Hostess bankruptcy: The brutal face of American capitalism

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21 November 2012

Hostess Brands has sought authorization from the bankruptcy courts to liquidate its bakery business and wipe out the jobs and pensions of 18,500 workers. The 82-year-old company, maker of the well-known brands Wonder Bread and Twinkies, submitted plans last week to close 33 bakeries, 565 distribution centers, approximately 5,500 delivery routes and 570 bakery outlet stores throughout the United States.

Company executives blamed their move on a week-long strike by 5,600 members of one of the largest unions at the company, the Bakery, Confectionery, Tobacco Workers and Grain Millers International Union (BCTGM). Management gave strikers until November 15 to accept demands for deep wage and benefit cuts and further plant closings—or face liquidation.

But the workers—who are passing through their second company bankruptcy in a decade—said enough was enough. A typical worker saw his pay cut from $48,000 to $34,000, or $16.12 an hour, after the company's first trip through bankruptcy in 2004.

The latest contract demands would have cut pay to about $25,000, along with significantly higher out-of-pocket expenses for health insurance. These are poverty-level wages, less than what many workers would receive on unemployment.

When workers rejected this blackmail, the company responded ruthlessly—locking its gates, announcing mass layoffs and terminating the company pension plan. The news media overwhelmingly sided with management, denouncing the workers for striking and suggesting they had chosen collective suicide rather than accepting economic reality.

On Monday, a federal bankruptcy judge put the liquidation temporarily on hold, ordering the bakers' union into private mediation with the company. The court has already sanctioned the abrogation of union contracts and approved management's "final offer" of sweeping wage and benefit concessions. By Tuesday night, Hostess said the mediation efforts had failed and liquidation proceedings would resume today.

The aim of the court decision was to pressure the bakery union to follow the Teamsters, the largest union at Hostess, which rammed through management's demands in September over widespread opposition from its 6,700 members at the firm. In return, the Teamsters got seats on the board of directors, a 25 percent share of company stock, and a $100 million claim in bankruptcy.

What is facing Hostess workers is the common experience of countless American workers over the last three decades. Companies, with the assistance of the unions, have imposed one round of concessions after another, each one more onerous than the last.

Corporations in virtually every sector of the economy—auto, mining, steel, meatpacking, airlines, retail, transportation—have used the bankruptcy courts to destroy workers' wages, benefits and working conditions.

Financial sharks from private equity firms and hedge funds have organized takeovers to "save" failing companies, only to load up them up with debt, loot pensions and health benefits, strip their assets and walk away with millions in profits.

The unions have sought to defend the bloated salaries and perks of the union executives by offering up the jobs and living standards of their members to the bosses. In the

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end, the givebacks, far from “saving jobs” as promised by the unions, facilitate more layoffs and plant closures, devastating working class communities and entire cities.

This time the Hostess workers have said “no.” In so doing, they speak not just for themselves. They give voice to a growing mood of defiance in the working class as a whole.

Tens of millions sense that it is becoming impossible to live under conditions of permanent economic insecurity—the “new normal” of President Obama’s supposed economic recovery. Meanwhile, corporate profits, stock markets and executive bonuses soar and the chasm between rich and poor grows ever wider.

These conditions have exposed the bankruptcy of the official trade unions, which fully accept the framework of the capitalist system and the political subordination of the working class to the Democratic Party. In a bid to distance the attack on Hostess workers from the Obama administration, AFL-CIO President Richard Trumka denounced it as an example of how “Bain-style Wall Street vultures make themselves rich by making America poor”—a reference to the private equity firm headed for many years by the Republican presidential candidate, Mitt Romney.

In fact, the private equity firms and hedge funds involved in the looting of Hostess have far closer ties to the Democratic Party than to the Republicans. Tom Collins, the head of the private equity firm Ripplewood Holdings, which loaded the company with debt, halted pension payments and imposed crippling wage and benefit concessions, is a prominent Democrat with ties to former Democratic House Majority Leader Dick Gephardt and, through him, the Teamsters.

One of the hedge funds that pulled the final plug on Hostess—Manhattan-basedMonarchAlternativeCapital—is a spin-off of private equity firm Quadrangle Group, co-founded by Steven Rattner, the multi-millionaire asset stripper Obama put in charge of the 2009 forced bankruptcy and restructuring of General Motors and Chrysler. In that capacity, Rattner oversaw the wiping out of tens of thousands of jobs, slashing of health and pension benefits, and halving of wages for new-hires.

This is the brutal face of American capitalism, supported by both parties of big business. The government, the corporations, the corporate-controlled media and the unions are united in a drive to make the working class pay for the failure of the profit system and increase the already obscene wealth of the financial aristocracy.

The working class can have only one answer to a system that uses blackmail and economic terror to enrich the few at the expense of the many—a revolutionary struggle to fundamentally reorganize society. To guarantee the social rights of the working class—to secure and good-paying jobs, decent working conditions, a dignified retirement, and high quality housing, education and health care—it is necessary to break the dictatorship of the banks and private equity firms.

The squandering of vast financial resources and the dismantling of industry must be stopped through the nationalization of the banking and financial industry under public ownership and the democratic control of working people. The financial books of Hostess should be made public, in order to expose the machinations between the corporate executives, financiers and union officials and lay the basis for the nationalization of the company. The ill-gotten gains of the financial criminals must be confiscated in order to set up a multi-trillion-dollar fund to make whole all those who have lost their homes, wages and pensions.

The Hostess bankruptcy demonstrates the need for a new, socialist perspective and leadership in the working class. The battle at Hostess is only the beginning of immense social struggles that will erupt against the Obama administration and the capitalist system it defends. We urge workers to join and build the Socialist Equality Party to prepare for those struggles.

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