

Obama touts US auto industry “turnaround”

Jerry White
3 June 2011

President Obama makes an appearance today at a Chrysler plant in Toledo, Ohio where he will tout the resurgence of the US auto industry. Two years after his administration oversaw the restructuring of Chrysler and General Motors, the president will proclaim that the auto companies are profitable and hiring again and that the industry is leading a rebound of American manufacturing.

The president’s handlers, no doubt, intend to make this theme a key part of his re-election campaign, since many Republicans opposed the industry bailout. The rosy picture, however, conceals the reality facing auto workers and more generally the American working class as whole. Chronically high levels of unemployment remain, hourly wages have fallen below levels reached in the depth of the recession and housing prices have seen their biggest drop since the Great Depression.

After several quarters of modest growth, the manufacturing sector contracted sharply last month. Following the handout of trillions of dollars to the banks, economists are increasingly warning of the possibility of a double-dip recession, which would have devastating consequences for workers and their families.

The location of the president’s visit is telling. The official jobless rate in Toledo is near 10 percent—with the real rate probably double. One out of four city residents lives at or below the poverty line. Lying within a hundred-mile radius of the city are Detroit and Cleveland, respectively the poorest and second poorest big cities in America.

The White House has reported that GM and Chrysler have “created or saved” nearly 20,000 jobs since emerging from bankruptcy in 2009. This is a pittance, however, compared to the destruction of a quarter of million jobs by the Detroit-based automakers over the last decade, which has devastated dozens of cities and towns in the Midwestern Rust Belt states.

What then is being celebrated?

First and foremost, the billions in profits the corporations are now generating for Wall Street. The clearest sign of this was the willingness of Goldman

Sachs, Citigroup and other banks to lend Chrysler’s new owner—Italian automaker Fiat—the money needed to pay back \$10 billion in US Treasury loans. Two years ago investors would not touch Chrysler with a ten-foot pole. Today it is seen as a highly lucrative investment.

The restructuring of the auto industry was never about defending jobs and working class communities. From the beginning, the Obama administration was acting on behalf of the most powerful financial and corporate interests that saw the auto crisis—largely created by the Crash of 2008—as an opportunity to drastically reduce pay and benefits for auto workers.

The American ruling class never reconciled itself to the concessions workers wrenched from the auto bosses beginning with the 1930s battles in Toledo, Flint and other cities, and culminating in the 67-day GM strike in 1970. Corporate executives, newspaper columnists and Obama administration officials spoke with nothing but contempt about the supposedly “unsustainable” pay and “gold-plated” benefits of auto workers.

The conditions of auto workers have been under relentless attack for decades, with hundreds of thousands of jobs wiped out, along with the imposition of concessions contract after concessions contract. In the wake of the financial crisis, however, the assault reached a new stage. Using the threat of an imminent liquidation of GM and Chrysler, the Wall Street henchmen Obama appointed to his Auto Task Force cut the wages of new hires by 50 percent, relieved the companies of their health care obligations to retirees, and even stole dental and optical care from retired workers and their families.

By rolling back the wages and conditions of auto workers the administration set the pattern for a campaign of wage-cutting that has hit every section of the working class, from manufacturing workers to teachers, firefighters and other public employees.

This historic reversal in the social position of the working class could not have been achieved without the full cooperation and collaboration of the United Auto Workers. In an account of the negotiations with Fiat boss

Sergio Marchionne over the takeover of Chrysler contained in the book *Overhaul*, the president's point man tells former UAW President Ron Gettelfinger he has to accept "the biggest concessions in [the UAW's] history" to keep the company from liquidating. "Gettelfinger thought about the proposal for an hour and agreed," the book notes.

For the corporate managers who run the UAW, the enforcement of poverty level wages is key to luring production—and millions of dollars in dues money—back to the US from low wage countries like Mexico. UAW Vice President Joe Ashton—who recently acknowledged the \$14 an hour wage accepted by the UAW would make many new workers eligible to collect food stamps—has signaled his willingness to expand the number of "tier-two" workers in order to "create jobs."

The benchmark set by the UAW has unleashed a wave of competitive wage-cutting throughout the global auto industry. Following years in which UAW bureaucrats shouted about "shipping American jobs overseas," global auto giants like Volkswagen and Fiat are closing plants in Germany and Italy in order to shift production to the US.

Last month, Volkswagen, whose first quarter profits rose 26 percent primarily due to job cuts in Germany, opened up a new factory in Chattanooga, Tennessee that will pay \$27 an hour in wages and benefits, less than half of the comparable labor costs in Germany.

The transformation of American workers into a cheap labor force is the lynchpin of the Obama administration's strategy to double US exports and compete with China and other low-wage countries in the world market. Other major exporters such as Boeing, Caterpillar and General Electric are following the auto industry in imposing two-tier wages and drastically reducing benefits for the next generation of workers.

With the probability of a further economic downturn internationally, it will not be too long before corporations and the government declare that \$14 an hour is unsustainable too. Under the capitalist system, workers around the world face a race to the bottom, while the corporate and financial elite are enriching themselves like never before.

In every country auto workers face the same struggle, and in every country they confront trade unions and political parties that insist workers must sacrifice everything in order to defend the profits of "their" corporate bosses. But workers cannot accept destitution, and there is a growing mood of resistance and struggle in

every country. Among auto workers in the US, this has been shown in the rebellions of auto workers in California, Indiana and Michigan last year.

In order to defend the basic social right to a secure job and living income, a new road of struggle must be found. Workers must break with the UAW in the US and the other trade unions in Europe, which are tied hand and foot to the corporations and the capitalist system. It is necessary to build new organizations of struggle, democratically controlled by rank-and-file workers, to conduct a determined fight against plant closings, layoffs and the destruction of living standards.

The nationalism and chauvinism of the trade unions must be rejected and a coordinated struggle waged by American, European, Latin American and Asian workers to defend the right to decent jobs for all workers.

Above all, what is posed before the working class is a political struggle against the Obama administration and the profit system both big business parties defend. The economic stranglehold of the corporate and financial oligarchy must be broken by ending the private ownership of the auto industry and major corporations and putting them under public ownership and the democratic control of the working class. Only on this basis can a rational plan of global production and distribution be developed to replace the anarchy of the capitalist market with socialism so that all decisions are based on social need rather than private profit.

Jerry White



To contact the WSWWS and the
Socialist Equality Party visit:

wsws.org/contact