Report to SEP meeting: “Auto workers must resist government-corporate demand for poverty wages”

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22 December 2008

The following is an edited version of remarks given by World Socialist Web Site *reporter Jerry White to a December 20 meeting called by the Socialist Equality Party and the WSWS in Detroit. The meeting was held to initiate a public discussion on the crisis in the auto industry. (See* “SEP holds public meeting on crisis in the auto industry*”)*

On Friday the Bush administration announced its approval of a $17.4 billion bridge loan to General Motors and Chrysler to stave off bankruptcy at the two companies, at least for the next few months. Under the terms of the agreement, the task of restructuring the industry and returning it to profitability will be handed over to the Obama administration, which will oversee severe downsizing and a drastic reduction in the wages and benefits of autoworkers.

The so-called car czar appointed by Obama will have until March 31 to determine whether automakers are meeting cost-cutting benchmarks, including concessions from the UAW. If he deems the companies are not moving fast enough, the car czar is mandated to revoke the loans and drive the companies into the bankruptcy courts, where a judge can tear up existing union contracts or the companies could simply liquidate.

It is no exaggeration to say that the concessions being demanded from autoworkers would reduce them from being among the highest paid industrial workers in the world to conditions of poverty and exploitation not seen since the days before the mass industrial unions were built in the 1930s.

According to the “targets” in the bailout package, by December 31, 2009 the wages and work rules of workers at the Big Three must be competitive with nonunion workers at the so-called transplants operated by Asian and European carmakers in the US.

What does this mean?

The workers employed by Toyota, Honda, Hyundai, Kia and other international companies in Tennessee, Alabama, South Carolina, Georgia and Indiana earn as little as $14 an hour. Becoming “competitive” means GM, Ford and Chrysler workers—who currently earn $28 an hour—would have their wages slashed by half by the end of next year.

Taking into account inflation, this means an autoworker would earn roughly half of what a Ford worker made in 1968. It is more closely on par with the 95 cents an hour autoworkers made in 1938, a year after the sit-down strikes forced GM to recognize the UAW.

BusinessWeek magazine recently noted that such a wage meant “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”—not to mention college for their children, a decent retirement, health care, etc.

What else is being demanded?

A large number of the workers in the transplants are temporary workers who can simply be dismissed if they are injured or sales decline. Once they are gone the companies can hire someone else at entry-level wages and benefits. Establishing competitive work rules means accepting conditions of speed-up and a perpetual state of economic insecurity, which would make a union contract thoroughly meaningless. The only difference between this and a nonunion sweatshop is that the brutally exploited workers will still have to pay dues to the UAW.

The government is also demanding a liquidation of large amounts of company debt, including billions in pension obligations, which will result in an enormous attack on the hundreds of thousands of retired workers. At the same time, billions owed to the retiree health care trust fund will be converted to virtually worthless company shares, meaning sharp reductions in medical coverage for retirees and their dependents.

Once these concessions are imposed on Detroit workers, the workers in the transplants will be forced to accept takeaways, unleashing a never-ending bidding war to the bottom, in which workers will be reduced to a modified form of slavery.

Finally, “saving” the auto industry has nothing to do with preserving the jobs and communities of workers. On the contrary, the government is demanding massive job cuts on top of the hundreds of thousands of jobs eliminated over the last few years. Chrysler will be liquidated or forced to merge with GM, which has already announced the closing of dozens of plants and the elimination of 31,500 jobs over the next few years.

It is not clear how many of the plants that have been shut down for an extended holiday will even reopen. The UAW has already agreed to the elimination of the jobs bank, meaning there will be no income security for the tens of thousands of newly laid-off workers.

All of this makes clear that the government intervention has nothing to do with preserving the interests of the public. Instead the federal government, which will basically take partial ownership of the auto industry through control of stock warrants and the authority to approve all

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expenditures over $100 million, is moving to strip autoworkers of their hard-fought gains in order to make the industry a lucrative investment for the wealthy elite.

One further indication of this is a change in the terms of the bailout. As the *New York Times* noted, "While many elements of the loan requirements are drawn from legislation that failed in Congress, there is one crucial difference between Mr. Bush's plan and the one the House approved: it strips away a requirement that Cerberus Capital Management, the private equity firm that owns 80 percent of Chrysler, be held liable for any losses experienced by the taxpayers."

The crisis of the auto industry is a disaster for workers. For America's ruling elite, however, it is seen as a great opportunity to remove all obstacles to the exploitation of the working class, including dispensing with wage levels won by workers over decades of struggle and eliminating legal obligations to pay pension and health care benefits to retirees.

The most powerful sections of corporate America have seized on the crisis to fundamentally transform class relations. Just as the Chrysler bailout of 1979 and the smashing of the PATCO strike in 1981 marked an escalation in the offensive of big business against the working class, the current attack on autoworkers will be used to set a precedent for a wave of wage-cutting and other attacks.

Once again, the ruling class is relying on the cowardice and collaboration of the UAW and other unions. The UAW has made it clear it intends to do nothing to defend autoworkers. In his response to the deal, UAW President Ron Gettelfinger praised President Bush for helping "America's auto companies weather the current financial crisis." He complained, however, about "unfair conditions singling out workers" and added that he looked forward to working with the incoming Obama administration to renegotiate the terms of the deal.

We warn workers to have no illusions in Obama. The president-elect has been intricately involved in shaping the attack on autoworkers. Obama immediately released a statement on Friday praising the loan conditions, saying, "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 main role will be to provide a cover for the UAW, while the labor bureaucracy imposes the demands of the government and corporations on the backs of workers. The UAW has already agreed in principle to all of the Bush administration's demands. Its only difference is the timeline in which wage cuts are to be implemented. Fearing that an immediate wage cut could produce a rebellion by workers, the UAW bureaucracy is seeking a delay until 2011 in order to work with management to remove higher-paid veteran workers through buyouts and early retirement packages before it helps transform newer employees into a cheap labor workforce.

The policies of the UAW—concessions, labor-management collaboration, "Buy American" campaigns and economic nationalism—have proven a complete failure. The concessions started by the UAW with the 1979 Chrysler bailout did not save a single job. On the contrary, more the 600,000 Big Three workers have lost their jobs since 1979 and the givebacks, which were supposed to be temporary, have never ended.

In the name of "labor-management partnership" the union suppressed all resistance to plant closures and demands for lower wages and speed-ups. To oppose concessions, the UAW argued, was to undermine the "competitiveness" of the American auto companies and give the advantage to foreign companies.

While autoworkers have suffered declining living standards, the union bureaucracy has profited from union-management slush funds and joint investment schemes. Although the union has lost two-thirds of its membership, the UAW officialdom has managed to increase its income. With more of the union-controlled health care retirement fund paid in stock, the UAW, which is also reportedly seeking a position on the board of directors of GM, will have a direct financial incentive to increase the exploitation of its own members in order to drive up the value of its shares.

In our call for this meeting, the Socialist Equality Party proposed a public discussion on a new strategy that involved a fundamental change in the practice, politics, and philosophy of the workers' movement.

The SEP calls on autoworkers to reject the entire reactionary framework of the bailout and initiate a campaign of resistance to wage and job-cutting. This means the revival of direct struggle based upon the independent interests of the working class.

Workers should organize demonstrations, strikes and factory occupations—the militant traditions of an earlier period that have been suppressed by the trade union bureaucracy. The occupation of Republic Windows and Doors by workers in Chicago has given a lead to workers everywhere, raising the need to revive these methods of struggle, and recalling the great sit-down strikes in the auto industry of the 1930s.

The SEP calls on workers to form independent rank-and-file factory, workplace and neighborhood committees to organize opposition to the plans of the banks and corporations. Such a strategy requires a break with the UAW and the entire trade union bureaucracy and the creation of new, genuinely democratic forms of working class organization.

We call for a break with the Democratic Party and the politics of class collaboration. Industrial action must be linked to a new political strategy. For decades, the unions have promoted the myth that the interests of workers can be advanced through the Democratic Party. The Democrats, no less than the Republicans, represent the corporations and banks. Workers should place no reliance on the incoming Obama administration, which fully supports the assault on the autoworkers. Workers need a new political party based upon their independent interests.

It is now clear that the economic downturn is not just a short-term recession but a global breakdown of the capitalist system on a scale not seen at any time since the end of World War II. The financial crisis in the US is the culmination of decades in which the manufacturing base of the country was systematically dismantled in order to free up capital for the most parasitic forms of speculation.

All the nostrums peddled about the free market and capitalism have proven to be a fraud. The so-called innovators and risk-takers have been engaged in the systematic looting of society, as the Madoff case demonstrates. Far from being held accountable, the government has provided trillions to shore up the fortunes and interests of the financial aristocracy. At the same time they demand perpetual sacrifices from workers who are not responsible for this crisis.

A fundamental change in the philosophy of the workers' movement is needed, one based on a rejection of the capitalist market and the revival of

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an international socialist movement of the working class. Workers within the United States and throughout the world are facing the consequences of an economic system whose central principle is the pursuit of private profit—regardless of its consequences for society as a whole. In response to the unfolding crisis of world capitalism, the SEP fights for the socialist reorganization of the economy.

The SEP calls for the nationalization of the auto industry and the banks under the public and democratic control of working people. The economic decisions that affect the lives of millions of people must be made democratically based on the principle of production for human need, not personal profit.

A revived political movement of the working class must have as its aim the fight for a workers' government—a government of, by and for the working class.

In the generation that led the sit-down strikes, class-consciousness was identified with socialism. Workers were guided by an understanding that the independent interests of the working class could only be advanced in the struggle to overthrow capitalism and establish a society based on the principle of social solidarity, equality, and genuine democracy.

These are the principles of the SEP that we wish to open up for discussion at this critical meeting.

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