

# Capitalism and the auto crisis

20 December 2008

The US government intervened directly into the crisis of the American auto industry on Friday, pledging temporary loans to General Motors and Chrysler in exchange for massive concessions from auto workers and the destruction of tens of thousands more jobs.

The \$17.4 billion in loans announced by the Bush administration amounts essentially to a three-month lifeline, providing the companies time to impose new concessions on their workers, make plans to become "viable," or else make preparations for an "orderly" bankruptcy.

In his public announcement Friday morning, Bush made clear that in providing loans, the government was insisting on certain conditions: above all, that workers would have to accept a drastic decline in living standards.

"Automakers must meet conditions that experts agree are necessary for long-term viability, including putting their retirement plans on a sustainable footing, persuading bond holders to convert their debt into capital ... and making their compensation competitive with foreign automakers who have major operations in the United States."

"If a company fails to come up with a viable plan by March 31 [2009]," Bush declared, "it would be required to repay its federal loans. The automakers and unions must understand what is at stake and make hard decisions necessary to reform."

In a separate fact sheet released by the White House, the administration made the terms and conditions for the funds even more explicit. These include: one half of payments to the UAW-controlled retiree health care fund will be in the form of company stock rather than cash; elimination of the jobs bank, which pays workers partial wages while laid off; and wages and work rules that "are competitive with transplant auto manufacturers by 12/31/09."

In exchange for the loan, the government will receive warrants for non-voting stock, will be able to examine company books, and will be first in line for any loan repayments. In essence, the government will be taking a partial ownership stake in GM and Chrysler.

The condition that workers' wages and work rules be "competitive" by the end of 2009 is significant. Though it is formulated as a "target" and not an absolute requirement, it

is a measure that has been demanded by the section of the Republican Congress that blocked a loan bill earlier this month.

UAW president Ron Gettelfinger declared, "We appreciate that President Bush has taken the emergency action needed to help America's auto companies weather the current financial crisis." Gettelfinger pledged to "work with the Obama administration" to make the conditions less onerous.

Workers should have no illusions that the Obama administration will be any less determined to impose concessions than Bush. President-elect Barack Obama immediately released a statement on Friday praising Bush's loan offer. "Today's actions are a necessary step to help avoid a collapse in our auto industry that would have devastating consequences for our economy and our workers," he said. "With the short-term assistance provided by this package, the auto companies must bring all their stakeholders together—including labor, dealers, creditors and suppliers—to make the hard choices necessary to achieve long-term viability."

Obama's statement makes clear that he is in full agreement with the conditions included as part of the loan package, and that he will work to enforce these conditions when he becomes president. It will be the task of the Obama administration to determine whether the conditions have been met by March 31 or the loans should be withdrawn.

As for the UAW, its only disagreement with the plan outlined by Bush is over the timeline for implementing wage cuts. The union bureaucracy fears that imposing an immediate wage cut of up to 50 percent would spark widespread opposition and be defeated by rank-and-file workers who would have to vote on the measure. Instead, it prefers to help management remove higher paid veteran workers through buyouts and early retirement packages first, in order to replace them with new-hires making \$14 an hour in wages.

The developments in the US auto industry have enormous implications for workers throughout the country and around the world. The 1979-80 Chrysler bailout and the Reagan administration's smashing of the 1981 strike by PATCO air traffic controllers marked the beginning of a wave of union-busting and layoffs. Similarly, the government-backed attack

on auto workers will be a signal for companies across the country to engage in massive wage-cutting and other attacks on workers.

This attack has already begun. On Thursday, package carrier FedEx announced 5 percent wage cuts for its salaried workers. Earlier this month, YRC, one of the largest transportation providers in the world, reached an agreement with the Teamsters union that includes a 10 percent wage cut.

Hundreds of thousands of jobs have been eliminated in recent weeks and months, and this is just the beginning. The United States is entering the greatest economic crisis since the Great Depression. The most powerful sections of corporate America, backed by the state, are utilizing this crisis to impose conditions of exploitation and impoverishment not seen since that era.

To oppose this attack, workers need a new strategy, one that involves a radical change in the activity, politics, and theory of the workers movement.

The policy of the UAW and the rest of the trade union bureaucracy has proven a complete failure, an absolute disaster for the workers the unions claim to represent. For decades, the UAW has promoted the myth of worker-management partnership. Workers were told that their interests were fundamentally identical with those of corporate management, and that the only way to save their jobs was to ensure the profitability of the companies for which they worked. On this basis, the unions pushed through concession after concession, each one supposedly the last. It also pushed "buy American" nationalist campaigns, insisting that workers in the US could defend their interests by opposing auto workers in other countries.

Now, the outcome of this experiment is that workers face the complete elimination—with the full collaboration of the union itself—of all the gains won by their parents and grandparents.

As the living conditions of workers have deteriorated, the union bureaucracy has fully integrated itself into the management structure. Under the loan conditions announced on Friday, it will be funding a multi-billion dollar retiree health care fund—which will become a principal source of the income of the bureaucracy—with company stock. This will place the union in a position where it directly benefits from attacks on auto workers.

In order to drive up share value, it must collaborate in the intensification of the exploitation of its own members.

Workers must build new organizations—independent rank-and-file factory, workplace and neighborhood committees—that express the democratic will of the workers themselves. These organizations should prepare mass strikes and other forms of resistance.

Industrial action must be combined with the building of a mass political movement of the working class. The intervention of the state in the auto crisis makes clear that in the struggle to defend their jobs, workers confront not only the auto companies, but the US government and both big business parties. With its recent actions, including the trillions handed out to banks and financial institutions, the state is ripping away its mask of supposed neutrality and exposing itself as an instrument of class rule. Just as it has intervened to push for concessions, the state will intervene to repress any movement by the working class to oppose these concessions.

What is above all required is a *political perspective*. The only way the working class can assert its own class interests is to build a mass political party, which has as its aim the revolutionary transformation of society. This is the perspective of the Socialist Equality Party.

The SEP advocates the transformation of the auto companies and other major corporations into publicly-owned utilities. Genuine nationalization does not mean the intervention of the state on behalf of the financial oligarchy, but the establishment of democratic control of industry. The state itself, as an instrument of the corporations, must be replaced by a workers government that can oversee the rational organization of the world economy to benefit social need, not private profit.

The necessity for these policies arises organically out of the objective crisis itself. Capitalism—the so-called "free enterprise" system—has failed. In response to this crisis, the American working class must come face-to-face with the basic question of socialism.

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