

# Chrysler declares bankruptcy

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Chrysler—the third largest US automaker—filed for bankruptcy in New York Thursday, announcing that it would close its manufacturing facilities until it emerges from a Chapter 11 reorganization. The move threatens the livelihoods of 54,000 hourly and salaried workers in the US and Canada and hundreds of thousands of retirees and workers at dealerships, parts suppliers and other related companies in Michigan, Ohio, Illinois and other states.

It is impossible to say how many, if any, of the closed factories will ever reopen again. Under the terms of Section 363 of the Bankruptcy Code, big investors can pick and choose what factories and assets to buy, while discarding others. Any workers who remain at a downsized Chrysler will be subjected to near-poverty wages and backbreaking conditions under the terms of the agreement signed by the United Auto Workers and rammed down the throats of Chrysler workers on Wednesday.

This outcome reveals what has been the aim of the government's auto "bailout" from the start. The Obama administration and the UAW have conspired to reshape the industry in accordance with the dictates of finance capital.

The UAW functions as one of the corporate entities seeking to profit from the intensified exploitation of Chrysler workers. In return, the UAW will be given a 55 percent ownership stake in a "new" Chrysler, should it emerge from a bankruptcy process that reduces the company to a shadow of its former self and strips a much reduced work force of whatever gains remained from the struggles of previous generations of auto workers.

From its inception, Obama's auto task force, led by multimillionaire Wall Street investor Steven Rattner, has supported using the bankruptcy courts to break up the 84-year-old company so that its most profitable assets could be separated off and sold to private investors.

Under a so-called "363 sale," a new buyer—known in financial circles as a "stalking horse"—can purchase the most profitable factories and assets, while leaving the company's undesirable parts, including the tens of billions of dollars in pension and health care obligations owed to Chrysler's 125,000 retirees and their dependents, to languish in bankruptcy courts for years.

At a noontime press appearance yesterday, Obama cynically portrayed the bankruptcy of Chrysler and its planned merger

with Fiat as a new "lease on life" for the firm, which would "save" tens of thousands of jobs. The bankruptcy process, the president claimed, would be "quick and efficient"—lasting only 30 to 60 days—and would not "disrupt the lives of people who work at Chrysler or live in the communities who depend on it."

This was exposed as a lie within hours when Chrysler released a press statement saying its manufacturing facilities would be closed starting next Monday. Chrysler said it would issue a reorganization plan on August 28—four months from now—making it clear that the company did not anticipate a "surgical" bankruptcy as the president had claimed.

Obama attempted to present the bankruptcy filing as a reluctant measure forced by a "small group of speculators" who refused to accept a reduced payback of Chrysler debt, as other large bondholders had. These financial interests—identified by Reuters as OppenheimerFunds, Perella Weinberg Partners and Stairway Capital—were holding out for a better deal. It is widely reported that they hold credit default swaps that could allow them to recover the full amount of their debt holdings under a bankruptcy proceeding.

Obama sought to scapegoat this particular group of Wall Street vultures to deflect attention from his own role as frontman for even bigger financial interests. "I stand with employees, families, communities," he declared. "I don't stand with those who held out when everybody else is making sacrifices."

These claims are deserving of contempt. As one commentator from the *Automotive News* wrote, "[L]et's be honest. There are several logical reasons to file bankruptcy anyhow, even if all the bondholders agreed. A bankruptcy judge can break labor contracts, dealer franchise agreements, future liens and lawsuits."

The *New York Times* further noted, "The courts would allow the carmaker to shed liabilities and unwanted contracts, like dealer agreements and asbestos litigation claims, much more easily. So it's possible that the government's dispute with holdout creditors is a pretext for taking a dramatic step—bankruptcy—that it considered necessary in any case."

The bankruptcy of Chrysler—first incorporated in 1925 and identified with such innovations as hydraulic brakes and unibody construction—is symbolic of the decades-long decline of American capitalism and its loss of global economic dominance. In the 1950s, Detroit's "Big Three" auto

companies—General Motors, Ford and Chrysler—produced four out of five of the world’s cars. Today, they control barely 40 percent of the US market, with Asian and European manufacturers controlling the rest.

The fate of Chrysler should serve as a warning of what is being prepared for General Motors, which is also in the midst of a UAW-backed government “bailout.”

The bankruptcy of Chrysler is emblematic of the American ruling class’ dismantling, over three decades, of much of the industrial base of the United States. This process has from its inception been directed against the social position and living standards of the working class, and accompanied by a turn to financial speculation and parasitism, in which the accumulation of wealth by the financial elite is largely divorced from the creation of real value. This process has culminated in the financial collapse and global economic crisis that is now being used to carry out a further assault on the working class.

Thirty years ago, the offensive against the working class began with a bailout of Chrysler, in which the UAW helped impose plant closures and wage and benefit concessions in the name of “saving jobs.” But at that time, the government was still committed to preventing the bankruptcy of an icon of American industry. The present situation is a measure of the decay of American capitalism since then.

In the Obama administration, Wall Street has a pliant and ruthless instrument. It brazenly operates with a double standard, providing trillions of dollars in taxpayer money to bail out the banks, with no strings attached, while it utilizes the crisis precipitated by Wall Street to restructure industry, at the cost of hundreds of thousands of jobs, so as to provide the financial elite with a profitable source of investment.

The Chrysler bankruptcy is a milestone. It signals a fundamental restructuring of American capitalism and of class relations in the United States. The assault on auto workers, historically among the best-paid industrial workers, sets the stage for a wave of attacks on the wages, benefits and pensions of every section of the working class. It reveals the essence of the so-called economic “recovery” which the Obama administration is seeking to engineer.

In carrying out this attack, the Obama administration has relied on the UAW to suppress all opposition from rank-and-file workers. UAW officials used the threat of bankruptcy to push through a new concessions contract at Chrysler. The pact that was ratified Wednesday, one day before Chrysler went into bankruptcy, freezes wages, expands the use of low-paid workers, robs workers of cost-of-living allowances, bonuses and holidays, and shortens break time. It strips retirees of vision and dental care and other health benefits, with the attack on their pensions still to come.

In exchange, the UAW will become the majority owner of a restructured Chrysler and gain a seat on the corporate board of directors. The top officials of the business enterprise known as the UAW hope to grow rich by helping to ramp up the

exploitation of auto workers and boost the value of the shares they control.

Auto workers face no more bitter enemy than the UAW. Any struggle to defend jobs and living standards requires a fight to throw this anti-labor organization out of the factories and organize independent rank-and-file committees to coordinate collective action.

Preparations should begin now to develop a struggle to overturn the concessions contracts at Chrysler, GM and Ford and oppose all plant closures and layoffs. Every section of auto workers, including those at auto suppliers and the transplants, should be mobilized in a common struggle in defense of jobs and living standards. The militant class-struggle traditions of the auto workers should be revived, through mass demonstrations, strikes and factory occupations.

The “Buy American” chauvinism of the UAW must be rejected and a specific appeal made for joint action with workers in Canada and Mexico, at GM’s Opel division in Europe and with Fiat workers in Italy. The fight to defend jobs and living standards confronts auto workers on every continent. Just as the global auto companies coordinate their operations, the international working class must coordinate its struggles.

Militant struggle must be guided by a new political philosophy and strategy, one that starts from the recognition that working class living standards and rights are incompatible with capitalism—a system that subordinates all social needs to corporate profit and the accumulation of wealth by a financial elite. It is necessary to build a socialist movement of the working class in the US and internationally.

The grip of the financial aristocracy must be broken and the major banks and industries, including auto, put under public ownership and the democratic control of the working class. In this way, the vast technological, human and financial resources built up by the labor of generations of working people can be put to use for the common good of society, not individual profit.

This is a political struggle against the Obama administration and both parties of Wall Street. It requires the building of the Socialist Equality Party as the mass political and revolutionary party of the working class.



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