# Wall Street celebrates the destruction of workers' jobs and wages

**Jerry White**
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The announcement by General Motors last week that it recorded a $1.3 billion second-quarter profit—its second consecutive gain after ten quarterly losses—has been hailed as the "return of Detroit" by financial analysts, government officials and the media.

A little more than a year after the US automaker emerged from the "quick and surgical" bankruptcy ordered by the Obama administration, GM is expected to file papers this week for an Initial Public Offering (IPO) of stock later this fall. Wall Street experts say GM's share value and earning potential have risen exponentially, and the IPO is expected to be one of the largest stock sales in history.

The *New York Times* set the celebratory tone last week, declaring, "After a dismal period of huge losses and deep cuts that culminated in the Obama administration's bailout of General Motors and Chrysler, the gloom over the American auto industry is starting to lift."

Previous cost-cutting efforts had failed or stalled, the *Times* complained, but "auto analysts say the current makeover has a more permanent feel, largely because of the presence of the outsiders at the top and the lessons learned from the near-death experience of last year's bankruptcies at GM and Chrysler." The industry, the *Times* noted approvingly, has gotten rid of "the excesses of the past," including over-production, and "shed workers, plants and brands."

A "new breed of management" has taken over, the newspaper wrote, who are "determined to keep the Big Three lean, agile and focused on building better cars that earn a profit."

For workers, the "gloom" has certainly not been lifted from Detroit, where the real unemployment rate is 50 percent and suburban areas face record demand for emergency food assistance.

The return to profitability at GM has been accomplished through brutal cuts in labor costs, including the shuttering of dozens of plants and the elimination of 50,000 jobs—20 percent of GM's global workforce—including 30,000 hourly and salaried positions in North America.

The most important factor in GM's rebound is its success in imposing a 50 percent cut in the wages of newly hired workers. The reduction of US auto workers' wages to the near-poverty level of $14 an hour represents a historic retrogression to the levels of exploitation that existed in the darkest days of the Great Depression, prior to the mass struggles that established the United Auto Workers.

The end of so-called "middle-class" wages in auto was the centerpiece of the bailout of GM and Chrysler engineered by the Obama administration's Auto Task Force last year. It established a new benchmark for the permanent slashing of wages across the entire economy and the lowering in US workers' living standards towards those of super-exploited workers in Asia and other parts of the "emerging world."

This historic assault on working class living standards is at the core of the administration's pledge to double exports in five years and revive US manufacturing as a cheap-labor export platform.

This is what Wall Street and the *New York Times* are celebrating.

These wage cuts, moreover, are only the beginning. In order to maintain profitability, Peter Morici, an economist at the University of Maryland, told the *Times*, the automakers "need to reduce their costs more if they're going to be competitive in the long term with the Japanese, the Koreans and ultimately the Chinese."

One of the new "outsiders" in control of the auto industry is Daniel F. Akerson, who was named to succeed Edward Whitacre as CEO of GM last week. Akerson has no experience in manufacturing. He is the managing director and head of the global buyout division of the Carlyle Group, a powerful and politically connected private equity firm. He specializes in buying distressed companies, stripping them of their assets and slashing labor costs, before re-selling the companies, generally for returns of 20 percent or more for big investors.

"Many on Wall Street regard Mr. Akerson as the right kind of executive to reassure investors that GM will continue making tough decision and avoid reverting to its plodding, spendthrift ways," the *Wall Street Journal* reported.

Akerson was brought onto GM's board last year by Obama's Auto Task Force, "which liked his reputation and thought he could be a good option if a new CEO were needed at some point," the *Journal* wrote.

The White House has essentially handed over the auto industry to the most parasitic sections of the financial elite—speculators and fast-buck artists whose corporate "turnaround" schemes have left millions of workers without jobs or pensions, and Detroit and other industrial cities in ruins.

Obama chose two Wall Street financiers—Steven Rattner and Ronald Bloom—to head his Auto Task Force. In forcing the bankruptcy of GM and Chrysler, spinning off unprofitable factories and dealerships, wiping out tens of thousands of jobs, dumping health care obligations and other "legacy costs," and halving wages, the Democratic administration moved even more quickly and ruthlessly than the private equity firms.

The end result of this assault on auto workers and their communities will be a multi-billion-dollar windfall for Wall Street insiders and rich investors, who will make out like bandits from the sale of GM stock in the upcoming IPO.

From day one, the Obama administration, the auto bosses and Wall Street have depended on the United Auto Workers union to impose these attacks on the workers. Not only did the UAW suppress all opposition from the workers, it functioned as the direct instrument of Wall Street and the government in the impoverishment of its own members. In return, the UAW executives were given major ownership stakes in the auto companies. They will get their cut, worth many millions of dollars, from the IPO bonanza.

In a speech to an industry gathering earlier this month, newly installed UAW President Bob King made clear that the union was committed to removing all obstacles to profit-making. Disparaging the "20th century UAW" for seeing the employers as "adversaries rather than partners" and negotiating contracts that stipulated work rules and job classifications, King declared that the "21st century UAW recognizes that flexibility, innovation, lean manufacturing and continuous cost improvement are paramount in the global marketplace."

No struggle to defend jobs and living standards is possible without a complete break with the UAW and the building of rank-and-file committees to mobilize workers in the factories and neighborhoods to fight.

This struggle is in essence a political struggle and requires a new political perspective. The disaster facing auto workers is the result of the long-standing support of the unions for the capitalist system, their hostility to socialism, and their subordination of the working class to the Democratic Party. The unions combine a policy of labor-management "partnership," which denies that the workers have any interests independent of those of the corporations, with economic nationalism, which seeks to pit American workers against their class brothers and sisters internationally.

The most basic needs of the working class—jobs, decent wages and working conditions—can be defended only through a political struggle against the two big business parties and the profit system which they defend.

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