

# The Volkswagen emissions scandal

Peter Schwarz  
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The scandal at Volkswagen (VW) over the manipulation of emissions readings from its autos in the US has plunged the firm into a major crisis. The company, which along with Toyota is the world's largest auto producer, faces the threat of up to \$18 billion in fines, along with massive costs related to the recall of almost half a million vehicles and huge compensation claims. The US Justice Department has launched a criminal investigation and a congressional committee has announced plans for a hearing on the scandal.

VW has already acknowledged that accusations by the US Environmental Protection Agency (EPA) are valid. It has admitted that it deliberately deceived American customers and government authorities.

"Let's be clear: our company was dishonest," said VW's American head Michael Horn at the unveiling of the new Passat model in New York. "We totally screwed up."

In a calculated manner, VW broke the law in order to manipulate emissions readings. In diesel models sold in the US, the company installed specially developed software to enable the vehicles to determine when they were being tested and automatically switch to a mode that reduced the emission of pollutants. After the test, the cars automatically switched back to the normal mode, increasing their release of poisonous oxides between 10- and 40-fold.

VW used the low emissions test rates as a selling point for the US market, where diesel cars comprise just one percent of total sales, a far lower percentage than in Europe. Many US buyers decided to purchase a diesel car from VW or Audi because, in contrast to hybrid vehicles from Asian producers, which have low emission rates but are cumbersome, the German models were considered both environmentally friendly and sporty.

The ultimate scale of the scandal is not yet known. The suspicion is that VW manipulated emissions figures not only in the US, but also in other markets. Germany, Switzerland, France and South Korea have all announced investigations into diesel vehicle manipulation.

VW announced Tuesday that the software had been built into many more vehicles than had previously been believed. There are a total of 11 million vehicles around the world with the engine model EA189, whose emissions are significantly lower during tests than under normal use.

VW stock, which dropped Monday by 20 percent, fell a further 23 percent on Tuesday. This brings the company's loss of share value since the beginning of the scandal to €27 billion.

Also raised is whether other firms are manipulating emissions readings. Along with VW, BMW, Mercedes and many other European and Asian companies sell the type of vehicle involved in the scandal. "The fear of widespread destruction in the German auto industry on this Monday is pervasive. Is VW the exception? Or are they only the first to be exposed?" wondered the *Süddeutsche Zeitung*.

Experts warn that the VW scandal could lead to major job losses in Germany. Within the country, one in seven jobs is directly or indirectly dependent on the auto industry. The relatively expensive German vehicles have been able to retain their position in the world market because of their reputation for technical quality and reliability. That reputation is now at risk.

It is unclear who was aware of the manipulation. Many commentators consider it improbable that it could have taken place without the knowledge of VW Chief Executive Martin Winterkorn, who has led the company since 2007. Winterkorn, like his two predecessors, Bernd Pieschetsrieder and Porsche's grandson Ferdinand Piëch, is a technical expert and not a financial manager. He reportedly has detailed knowledge of the technical aspects of VW vehicles.

Earlier this year, Winterkorn defeated Piëch, who had headed the VW Supervisory Board since 2002, in a power struggle triggered by Piëch's attempt to sack him. Piëch subsequently resigned his position on the board.

Winterkorn's contract was to have been extended for a further two years at a board meeting this Friday. This has now been called into doubt, and the company confronts

another power struggle at the top.

Many commentators have described VW's audacity in deceiving customers and regulators as not only criminal, but also stupid. They argue that it did not take a great deal of foresight to realize that the swindle would eventually be exposed, delivering a massive blow not only to the firm's finances, but also to its image.

However, VW is not an aberration. Recent years have seen a series of scandals in which auto companies deceived the public and government regulators, covering up gross negligence or lawlessness. For almost a decade, General Motors concealed a problem with ignition switches that resulted in engine cut-offs, disabling steering mechanisms as well as the deployment of air bags. The company did not begin to recall 2.6 million vehicles with the defect until at least 124 people had been killed and 275 injured in accidents caused by the problem.

Last week, the Obama administration announced a settlement with GM effectively foregoing any criminal penalties and imposing a token \$900 million fine. Not a single company official was cited by name in the deal.

Japanese supplier Takata was targeted by the US Justice Department for equipping tens of millions of vehicles around the world with defective air bags. At least eight people were killed by exploding air bags and more than 100 injured.

Toyota had to pay \$1.2 billion in fines in the US and recall millions of vehicles that accelerated on their own. At least five people died as a result of the defect.

Major technical advances have recently been made in the auto sector. New technologies and digital steering have significantly improved the safety and environmental friendliness of cars. Automatically driven electric cars are no longer a utopia. But such technical progress is in permanent conflict with an irrational social system that subordinates every aspect of life to the profit drive of a financial aristocracy.

The unscrupulousness and criminality employed by VW and other automakers in the struggle for global market share reflect the inherent contradictions of the capitalist system, which make impossible the rational and socially progressive development of man's productive forces. These basic contradictions, between socialized production and private ownership of the means of production, and between a globalized economy and the division of the world into rival nation states, find their political reflection in wars waged by the major powers to expand their spheres of influence and control of markets, devastating entire countries and turning tens of millions of people into

desperate refugees.

The other side of corporate criminality is the relentless assault on the rights and living standards of workers. These are justified with the argument that they are necessary to remain internationally competitive. In the US, the real wages, adjusted for inflation, of many autoworkers have been reduced to the levels that prevailed under Henry Ford's "five-dollar-a-day" regime in the first decade of the last century. In Germany, wage cutting is spearheaded by the outsourcing of production to low-wage Eastern European countries and the growth of part-time and contract employment.

The closest allies of the auto companies in attacking the workers are the trade unions, which, like management, see their main goal as the defence of the competitiveness of their company against international rivals.

VW has taken the lead in this. The company exemplifies the specific German form of "social partnership." Nowhere is the symbiosis between shareholders, management and the trade unions so close. Winterkorn largely owes his position to the chairman of the VW works council, Bernd Osterloh, and to the IG Metall union, whose former chairman, Berthold Huber, headed up VW's board until a few days ago.

In the US, autoworkers are beginning to rebel against the automakers' attacks and coming into sharp conflict with the United Auto Workers union. VW workers should declare their solidarity with their American brothers and sisters. Only through a united international struggle for socialism, i.e., the reorganisation of society based on the satisfaction of social needs rather than the drive for private profit, can the criminal activities of the companies and the destruction of workers' jobs and living standards be halted.



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