# Wall Street throws General Motors into bankruptcy

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The events of the past few days have demonstrated the naked class interests behind the Obama administration's "restructuring" of the auto industry and its plan to throw General Motors into bankruptcy.

On Thursday a group of major bondholders, including some of the largest financial institutions in America, agreed to a Treasury Department's offer to accept a stake of up to 25 percent in GM once the automaker emerges from bankruptcy.

The deal with key bondholders—along with drastic wage and benefit concessions being imposed on GM workers—is part of the administration's plan for the "orderly" bankruptcy of the century-old industrial icon, which includes plans to eliminate a third of its remaining workers and factories, along with hundreds of dealerships.

The bondholders hold about 20 percent of GM's $27 billion in unsecured debt. Given the near collapse of the company, however, their debt cannot fetch more than a few pennies on the dollar in the open market. Nevertheless, they have demanded concession after concession from the US Treasury Department and a massive, publicly financed payoff. Earlier this week, they rejected the administration's offer of a 10 percent share, knowing full well their action would drive the company into bankruptcy and possible liquidation.

The bondholders are made up of several hedge funds and large investment firms specializing in the "distressed debt market," including Fidelity Investments, Research & Management, Loomis, Sayles, the Pacific Investment Management Company and Franklin Resources Inc. According to *New York Times* business columnist Andrew Sorkin, "G.M. bonds have been changing hands rapidly, suggesting that some hedge funds have been plowing into them, gambling that these investments soon will be worth even more."

In a statement to investors, the financial institutions said the "revised offer" was the "best alternative for bondholders," and added that US Treasury plans to give additional funds to GM, "vastly improving the balance sheet of the company and substantially increasing its equity value."

Several bondholders are holding out for an even better deal from the bankruptcy judge, while still others reportedly stand to make a profit from the collapse of the company because their investments are protected by credit default swaps with Wall Street insurers.

From the beginning, the Obama administration's intervention in the auto crisis has amounted to another plundering of public assets and assault on the working class. In a watershed event, it is carrying out the quasi-nationalization of the auto industry—taking control of 72.5 percent of GM—in order to protect the interests, not of the workers or society at large, but of the most powerful sections of the financial elite at the expense of the working class.

The achievements won by auto workers over decades of struggle—living wages, medical care, retirement benefits, college education for their children—have long been seen by America's financial elite as an obstacle to its profits. The Obama administration is seeking to use its assault on auto workers to set the stage for a sweeping attack on the jobs and living standards of every section of the working class and thereby organize a "recovery" of the US economy based on austerity and poverty for working people and vastly increased profits for the wealthy.

The filthy character of this entire process is underscored by the role of Steven Rattner, the head of Obama's auto task force, who profited from his investments in Chrysler and GMAC, the lending arm of General Motors. Rattner, a private equity manager whose net worth is estimated to be at least $608 million, held a million dollars in shares of Cerberus Capital Management, which bought Chrysler and GMAC, according to a federal financial disclosure. The Treasury Department claims Rattner has sold any investments that represented a “conflict of interest.”

As head of the task force, Rattner—who owns a Fifth Avenue apartment in Manhattan, an airplane and a horse farm—has demanded auto workers accept a massive and permanent reduction in their living standards, including, for example, the immediate elimination of dental and optical care for hundreds of thousands of retired workers and their dependents.

The ruthlessness with which the Wall Street investors defend their interests stands in stark contrast to the manner in which the United Auto Workers has willingly accepted the destruction of GM workers’ jobs, living standards and working conditions.

“Faced with this dire situation and realizing failure to meet the government requirements would surely mean the end of General Motors, your bargainers painstakingly put together modifications to the collective bargaining agreement to satisfy the Treasury Auto Task Force,” the UAW declared in a summary of its concessions contract. It continued, “We realize the proposed viability plan requires painful, unprecedented sacrifices from UAW members.”

The agreement sanctions the destruction of 23,000 of the remaining 62,000 UAW jobs, along with concessions on wages, bonuses, break time, holidays, work rules and retiree medical benefits. These will save the company $1.5 billion and bring labor costs on a par with or below those of nonunion workers at US plants operated by Toyota and other international companies.

While the bondholders fight tooth and nail for their interests, the UAW gives away the achievements won by workers through generations of bitter struggle and sacrifice. To understand why this is the case requires more than pointing to the congenital spinelessness and corruption of the UAW officialdom.

Over the last several decades, the UAW apparatus has developed material interests separate from and directly antithetical to those of the workers it claims to represent. The income and assets of the army of functionaries has increased—now totaling $1.2 billion—even as the membership has fallen by two-thirds. In the restructuring of the auto industry the UAW is functioning as an auxiliary of the Wall Street financial institutions and a labor police force to impose the most ruthless conditions of exploitation on its dues-paying “members.”

In return, the Obama administration has handed the UAW billions in GM shares, giving the organization up to a 20 percent ownership stake in GM, along with a seat on the corporate board of directors. From this position, the UAW will have a direct financial stake in the further slashing of labor costs in order to boost the value of their shareholdings.

As the UAW contract summary stated, “With a greatly improved balance sheet, as well as with the significant restructuring of business operations, there is a realistic prospect that the stock in the new company will represent significant value in the future.”

The starting point of any serious struggle by auto workers is the recognition that the UAW is not a “union” in any meaningful sense of the word, but a corporatist syndicate, which represents social interests that are deeply hostile to those of the workers. The working class not only owes no allegiance to this organization, it has to throw it out of the factories and build new organizations of struggle, based on its own class interests.

The revival of the powerful traditions of class struggle, with which auto workers are historically identified, requires a new political perspective, based on the international unity of the working class, a political break with the Democrats and capitalist politics as a whole and the fight for the socialist reorganization of economic life.

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