

The collapse of General Motors

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A report from the auditing firm Deloitte & Touche issued on Thursday confirms that General Motors, up until recently the world's largest automaker, is unable to pay its bills and stands on the brink of bankruptcy.

Pointing to GM's continuing losses—\$30.9 billion for 2008 and \$82 billion over the past four years—the company's negative net worth and its inability to generate cash needed to conduct business, the auditors said that without billions more in federal loans there was "substantial doubt" GM could "continue as a going concern."

Following the announcement, GM stock, which was selling for \$43 a share 16 months ago, slumped sharply, closing at \$1.86. The company's capitalization is hovering around \$1 billion, its lowest level since the Great Depression. "We believe GM's equity is worthless, regardless if the company receives additional funding from the government or files for bankruptcy," Bunckingham Research analyst Joseph Amaturo told investors last month.

The audit, which was commissioned by GM and filed with the Securities and Exchange Commission, was made public as the automaker pressed for greater wage and benefit concessions from tens of thousands of workers in the US, Canada and Europe. The company also simultaneously threatened the pensions and health care benefits of nearly a half million retirees and their dependents.

GM has pledged to slash 47,000 jobs worldwide and close an additional 14 plants in North America and Europe over the next three years as part of the "restructuring" plan it has submitted to the Obama administration. In addition, the company is looking to reduce its obligations to bondholders and suppliers and extract billions in aid from Germany, Sweden and other foreign governments.

The warnings of imminent collapse, however, are not just idle threats designed to extract further concessions. Even if auto workers were to accept the drastic reduction in living standards being demanded and various governments forked over billions more in public resources, the automaker would still be facing oblivion or a massive downsizing that would leave it a shadow of its former self.

What is undermining the company's attempts to avoid bankruptcy—overwhelmingly at the cost of its workers—is the reality of a global breakdown of the capitalist system, which is driving up unemployment and driving down auto sales even as

the credit markets remain frozen and the banking system unravels.

The collapse of General Motors is a concentrated expression of the crisis of the profit system as a whole. The global slump has slashed auto sales far more drastically than GM management anticipated in the restructuring plans it submitted to the government. Rejecting any suggestion of a quick economic recovery, the auditors wrote, "There is no assurance that the global automobile market will recover or that it will not suffer a significant further downturn."

In the US—the world's largest auto market—sales have fallen to the lowest level in 30 years. After averaging between 16 and 17 million vehicle sales a year for most of the decade, US auto sales fell to 13 million in 2008 and are expected to plunge to only 9 million this year. Last month, auto sales in China surpassed those in the US for the first time ever.

Throughout the world there is an unprecedented contraction in auto sales affecting Japan, Europe, Latin America and the previously fast-growing Chinese and Indian markets. Global auto giants like Toyota, Nissan and Volkswagen are announcing production cuts, mass layoffs and demands for concessions from their workers. Meanwhile, industry analysts predict a wave of bankruptcies and mergers by auto and auto-related companies to eliminate the so-called "glut" in production capacity—a process that will destroy millions of jobs.

The crisis of GM and the auto industry as a whole underscores the anarchy and irrationality of capitalism. There is no less need for cars and trucks today than there was last year. Nor is there a lack of technology, scientific understanding or available labor to produce safe, environmentally sustainable and affordable cars.

But under capitalism, production is carried out for private profit, not human need. Moreover, the network of production and distribution—global in scope and dominated by transnational corporations—remains trapped within the constricting and economically destructive framework of rival nation states. As a result, millions of workers face the prospect of pauperization as the unsold products of their labor pile up in factory lots, rail yards and shipping ports around the world.

The collapse of GM—the 101-year-old industrial giant which long defined the modern mass-production corporation—is symbolic of the historic decline of American capitalism. It highlights the decades-long transformation of the US economy,

which saw the manufacturing base of the country systematically starved of resources and largely dismantled while vast sums of wealth were accumulated in the hands of a financial aristocracy through debt-driven speculation separated from the production of real value.

One set of figures demonstrates this process. In 1950, when GM was producing some 40 percent of the world's cars, manufacturing accounted for 60 percent of all corporate profits in the US and financial operations accounted for 10 percent. By 2004, the ratio had reversed, with the financial sector accounting for 45 percent of corporate profits and manufacturing only 6 percent.

The decline of American capitalism is, in turn, a concentrated expression of the crisis of the global capitalist system, which has reached the point where markets are breaking down, consumer demand is plummeting and huge sections of the world's productive forces are being destroyed.

The trade unions, including the United Auto Workers in the US, have no solution to the crisis. There is no substantive difference between their perspective and that of corporate management. UAW President Ron Gettelfinger echoes management's claims that workers must give up all the social gains won through generations of struggle. The union is pushing for a new round of concessions, on top of those granted in 2007, which cut wages in half for new-hires. The stated aim of the union is to reduce the wages and benefits of its members to those of non-union workers at the US plants operated by Toyota and other foreign-based companies.

The same is true for unions throughout the world. The Canadian Auto Workers has pledged to match or beat any concessions made by the UAW in order to maintain the "competitive advantage" of GM plants in Canada. In Germany, the unions at GM's Opel division are calling for a European takeover of the company, making it clear they will impose whatever labor cost cuts are needed to make it profitable.

The unions, like the auto companies, the capitalist governments and the corporate-controlled news media, claim that workers have "no choice" but to accept poverty wages and mass unemployment.

This is false. There is an alternative. The way forward begins by rejecting the premises of the capitalist system and fighting for a planned, egalitarian and international restructuring of the economy to meet the needs of the working class—the vast majority of society—rather than the interests of the wealthy elite.

The provision of the most basic necessities of life—a secure job, housing, health care and education—is impossible under a system in which the production and distribution of the wealth created by working people is subordinated to the profit drive of a tiny minority of the population. The auto industry—which involves the collective labor of millions of laborers, engineers, designers, accountants, etc.—can no longer be left in the hands

of corporate CEOs and wealthy investors whose single-minded drive to increase "shareholder value" and their own personal fortunes has driven the industry into the ground.

The auto industry must be nationalized and transformed into a public utility democratically controlled by the working class. While the assets of small investors should be protected, no compensation should be paid to the corporate executives and big investors.

Decisions, including the selection of management and all matters concerning wages, hours and working conditions, should be made by factory committees comprised of rank-and-file workers and skilled professionals who have proven their dedication to the well-being of workers and society at large. The workweek must be shortened with no loss of pay in order to guarantee the jobs of all workers.

The nationalization of the auto industry under workers' control is an essential element of the socialist reorganization of the entire economy, including the banks and financial institutions, so that financial resources can be allocated to meet human need, not profit.

The problems facing American workers, however, cannot be resolved within one enterprise or one country. The challenges of a modern, global economy can be addressed only by tearing down the national barriers that pit workers against each other and produce the trade and military conflicts that exploded into two world wars in the last century. Instead, industry and finance must be reorganized on the basis of an international plan, founded on the cooperation and collaboration of all of the world's producers.

In the US, the struggle for this perspective requires a political break with the two parties of big business, a struggle against the Obama administration and the organization of the working class as an independent political force to unify its struggles and fight for political power.

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