

One year since the GM bankruptcy

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A year ago this week US auto giant General Motors declared bankruptcy in the largest industrial failure in US history. The June 1, 2009 filing, ordered by the Obama administration, set into motion the destruction of tens of thousands of jobs, the shuttering of dozens of assembly and parts plants and the closing of more than 1,000 car dealerships.

The insolvency of the global automaker had international repercussions, including layoffs in Canada, the closure of the Opel plant in Belgium and the wiping out of at least 8,300 jobs in Germany, Spain, Britain and other European countries.

By 2012, GM's restructuring plan in the US calls for eliminating 31,000 hourly and salaried employees from its US workforce of 96,000, a measure intended to cut GM's payroll expenditures by 30 percent. This is exacting a terrible human toll on cities and communities across Michigan, Ohio and other already economically depressed states, where record numbers of workers are losing their homes and local governments and schools have run out of money.

In addition to the job cuts, the wages and benefits left at the "New GM"—which emerged from the bankruptcy courts on July 10, 2009—were ruthlessly slashed. Under the terms dictated by the US Treasury Department, and imposed by the United Auto Workers union, wages for current workers have been frozen and cost-of-living increases eliminated, break time and holidays substantially reduced and retirees stripped of medical benefits, including dental and optical care.

The next generation of auto workers will fare even worse. The starting wage of new workers—\$14 an hour—translates to an annual gross income of \$28,000 before taxes and union dues are deducted. This is less than half the median annual US household income and barely above the government's grossly underestimated poverty threshold for a family of four. For the first time in a century, auto workers will not be able to afford the vehicles they build.

Citi Investment Research analyst Itay Michaeli boasted

last week that GM's fixed cost per vehicle will drop from \$10,400 last year to \$7,280 this year and fall to \$5,772 by 2012. In the next five years, labor costs at GM and Chrysler—which declared bankruptcy on April 30, 2009—could be lower than any Japanese automaker operating nonunion plants in the US, making it profitable for the company to build small cars in the US, rather than in Mexico.

As a result, the automaker recently announced that its net income rose to \$865 million, by contrast to the \$6 billion it lost in the same period last year. Moreover, while workers have had their jobs, communities and livelihoods ravaged, Wall Street is expected to make a windfall from the upcoming sale of GM shares owned by the US government.

According to the *Wall Street Journal*, "Wall Street bankers are salivating over one of their biggest potential paydays since the market meltdown of 2008: the planned initial public offering of General Motors." With some analysts predicting that a GM stock sale could net \$70 billion—selling at \$113 to \$137 a share—big financial firms stand to bring in almost \$2 billion in fees, the largest haul from a single stock deal in history.

In what Wall Street calls a "bake-off," top bankers from JPMorgan Chase, Morgan Stanley, Bank of America, Citigroup and Goldman Sachs have held a series of meetings with GM and Treasury officials to convince the Obama administration to select them as the lead underwriter for the deal.

The White House's "car czars" who oversaw the bankruptcy of GM and Chrysler are both former executives at Lazard, another Wall Street firm contracted by the government to advise it on the sale of its \$40 billion GM stake. Private equity investor Steven Rattner, whose net worth is reportedly as high as \$600 million, is facing problems with the Security and Exchange Commission for his involvement in an illegal kickback scheme to get lucrative investments from the New York state pension fund.

In addition to the big investors, the UAW apparatus also

stands to make billions from the sale of GM stock. In exchange for its collaboration in the destruction of jobs, working conditions and living standards of the workers it allegedly represents, the UAW was handed control of a multibillion-dollar retiree health care trust, positions on the corporate board of directors, a 17.5 percent ownership stake at GM and majority ownership of Chrysler.

Speaking before the American Press Association last month, outgoing UAW President Ron Gettelfinger defended the repeated concessions the union had granted over the last decade, saying the auto companies were now on a “roll,” with GM recording profits and Chrysler hiring the first new auto workers in a decade.

When it was pointed out that the new hires were making wages so low they could hardly afford a car, Gettelfinger defended the wage cuts, saying, “We did what we had to do to get to tomorrow.” He also praised Obama’s decision to use the bankruptcy courts, saying it was the “right approach.” “I do think it took a lot of courage for the president to step up and do what he did,” he said, “but given a little time, I think it’ll be seen as a great decision.”

On June 1, 2009 the *World Socialist Web Site* wrote, “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.”

This warning has been borne out. The brutal conditions imposed on GM and Chrysler workers have been used as a benchmark for an unprecedented campaign of wage and benefit cutting and speedup throughout industry and the public sector. It has coincided with increasing demands for the dismantling of “unaffordable” entitlements like Medicare and Social Security and the gutting of public education and other vital services.

This was made clear in an editorial headlined “The lessons of the GM bankruptcy” by *Wall Street Journal* columnist Paul Ingrassia earlier this week, who wrote, “Everybody knew it was ridiculous and unsustainable to pay workers indefinitely not to work (in the United Auto Workers union’s Jobs Bank)...and to pay gold-plated pension and health-care benefits to employees.”

Now, Ingrassia added, “Everybody knows that we’re running unsustainable federal deficits.... And that many states’ public-employee pensions funds are hopelessly underfunded for the level of benefits they provide. And

that shoveling more money into the public schools without insisting on structural reforms and accountability hasn’t produced results and won’t do so in the future.”

“Addressing these issues inevitably means enforcing spending discipline and standing up to public-employee unions in a way that GM failed to do with the UAW. Continued denial and delay will prove ruinous. To put it another way: America bailed out General Motors, but who will bail out America?”

Within the rarified circles of the corporate, political and media establishment “everybody knows” workers must be reduced to pauperism. But the working class is not responsible for and must not pay for the reckless speculation of the financial elite, which enriched itself through the destruction of millions of jobs, the ruination of basic industry and the bankruptcy of cities, states and entire countries, like Greece and Spain.

Society can no longer afford to fund the lavish lifestyles and parasitic activities of this corporate and financial aristocracy. Instead a mass political movement of the working class—independent of and opposed to the two parties of big business—must be built to take the industrial and financial resources of society out of the hands of the super-rich and put it under the collective and democratic control of working people.

A precondition for such a struggle is a complete break with the UAW and its reactionary policies of class collaboration, economic nationalism and support for the Democratic Party, and the formation of new organizations of working class struggle.

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