

The GM bankruptcy

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General Motors—once the largest and most profitable corporation in the world—will file for bankruptcy protection in a New York City court this morning. The collapse of the 101-year-old Detroit automaker is the largest industrial failure and third largest bankruptcy in US history.

The bankruptcy of what was long the iconic symbol of the power of American industry signifies the failure of not only one company, but of American capitalism as a whole. It is a milestone in the decline in the global position of US capitalism and the crisis of world capitalism. It poses in the starkest form the need for the working class to advance a socialist alternative to the profit system.

President Barack Obama and General Motors CEO Fritz Henderson are expected to make public statements after the filing. Despite their assurances of a “quick” and “orderly” bankruptcy and a “new start” for the company, the action will have a devastating effect on GM’s 230,000 global employees and the millions more who will be hit by plant shutdowns, the closing of more than 1,000 dealerships and the wave of failures of auto suppliers that is expected to follow.

GM, which has already announced plans to cut 47,000 jobs worldwide, including 23,000 of its remaining 62,000 hourly employees in the US, is expected to announce plans to close between 12 and 20 more plants. Communities in Michigan, Indiana, Ohio and other states already suffering high levels of unemployment, home foreclosures and poverty will be driven into even deeper crisis.

The bankruptcy of GM is an historic event. The rise of the automaker in the first half of the 20th century paralleled the ascent of American capitalism and the global predominance of US industry. With its massive size, innovative management methods and global reach, GM defined the modern American corporation. With 850,000 hourly and salaried employees, including half a million in the US, GM was the largest private employer in the world, second only to the state-owned industries of the

former Soviet Union.

In the decade following World War II, Detroit’s Big Three automakers—GM, Ford and Chrysler—were making four out of five of the world’s cars, with GM producing half of them. In 1955, the largest foreign competitor, Volkswagen, was only slightly bigger than GM’s own German subsidiary, Opel, and Toyota was producing only 23,000 cars in Japan, compared to 4 million manufactured by GM in the US.

Over the last three decades, a sea change has taken place. In the late 1970s, faced with growing competition from abroad, a falling rate of profit in basic industry and the militant resistance of workers determined to defend the gains won in past struggles, the American ruling elite embarked on a deliberate policy of deindustrialization.

Sections of industry deemed insufficiently profitable were starved of investment and then shut down in order to free up capital for increasingly parasitical forms of financial speculation. This coincided with a corporate-government offensive against the working class, involving union-busting, strikebreaking, labor frame-ups and the use of plant closures and layoffs to undermine the militancy of the working class and impose cuts in wages and benefits. This offensive was carried out under Democratic as well as Republican administrations.

The key to its success was the treacherous collaboration of the United Auto Workers and the AFL-CIO, which betrayed a series of bitter strikes in the 1980s and worked to suppress all forms of working class resistance while promoting corporatist policies of union-management “partnership” and economic nationalism. The political expression of this betrayal was the continued subordination of the working class to the Democratic Party and the two-party system of the US ruling elite.

The government-dictated bankruptcy of GM marks a new stage in the ruling class offensive against the working class. After this next round of restructuring, GM expects to have only 38,000 hourly workers and a maximum of 34 factories left in the United States, compared with 395,000 hourly workers in more than 150 plants at its peak

employment in 1979. The billions in wage and benefit concessions extorted from workers since the early 1980s were used, not to invest in the company's long-term viability, but to finance stock buybacks and other measures to boost "shareholder value," i.e., to enrich Wall Street investors and GM executives.

After decades of declining market share and some \$90 billion in losses since 2005, the final nail in the coffin was the financial crash of 2008 and drying up of credit, which have led to a collapse of car sales in the US and internationally and what many analysts expect will be a wave of bankruptcies and mergers that will leave no more than five or six global auto companies left standing.

By driving Chrysler and now GM into bankruptcy, the Obama administration is seeking to exploit the economic crisis to carry out a fundamental realignment of class relations in the US. This involves a further downsizing of basic industry and a sweeping and permanent reduction in the living standards of workers in every sector of the American economy.

Acting on behalf of the most powerful financial interests, the Obama administration plans to use the bankruptcy courts to spin off and liquidate GM's unprofitable brands, dealerships and factories. A "New GM"—largely owned by the government—will be shrunk to a fraction of its current size and freed from any obligation to pay decent wages, pensions or retiree health benefits. Once ample profits can be guaranteed, the government will sell the company back to private investors at a bargain price. The *New York Times* web site reported Sunday night that administration officials briefed reporters and stressed that the government, which will own 60 percent of GM stock, intends to leave management of the company in private hands.

While handing out trillions in public assets to Wall Street, the Democratic administration has demanded that auto workers accept the destruction of all of the gains won in the course of decades of bitter struggle.

The wage and benefit concessions imposed on auto workers—with the direct complicity of the United Auto Workers—will freeze wages, eliminate cost-of-living increases, substantially reduce break time and holidays and strip retirees of medical benefits, including dental and optical care. The companies will expand the use of low-paid entry level and temporary workers and workers will be stripped of the right to strike or even to vote on the terms of the next labor agreement until 2015.

The UAW, which will be handed 17.5 percent share of the "New GM," will be retained as a labor police force to

suppress any resistance to poverty wages and brutal exploitation. With billions in shares and a seat on the corporate board of directors, the UAW apparatus will have a direct financial stake in collaborating with the Obama administration in the further slashing of labor costs.

Any serious struggle in defense of jobs and living standards must take as its starting point a decisive break with the UAW and the building of independent committees of rank-and-file workers, in the factories and communities, to organize and coordinate a fight by US workers and their brothers and sisters internationally.

The organization of strikes, factory occupations and mass demonstrations must be guided by a new political strategy. There must be an irrevocable break with the Democratic Party and the fight to establish the political independence of the working class.

In opposition to the Obama administration, the working class must advance its own solution to the crisis of the capitalist system. The vast productive forces of the auto industry cannot be left in the hands of financial speculators and corporate executives, or a government that serves their interests. The auto industry and the banks must be nationalized under the democratic control of working people so that economic decisions can be made in the interests of society as a whole.

The ruling class plans to use the assault on auto workers to set a precedent for sweeping attacks on the jobs and living standards of the entire working class. This demonstrates the need for the greatest unity of the working class and the bringing together of every struggle—against unemployment, home foreclosures, attacks on education and other vital services—into a single political struggle. Its aim must be the establishment of a workers' government and the socialist reorganization of the economy to meet human needs, not private profit.

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