Chrysler bankruptcy sets stage for assault on GM workers

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Last week's decision by the Obama administration to drive Chrysler into bankruptcy was a deliberate political action aimed at ratcheting up the pressure on General Motors workers to accept even deeper job cuts and wage and benefit concessions. This fact has been acknowledged by administration officials, news commentators and the United Auto Workers president himself, in the days following the bankruptcy announcement by the third largest US automaker last Thursday.

Using the refusal of a handful of Chrysler bondholders to accept a reduction in debt payments as a pretext, the US president implemented a plan to push the company into bankruptcy that had long been advocated by his auto task force, which had spent months laying the financial and legal groundwork for such a filing.

From the beginning, the task force, led by wealthy investors Steven Rattner and Ron Bloom, has sought to use the crisis to fundamentally restructure the auto industry in order to guarantee large returns to Wall Street. The plan to "save" the industry has nothing to do with defending the jobs and living standards of auto workers. Instead it is intended to drastically reduce the size of the industry—in line with its sharply smaller market share—and eliminating so-called "legacy costs," i.e., the higher wages and benefits won by auto workers through generations of struggle.

Since 2006, Chrysler has already eliminated 33,000 jobs in the US. Only 27,000 hourly workers remain, compared with a peak of 110,000 in 1978. In carrying out its planned restructuring of General Motors, however, the Obama administration is seeking to carry out even more ruthless and rapid downsizing.

Writing in a May 3 article, *New York Times* chief White House correspondent David Sanger said, "Fresh from pushing Chrysler into bankruptcy, President Obama and his economic team are hoping the hard line they took last week gives them leverage to force huge changes in General Motors, a far larger and more complex company."

While noting that at Chrysler "the tough job-cutting decisions had already been made," Sanger writes, in GM's case "Mr. Obama will be forcing deeper cuts" and "overseeing the radical downsizing of G.M.'s workforce," that will eliminate "tens of thousands of additional jobs and close factories and dealerships nationwide."

The White House intends to use the example of Chrysler to intimidate auto workers and break their resistance to mass layoffs and an historic rollback in their living standards and working conditions.

To underscore this, Sanger quotes the remarks made by Obama's chief of staff Rahm Emanuel the day after Chrysler's bankruptcy filing. "G.M. is very different than Chrysler," Emanuel said. "But I suppose the one lesson for G.M., and all the other players, is that this is a moment when a Democratic president said, 'I am really willing to let a company dissolve, and there's not going to be an open checkbook.' There's got to be real viability."

At the end of March, Obama rejected GM's turnaround plan, saying that its proposal to eliminate 47,000 jobs, shut more than a dozen plants, eliminate four brands and close 2,600 dealerships did not go far enough. The president gave GM until May 31 to impose far deeper cuts and impose sweeping concessions on auto workers or face the bankruptcy courts.

As in the case of Chrysler, however, the auto task force has long advocated the use of the courts to break GM into two companies in order to jettison its undesirable assets and create a "new company," which after drastic downsizing and a new concessions contract from the UAW, would be a highly attractive investment.

The danger confronting GM workers is now being played out in the bankruptcy courts. Under the terms of Section 363 of the Bankruptcy Code, Chrysler will transfer its most profitable assets into a new holding company, while leaving at least eight plants—a third of its manufacturing facilities—and billions of dollars worth of machinery and equipment to rust in the "old company." The US Treasury will provide $200 million for the "safe, prudent, and orderly wind down" of the 83-year-old Detroit auto company, according to the filing in the US Bankruptcy Court for the Southern Division of New York.

Italian automaker Fiat, which Obama praised for its ruthless cost-cutting in Europe, will take a 20 percent stake in the company, with an option to acquire a majority stake. Fiat boss Sergio Marchionne, who is also making a bid for General Motor's Opel Division, hopes to position his company for a ruthless wave of mergers, acquisitions and bankruptcies as the global auto industry reorganizes in the face of the worst global economic slump in nearly a century.

In carrying out its attack on Chrysler workers, the Obama administration has relied on the United Auto Workers to suppress rank-and-file opposition and use the threat of bankruptcy to intimidate workers. Last week, the UAW pushed through a contract that will reduce wages and benefits to the level of non-union workers in the Japanese-owned transplants in the US. It will strip workers of cost-of-living allowances and bonuses, slash break time and holidays, eliminate the right to strike until 2015, expand the use of low-wage workers and gut medical benefits for retirees and their families.

The day after the UAW rammed through these concessions—saying they would prevent bankruptcy—Chrysler filed in court, announcing it was closing all of its plants until it emerged from Chapter 11 reorganization.

In exchange for its services, the Obama administration gave the UAW a 55 percent ownership stake in the "New Chrysler," along with a seat on the board of directors. This will give the UAW a direct financial incentive to continue slashing labor costs and reducing benefits to current and retired auto workers in order to boost the share values of the company and its own holdings. As Gary Chaison, professor of industrial relations at Clark University in Worcester, Mass., noted, "to make the company more stable, [the UAW] has to reduce health-care benefits of its own retirees."

In the planned restructuring of GM, the UAW is set to get a 39 percent ownership stake in return for accepting $10 billion for the $20 billion the company owes a UAW trust fund for retiree health care benefits.

In an interview with National Public Radio, UAW President Ron Gettelfinger praised the president's decision to throw Chrysler into bankruptcy. "We are going to have to go back in and do something similar as we did in Chrysler. I don't know whether they can avoid bankruptcy. I do think this. That the president allowing Chrysler to go into bankruptcy shows that he means business here. When he gave his speech [on March 31] in the case of Chrysler and said their plan wasn't viable and gave them 30 days, he stuck to it."

In much of the media coverage, the decision by the Obama administration to hand over a substantial stake of the auto companies to the UAW has been presented as a masterstroke for the UAW and a payoff for its support to the Democratic president's election campaign. The *Wall Street Journal* went so far as to argue that Obama was creating "Gettelfinger Motors," and rewarding the UAW for the "restrictive work rules, enormous health-care obligations and generous retiree benefits" that have "burdened the Detroit companies for decades."

In a more sober comment, Floyd Norris from the *New York Times* noted that the Chrysler deal was no payoff for ordinary UAW workers and retirees. "The retirees may have a little better chance of getting benefits they were promised, but the current workers are getting little more than being allowed to keep some of their jobs. Walter Reuther, the man who built the U.A.W., must be spinning in his grave at the concessions his successors are making.

"This may come to be seen as Mr. Obama's 'Nixon in China' moment. Just as it took a conservative Republican to open relations with the largest Communist country in the world, it took a liberal Democrat to break the U.A.W."

Joining in this conspiracy against auto workers is the UAW apparatus itself. While abandoning anything that in any sense might be traditionally associated with a "union," the UAW has transformed itself into a business entity, which, in league with the Democratic Party, is seeking to enrich itself from the carve-up of the auto industry and impoverishment of its workers. This is the final stage in the long degeneration of the UAW, beginning with the 1980 Chrysler bailout and decades of labor-management "partnership" and economic nationalism, that has transformed the UAW into an open enemy of auto workers.

Any struggle by workers in defense of their jobs and living standards will require a break from this reactionary organization and the building of rank-and-file committees to throw the UAW out of the factories. Such a fight must be guided by a new, socialist and internationalist strategy that sets out to reorganize production, including the global auto industry, to meet human needs, not private profit.