

The GM IPO: Wall Street celebrates impoverishment of auto workers

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General Motors will conduct an initial public offering of nearly 500 million shares today, seventeen months after the giant US automaker declared bankruptcy and was removed from the New York Stock Exchange.

At the price of \$33 per common share and \$50 for preferred stocks, the IPO is expected to net \$23 billion, making it one of the largest, if not the largest, stock sale in history. The US Treasury, which is reducing its ownership stake from 61 percent to as low as 33 percent, is expected to lose as much as \$10 billion from the sale of its shares. The real money will be made by major Wall Street firms, with share values set to rise 10 to 20 percent on the first day of trading.

Morgan Stanley, J.P. Morgan, Bank of America, Citicorp, Goldman Sachs, Barclays Capital, Credit Suisse and Deutsche Bank were selected by the White House to oversee the IPO and will get first access to purchase the stock. The underwriters reportedly sought an even cheaper opening price. However, the Obama administration expressed concern that an even greater windfall for the banks would convince the public that the IPO was another handout to Wall Street—exactly what it is.

The run up to the IPO has been a spectacle of greed. Investors issued pre-sale orders, leading GM to increase the volume of shares being sold to 478 million, from its initial offer of 365 million. As the *New York Times* wrote, “It seems hard to believe. G.M. actually has Wall Street panting.”

The potentially huge fortunes for the financial elite come at the direct expense of auto workers, their families and working class communities throughout the Midwest. More than a dozen factories in Michigan, Ohio, Indiana and other states have been shut down. Tens of thousands of workers have been thrown out of work, and current and retired workers have seen wages

and benefits slashed. In addition, an entire generation of new auto workers is working for \$14 an hour, half the wages their parents once earned in the industry.

The *New York Times* noted, “The high level of investor interest underscores how extraordinarily Detroit has changed since its senior executives went to Washington for emergency aid in the fall of 2008. The Rust Belt manufacturing sector has a new sheen for investors impressed by how much Detroit has slashed costs and improved the quality of its vehicles.” The newspaper added, “Drastic reductions in employees, health care costs and excess factories have positioned the companies for a comeback.”

From the beginning of the auto industry crisis—triggered by the financial breakdown in 2008, the drying up of credit and the collapse of auto sales—Wall Street has worked to exploit the situation and impose a drastic reduction in the living standards and workplace protections of auto workers. With its attack on auto workers—long the highest paid industrial workers in the US—the Obama administration set the stage for a campaign of wage-cutting throughout the economy. In a similar way, President Reagan used the smashing of the PATCO air traffic controllers strike in 1981 to launch a counter-offensive against the entire working class.

Shortly after driving the automaker into bankruptcy, President Obama said the restructuring of GM would “require the United Auto Workers to make further cuts in compensation and retiree health care benefits—painful sacrifices on top of all that they have already done.”

This attack involved an unprecedented partnership between the US government, Wall Street, the auto bosses and their servants from the United Auto Workers union. The White House manned its Auto Task Force with private equity managers who

specialized in stripping assets and gutting jobs, wages and pensions in order to guarantee the quickest and biggest returns to Wall Street.

For its part in suppressing resistance by autoworkers, the UAW was given a 17.5 percent stake in the auto company. On Thursday, the UAW is expected to sell 102.3 million shares, netting the union bureaucracy more than \$3.38 billion. The union will retain a 13-14 percent stake in GM, giving it an incentive to push through further concessions.

Typical of the financial parasites who were put in charge of dismantling GM was billionaire financier Steven Rattner. Rattner is currently facing an investigation for an illegal kickback scheme involving the New York State pension fund.

Speaking to reporters at a gathering of the Automotive Press Association in Detroit Monday, Rattner boasted, “Things at GM have gone as well or better than you can expect, so it's clear now that this offering will be a huge success.” He added, “This is a new and different GM that will go forth in the public market, and one that has all the tools to be competitive.”

The automaker said its worldwide employment has fallen this year to 209,000 from 215,000 at the end of 2009 due in large part to restructuring in Europe and the sale of Saab and GM's India operations. The number of US hourly employees grew from 51,000 to 53,000, largely through the addition of tier-two workers making \$14 an hour. In 2008, there were 74,000 UAW hourly workers in the US.

So far this year GM has made \$4.2 billion in profits—after losing \$88 billion in the previous four years. Chief Financial Officer Chris Liddell said last week that GM will be able to make \$11 billion to \$13 billion in a moderate sales year and \$17 billion to \$19 billion when sales are at their peak.

Appropriately, GM CEO Daniel Akerson, another private equity manager—from the Carlyle Group—is ringing the opening bell at the New York Stock Exchange Thursday kicking off GM trading. UAW President Bob King will join him. Akerson was promoted by the White House to head GM.

In addition to working with the UAW to impose even further concessions on auto workers in next year's labor negotiations, Akerson has been charged with “fixing Europe” by imposing American-style wage cuts

and labor flexibility on workers there.

In a comment on the role of private equity firms at GM, *New York Times* business columnist Andrew Ross Sorkin wrote, “While ‘financial engineering’ has become an expletive of sorts, in this case, it is actually a good thing. Indeed, GM's turnaround should be a case study for when and why the private equity and restructuring business can work.”

Sorkin who previously denounced GM workers for stubbornly defending “gold-plated” benefits and “off-the-charts” wages, said, “Private equity firms make the hard decisions that current management can't—or won't—make.” He specifically pointed to the Task Force's gutting of “out-of-control legacy costs”—a reference to the wages, benefits and working conditions auto workers had won over generations of struggle.

GM is no longer responsible for the health care obligations it owes to more than 340,000 retirees and their spouses. The UAW will now be in charge of retiree medical care and is expected to cut benefits because its trust is under-funded. GM pension obligations are also underfunded by \$27 billion.



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