

# The bankruptcy of American Airlines and the case for public ownership

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American Airlines' bankruptcy filing on Tuesday is another powerful argument for the socialist policy of removing the airline industry and the banks that finance it from private ownership and placing them under public ownership.

The move—the latest in a series of airline industry court-supervised reorganizations this decade—is an overt act of war against the firm's 78,000 employees with dire implications for the working class as a whole. Thomas Horton, the newly named CEO of the airline's parent company, AMR Corporation, made clear that the firm filed for Chapter 11 protection in order to rip up existing labor contracts and impose drastic cuts in jobs, pay, conditions and pensions.

Claiming that American's labor costs are \$800 million a year higher than those of its rivals, Horton said a "competitive cost structure" was a "key imperative" in the bankruptcy process and announced plans to launch talks with "all of our unions to reduce our labor costs."

He did so knowing that a friendly federal bankruptcy court could be relied on to simply impose cuts in wages and jobs and rubber-stamp a decision by the company to terminate its pension plans. The outcome of bankruptcy court-supervised reorganizations at United, Delta and US Airways was massive job losses, wage cuts on the order of 30 percent, and pension benefit reductions as high as 50 percent.

The *New York Times* quoted Bob McAdoo, an airline analyst at Avondale Partners, as saying, "This is not a defensive move, but an offensive bankruptcy where they go after their labor groups to reduce costs. They have a great franchise and a lot of cash. They are not being forced into bankruptcy here. They have a problem with their cost structure that they want to tackle."

The *Wall Street Journal* cited Josh Gotbaum, the director of the federal Pension Benefit Guaranty Corporation, who said, "Employees and retirees

worry—and they should. Based on our estimates, American Airlines employees could lose a billion dollars in pension benefits if American terminates their plans."

For their part, American Airlines executives will continue to reap multi-million-dollar compensation packages. Departing CEO Gerard Arpey leaves with \$4.7 million in pension benefits.

The bankruptcy filing is part of an international attack on airline workers as rival carriers compete to cut costs and maintain profitability in the face of the global economic crisis. Last month, American's OneWorld Alliance partner Qantas grounded its entire fleet in order to press for deep concessions from workers. Other major carriers like British Airways and Japan Airlines have shed tens of thousands of jobs.

In addition to untold suffering for American's workers, the restructuring will result in a further contraction in service, even more crowded conditions for ordinary passengers, and a further deterioration of safety. Already this year the manic drive for profit in the industry has resulted in numerous cases of overworked and overstressed air traffic controllers falling asleep on the job. The previous court-supervised reorganizations have resulted in a further concentration and monopolization of the industry, with mergers between United and Continental and between Delta and Northwest.

The American Airlines bankruptcy is the outcome of more than 30 years of deregulation of the airline industry. All of the claims that were made to justify the virtual removal of government supervision of the airline companies—that the market is the best guarantor of efficiency, quality, safety and healthy competition—have been long since exposed as lies. The shift to deregulation, which began with the airlines and spread rapidly to trucking and finance, has been revealed, as with all significant policy initiatives, to reflect underlying social processes and class interests.

Deregulation of the airlines, inaugurated in 1978, marked the beginning of a brutal offensive by the American ruling class against the working class. The aim was to break up the structure of post-war legal, regulatory and social relations within which the ruling elite had carried out a policy of relative class compromise, under the conditions of the post-World War II expansion of the global economy and US economic domination.

With the boom unraveling and America in economic decline, the US corporate-financial elite turned to a policy of class war. It was, and remains to this day, a bipartisan policy embraced and administered by both big business parties, the Democrats no less than the Republicans.

Deregulation of the airlines was launched under the Democratic administration of Jimmy Carter, announced by his transportation secretary, Alfred Kahn, and enthusiastically supported by the leading Democratic liberal Edward Kennedy. The Carter administration drew up the plans to smash the air traffic controllers' union, PATCO, which were implemented in August 1981 by Ronald Reagan—with the support of the Democratic-controlled House of Representatives.

The destruction of PATCO opened the floodgates for wage-cutting, strike-breaking and union-busting by corporations in every sector of the economy. A major focus was the airlines, where bitter strikes against concessions were defeated at Continental Airlines (1983), United Airlines (1985), Trans World Airlines (1986) and Eastern Airlines (1989). Many of these companies no longer exist, as icons of American capitalism fell one after another in the 1980s and 1990s, reflecting the decay of the profit system at its global center.

The assault on airline workers was part of a broader attack on auto and steel workers, truckers, miners, meatpackers—on every section of the working class. It was possible only due to the treachery and complicity of the trade unions, which, beginning with PATCO, isolated and scabbed on one struggle after another. The decade of the 1980s saw the collapse of the American labor movement and transformation of the unions, based on their pro-capitalist and nationalist program, from defensive organizations of the working class into corporatist appendages and agencies of the corporations and the government.

Deregulation fueled the massive growth of financial speculation and parasitism, alongside the dismantling of much of US industry. At the heart of this process was an ever-accelerating assault on the social position and living standards of the working class and a redistribution of

wealth from the bottom to the top.

Government strike-breaking against airline workers was carried out by Democratic as well as Republican presidents—Bill Clinton against American Airlines pilots in 1997 and George Bush against Northwest mechanics in 2001. The airline unions abandoned the strike weapon in order to suppress workers' resistance to one round of brutal concessions after another and integrate themselves more thoroughly with corporate management and the state. One notable exception was the strike by non-AFL-CIO mechanics at Northwest in 2007, which was smashed due to scabbing by the other unions at the carrier.

Following Tuesday's announcement, the unions at American made haste to declare their readiness to offer more concessions in order to secure their institutional interests and membership dues flow within the bankruptcy process. Captain Dave Bates, president of the Allied Pilots Association, said he anticipated "significant changes" to the union's contract. Laura Glading, president of the American Professional Flight Attendants union, said, "We absolutely want to be at the table and help steer the discussion... we're going to be part of that path forward."

Such is the outcome of the unions' defense of capitalist private ownership of the airline industry and the financial system. There is one alternative for airline workers and the working class as a whole—one that can be fought for only through a break with the official unions and the building of new, genuinely democratic organs of struggle. That alternative is the fight for socialism—beginning with the nationalization of the major corporations and banks and their transformation into publicly owned utilities under the democratic control of the working class.

Experience has shown that private ownership is incompatible with the most basic interests of workers and the public as a whole. The fight for public ownership is a political fight against the corporate-financial oligarchy and both of its parties, as well as the courts and all of the official institutions of the capitalist class. It requires the mass, independent industrial and political mobilization of the working class in the fight for a workers' government.

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