

Obama demands deeper cuts in auto workers' jobs, wages, benefits

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At a White House press conference Monday morning, President Barack Obama outlined his administration's plans to drastically downsize the US auto industry and impose more brutal wage and benefit concessions on auto workers as a condition for any further government loans to General Motors and Chrysler.

Obama announced that his auto task force had rejected the turnaround plans submitted by the two Detroit automakers, saying "neither goes far enough" in slashing costs and restoring profitability. He demanded that the companies "fundamentally restructure" their operations, saying this would require, among other things, "workers who have already made painful concessions to make even more."

Obama said GM would be given "adequate capital" and a 60-day deadline to implement a more aggressive plan, involving bigger concessions from the United Auto Workers union, elimination of unprofitable brands and models, more factory closings and a reduction of debt obligations to creditors and suppliers. Without such an agreement, the president made clear, the 101-year-old company would be cut off of additional aid.

The auto task force concluded that Chrysler could not survive without a partner, Obama said. He announced that Chrysler was being given 30 days to finalize a merger agreement with Italian automaker Fiat. In order for Chrysler to qualify for an additional \$6 billion in aid, the auto task force press release explained, "Chrysler, Fiat and the UAW need to reach an agreement that entails greater concessions than those outlined in the existing loan agreements."

Obama pointed to the supposedly successful "turnaround" carried out by Fiat management over the last four years—a process that destroyed thousands of jobs at Italy's largest private sector employer. If an agreement was not reached with Fiat in 30 days, the task force statement said, "the government will not invest any additional taxpayer funds in Chrysler"—leading to the liquidation of the company and destruction of more than 30,000 jobs.

The administration is using the threat of bankruptcy to extort the maximum in concessions from auto workers. It has already moved to guarantee the auto companies' warrantees and shore up their suppliers in preparation for pushing GM and/or Chrysler into Chapter 11 bankruptcy, where a judge could tear up existing labor agreements and free the companies of their pension and retiree health care obligations.

Claiming he was not talking about a process where a company is "broken up, sold off and no longer exists," Obama said bankruptcy could be used as a tool that would make it easier for the two companies to "quickly clear away old debts weighing them down."

In its summation, the auto task force was more specific about which liabilities should be "extinguished" in a bankruptcy proceeding, pointing to "unsustainable legacy liabilities" of \$6 billion a year GM owes for retiree health benefits and pensions. It is likely—though not explicitly stated—that the administration is contemplating a plan similar to that carried out in the steel industry, where the bankruptcy courts relieved steelmakers of their pension obligations, dumping them into the government-backed Pension

Benefit Guaranty Corporation. This process left hundreds of thousands of retirees and their spouses with sharply reduced benefits.

Last December, GM and Chrysler submitted restructuring plans in order to qualify for \$17 billion in loans from the Bush administration. GM said it would eliminate 47,000 jobs worldwide, including 21,000 in the US, and close 14 plants in North America and Europe by 2012, reducing its manufacturing capacity by nearly a half compared to its 2000 level. Chrysler said it would cut production by 1.3 million units, close seven plants and complete plans to eliminate 60 percent of its white-collar workforce.

Both companies said they would cut the wages and benefits of hourly workers and tear up existing work rules in order to reduce labor costs by 2010 to the level of non-union workers at Japanese-owned US plants. GM also said it would pay half of the \$20 billion it owed to a union-controlled retiree health care fund in stock, rather than cash, ensuring drastic reductions in medical coverage for hundreds of thousands of retirees.

The Obama administration has concluded this is insufficient. Speaking on behalf Wall Street, Obama is going even further than his Republican predecessor in demanding the imposition of sweat shop conditions.

On the eve of the White House press conference, the administration forced General Motors Chairman and CEO Rick Wagoner to resign and indicated that it would replace the majority of the company's board of directors. The public humiliation of Wagoner was aimed at making it clear that no institutional concerns will be allowed to divert management from its central task: guaranteeing an "adequate return on capital" for Wall Street—the yardstick used by Obama's auto task force to define the "viability" of a company.

Flanked by members of his task force—including Treasury Secretary Timothy Geithner, who just last week announced a new scheme to use taxpayer money to enrich bankers and hedge fund managers—Obama insisted the auto companies would not be allowed to become "wards of the state." Nor would his administration, he said, "excuse poor decisions" by top

corporate executives.

The crisis of the auto industry was the product of a "failure of leadership—from Washington to Detroit," Obama said, saying nothing of the role that Wall Street has played in precipitating the worst economic meltdown in 80 years, which has led to a collapse in global auto sales.

In fact, the decline of the US auto industry is bound up with the increasing turn by American capitalism over the past three decades to the most parasitic forms of financial speculation. This process was spearheaded by the Wall Street bankers who, with the support of successive administrations, Democratic as well as Republican, accumulated immense personal fortunes by starving industry of resources and overseeing a ruthless assault on the working class.

In the manic pursuit of "shareholder value," hundreds of thousands of jobs were destroyed and whole cities like Detroit and Flint, Michigan were devastated by plant closings.

Even as he announced measures that will throw tens of thousands of auto workers into poverty, Obama feigned sympathy for his victims and cynically declared that he was "fighting" for them.

The attack on American auto workers is being used to set a precedent for rolling back the conditions of the entire working class, in the US and internationally. Within hours of Obama's press conference, the Canadian government ordered the Canadian Auto Workers to give larger concessions to GM than those agreed to earlier this month in exchange for \$4 billion in loans to GM and Chrysler.



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