. It all seemed so comfortable." This had to end, he insisted. "It's going to be a tough period," he said in a speech at the Urban Land Institute in late October. "But when we dealt with inflation, it laid the groundwork for 20 years of growth. I'd like to see that happen this time."

The ongoing debate over the auto bailout has demonstrated the conspiracy of the automakers, the two big business parties and the UAW against the autoworkers. All insist that workers must pay for a crisis that they did not cause, in order to restore the auto companies to profitability so they can once again be a lucrative source of income for corporate executives and big investors who are responsible for the financial catastrophe.

Workers must reject this whole reactionary framework. The alternative to bankruptcy is not never-ending wage and benefit cuts, which do nothing to preserve jobs in any case. Rather, autoworkers must mobilize their independent strength based on an entirely new strategy. The auto companies and the banking system must be taken out of the hands of the wealthy and placed under the democratic control of working people themselves. This requires the building of a mass political party of the working class, based on a socialist and internationalist program, in order to fight for a workers' government and genuine democratic control over all economic decisions.



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