

# The new GM

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The “new” General Motors exited bankruptcy court on Friday. With the help of the courts, and under the direction of the Obama administration, the company has shed nearly \$130 billion in liabilities and created the framework for a vast increase in the exploitation of its workers.

The speed of the bankruptcy proceedings is remarkable. GM passed through the entire process in less than six weeks. One analyst called it “unprecedented, unbelievable, breathtaking.”

Bankruptcy court Judge Robert Gerber brushed aside a series of objections from retirees who will see their health care eliminated, along with asbestos and accident victims and other unsecured creditors. With the potentially profitable assets sold to the new GM, these obligations, along with a number of unwanted brands, will languish in bankruptcy court as part of the “old” GM.

The whole process was a travesty of legality and due process, demonstrating that when Wall Street wants something done, every institution of the American state snaps into line. The bankruptcy courts are supposedly a mechanism for mediating the different claims of various “stakeholders.” In the event, the court served as a rubber stamp for decisions that had already been made. The wealthy investors and banks will recover 100 percent of their investments in GM debt, while workers and other claimants will end up with nothing.

The new GM is born out of a process of social devastation. The company will shed 27,000 more jobs in the US, bringing its total US workforce to 64,000. Thirty years ago the company employed over 618,000 in the US. At the beginning of last year, it employed 110,000.

An additional 14 plants will be closed, along with some 2,000 dealerships. GM is also shutting plants in Canada, bringing the total workforce there to 7,000, down from 20,000 in 2005.

The “new” company emerges from the rubble of closed factories and dealerships and the impoverishment of working class communities that depended on auto employment to fund schools, hospitals and other basic services, as well as the blighted lives of hundreds of thousands of workers and retirees.

As part of a deal negotiated with the United Auto Workers, workers who retain their jobs will have their wages frozen. A no-strike pledge through 2015 agreed by the UAW will facilitate further job, wage and benefit cuts, without the inconvenience of a contract vote. The company aims to replace all older workers with new-hires making \$14 an hour.

In an indication of things to come, CEO Fritz Henderson declared Friday that he would employ the “intensity, decisiveness and speed” of the bankruptcy process and transfer it “to the day-to-day operations of the new company.”

UAW retirees, who have already seen their dental and optical benefits eliminated, will face sharp cuts in health care, enforced by the UAW. The UAW-run health care trust—the Voluntary Employee Beneficiary Association (VEBA)—will own 17.5 percent of the new GM. Its assets will be insufficient to cover benefits owed to UAW retirees, but the UAW executives hope to grow rich from the 17.5 percent of stock in the new company they will control.

More than 50,000 retirees who are members of the International Union of Electrical Workers and other non-UAW organizations face the immediate elimination of their health care, as they are not covered by the VEBA.

Vast swaths of the country will be affected. Half the plant shutdowns will take place in the state of Michigan, which already has the country’s highest unemployment rate at over 14 percent. Ohio (with a 10.8 percent jobless rate) will see plants close in Columbus, Parma, and Mansfield. Other communities facing plant closures include Spring Hill, Tennessee; Fredericksburg, Virginia; Jacksonville, Florida; Wilmington Delaware; Indianapolis, Indiana; and Massena, New York.

The downsizing of GM—along with Chrysler, which exited bankruptcy last month—will ripple throughout the auto parts industry and other industries, producing a wave of bankruptcies, plant closures, layoffs and wage cuts.

Smaller towns and cities will be devastated by the closure of 1,900 dealerships, which will mean the elimination of about 100,000 jobs, including dependent businesses.

The restructuring of General Motors and Chrysler is the

direct outcome of the policy of the Obama administration, the tool of the most powerful sections of the financial elite. The government conditioned loans to the automaker on securing this result, making explicit its demands for massive concessions from auto workers. Everything has been tailored to the interests of Wall Street, which was determined to transform the former auto giants into much smaller, but highly profitable, enterprises.

The government will now own 60 percent of GM, but the administration has repeatedly made clear that it has no intention of playing any role in the day-to-day management of the company. This will be left to Henderson and the new chairman, Edward Whitacre, former CEO of AT&T, who was handpicked by the Obama administration's auto task force. The *Wall Street Journal* quoted Karl Rove, former advisor to George W. Bush, calling Whitacre "very tough"—i.e., very dedicated to the interests of Wall Street.

The administration has said it hopes to quickly sell off its shares to private investors, who are set to make a killing.

The UAW played the critical role in carrying through the plans of Wall Street and the Obama administration. Prior to both the Chrysler and the GM bankruptcies, the UAW agreed to historic concessions, which it pushed through by arguing that the only alternative was the complete liquidation of the companies.

A further illustration of the UAW's integration into corporate management is its choice for its allotted slot on the new GM board of directors. The UAW selected Stephen Girsky, a former Wall Street analyst for Morgan Stanley and a former advisor to GM's previous CEO, Rick Wagoner. Girsky will advocate the most ruthless attacks on UAW members in order to boost the company's stock price and the cut that goes to the UAW executives.

The bankruptcy of General Motors, once the pinnacle of American manufacturing, is a stunning expression of the protracted and precipitous decline of American capitalism. The economic crisis that has overcome world capitalism is rooted in the decay of American capitalism. But the crisis precipitated by the money-mad speculation and fraud of the US financial elite has only increased its domination over the political system and every other official institution in the country.

The banks, utilizing the services of the Obama administration, are exploiting the crisis of their own making to plunder the national treasury and carry through a further dismantling of unprofitable industries, in order to divert even greater resources to the enrichment of the American financial aristocracy.

At the heart of this process is an assault on the living standards of the working class without historical precedent.

To oppose this attack, workers require a new strategy.

They must break with the UAW and form independent rank-and-file committees to oppose the united front of the Obama administration, Wall Street, the auto bosses and the UAW, and fight to defend their jobs and living standards.

These committees should work for the unity of all sections of auto workers and the entire working class and prepare actions to demand the reopening of the plants, the restoration of wages and benefits and the ripping up of sellout contracts and government diktats. Plant occupations, strikes and mass demonstrations should be called in cities affected by the GM and Chrysler bankruptcies and the shutdown of parts plants and dealerships.

What is above all necessary is a political response based on a socialist perspective. There can be no resolution to the crisis in auto that defends the basic interests of the working class outside a complete transformation of social relations in the United States and around the world.

The financial dictatorship of the banks must be broken, through their nationalization and transformation into public utilities under the democratic control of the working population. The auto companies themselves must be turned into public entities, run under the democratic control of the working class. Only on this basis can the economy be developed to meet the needs of the people, rather than private profit.

To carry out this program, workers need their own political party. The Socialist Equality Party urges all auto workers throughout the US and internationally to contact the SEP. We make a special appeal to workers in the Midwest to attend a special conference on July 25 to discuss a new political perspective for the working class.

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Socialist Equality Party visit:

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