

The Auto “Bailout”: Necessary – but not Sufficient

Herman Rosenfeld

Working people throughout North America have been wondering about the “bailout” being provided to General Motors and Chrysler by U.S. and Canadian governments. Although recent public opinion polls show a majority supports these measures many are asking why this is happening, if it really is necessary and if there are alternative ways of dealing with the current crisis in the industry. Workers in other sectors of the economy, in jobs that provide temporary or precarious work with low pay, those who are unemployed, and still others receiving social assistance of various kinds, are left wondering if the aid to the auto industry wouldn’t be better spent on programs that might directly help *them*.

These are important questions and they reflect legitimate concerns about the role of governments in a neoliberal capitalist society, particularly one that is entering a period of economic turmoil and crisis. It also raises questions about the interests of different sections of the working class and how we might move forward in solidarity to address our particular and common needs in the rapidly emerging struggle.

THE CRISIS AND THE “BAIL OUT”: SHOULD WE BE CONCERNED?

Two of the Detroit-based auto companies are to receive loan guarantees of \$17-billion in the U.S. and about \$4-billion from the Canadian Federal and Ontario provincial governments. Technically, if used, these have to be repaid. Ford, the third company, is to receive a line of credit.

The financial crisis which began a few months ago has affected the operation of the real economy that produces goods and services that all of us use. The breakdown in credit has made it difficult for people to borrow money and the threat of job loss has affected their willingness and ability to buy. With no one buying cars, assemblers must use up cash reserves simply to keep themselves solvent. This crisis has affected all car assemblers, not only the Detroit Three – Toyota, Honda and Nissan have reported losses and massive drops in sales as well. The Detroit-base companies were in a weaker position to begin with, and so the current financial crisis has threatened their very survival.

Why should we be concerned with this, after all, these companies have never been great friends of the working class.

These companies, which used to be the largest and strongest capitalist enterprises in the world, are genuinely in trouble. Without this aid, they will run out of cash and will go into bankruptcy court. This would lead to massive layoffs and closures of workplaces in many communities.

Aside from these very real effects, lie some key principles. In a capitalist economic system, workers are dependent upon employers’ survival in the marketplace in order to retain their jobs. There is certainly an *ideological* dependency that workers tend to have on capital – the false belief that investors and employers are the creators of wealth and value. But there is also a real *material* dependency that almost all working class people instinctively understand, as a condition of their participation in capitalist society. It represents a key source of strength for the capitalist system and acts as a kind of brake or limit on the independence of the working class. As socialists, social justice activists or trade unionists, we have to always keep it in mind while working to lessen and ultimately break that dependency. But we can’t ignore it, if we want to make change. In general, change comes by educating and mobilizing workers, fighting for public, non-market rights and services such as Medicare, pensions, housing, education; building working class organizational and political independence through struggles, and building institutions like unions, political parties and movements and fighting for structural reforms that lesson the power of private capitalists over the working class. In the longer run, we fight for an economic and political system that is completely independent of private capital.

In the current context, loan guarantees allow the auto companies to survive for the time being. This keeps open other options that socialists, unions and activists can fight for. Without them, millions of workers will simply lose their jobs and the collective productive capacities these industries represent – even in the alienated form as private capital – would be lost to all of us. Obviously, we can’t trust these companies or the current U.S. and Canadian governments to restructure themselves in ways that would strengthen working people or bring less harm to the environment. In fact, the opposite is the case.

THE CONCESSIONS SPIRAL: WHEN LESS BECOMES TOO MUCH

The U.S. Congress has demanded that, as a condition of the loan guarantees, UAW members at the Detroit Three cut their wages, benefits and working conditions to match the non-unionized “transplants” (plants owned by overseas-based capitalists), now concentrated mostly in the aggressively anti-union Southern states. This must be done by the end of this year (2009). This demand was initiated by a group of right-wing Senators from these states that used their power in the lame duck U.S. Congress in December, to try and smash the unions in the auto sector. The corporations, as well as the

Canadian and Ontario governments have also demanded that the CAW match these concessions.

While both the U.S. and Canadian auto unions have pointed out that a key component of the cost “advantage” of the transplants is related to the lack of public single payer medicare in the U.S. (so that the employers must pay for the medical insurance of the workers) and the age differences of workers in the transplants and the older manufacturers (so that pension costs of the transplants are much lower than the unionized workplaces), they agreed to accept the principle of matching the non-union employers.

The American United Auto Workers (UAW) seems to have accepted these demands to lower labour costs to match the lowest cost producers without qualification. This is not surprising: the UAW had previously bargained a two-tier wage system that dramatically cut the wages of a new generation of auto workers. With further concessions thrown into the mix, along with the commitment to trail behind the lower cost non-union producers, this will result in the loss of the key gains that auto workers had won in the entire post-war period and essentially destroy what’s left of the power of the once mighty UAW.

In Canada, the situation is almost as grave. In the recently concluded bargaining with the auto assemblers, the CAW gave up roughly \$300-million in concessions, but did not agree to the two-tier wage system negotiated in the United States. While publicly arguing that the cost differential between the U.S. transplants and Canadian CAW plants are marginal – due to higher productivity levels here – the union announced at the end of January that it would begin bargaining with the corporations for further concessions. This was probably unavoidable. But the acceptance in principle, of the demand of governments and employers to match the labour costs of the non-union transplants was truly shocking. This acceptance will make it very difficult for the CAW to limit the concessions and set terms for their eventual elimination. The union has called on the employers to maintain proportional investments in Canada. But rather than demand a radical transformation and regulation of the auto market, which might ultimately address the need to challenge global warming and reduce the power of the non-union employers, the union also calls on governments to accept the recommendations of a joint union-industry task force, which also includes the transplants.

If the U.S. and Canadian states are successful in forcing through their full agenda of concessions, it will undermine the rights of the rest of the working class: non-unionized auto-workers in the transplants will no longer receive wage and benefit packages that match the unionized sector, so they would eventually shrink dramatically, along with the entire sector; workers in sectors that currently provide low pay and provide little protections, would be that much weaker, as the possibility of unionization becomes even more remote and benefits of unionization become less real. In other words, the strength of the auto-workers and their unions plays a role in supporting

and building the power of other workers. A massive defeat for the auto-workers would be a defeat for the entire working class.

CHANGING THE GAME: DEMANDS FOR EQUALITY, SECURITY AND SUSTAINABILITY

Socialists have to call for (and organize for) a different set of outcomes. This might mean:

- *Demanding that the companies change their product offerings:* to produce affordable, environmentally-friendly vehicles, using mostly non-carbon-based fuels, fully recyclable, with much higher emission control standards. (Even in the current context, these companies are fighting tooth and nail against the U.S. government’s most recent move to allow individual states to raise the emission standards.)

- *Fighting concessions:* Instead of passively accepting the demands of the employers, unions have to organize against takeaways of workplace rights and powers, as well as wages and benefits. Where concessions can’t be avoided, there has to be a strategy of limiting them and arguing for conditions for their eventual elimination. In no way should auto-worker unions accept the principle of matching the labour costs of the non-union transplants. Instead, they should concentrate on organizing them.

- *Regulating access to the North American auto marketplace* so that the amount of production in Canada and the U.S. would match market levels. This would limit the ability of capital to move in and out of any of the NAFTA countries, and subject the industry to a form of nationally-based planning.

- *Surplus plants, tool and die shops, precious skills and workers’ capacities need to be used to produce useful goods and services that people need.* This crisis provides an opportunity to allow working people to democratically decide on what community needs should be fulfilled by these resources, be it public transit, manufacturing environmentally-friendly technologies, schools, hospitals, recreational facilities or public and co-operative housing. People in different communities, especially the unemployed, need to be organized and mobilized to fight for these policies. It would also require the creation of new democratic institutions to provide spaces for working people to discuss and debate their collective preferences. People working need to be paid union wages, and organized into unions. Those who are not able to work need to have increased social assistance and their own organizational power and capacity to fight for it.

- *The financial sector needs to be nationalized and democratically run as a public utility to finance the production of needed goods and services.* Private banks and markets would never finance such a program.

• *Some socialists have been calling for nationalization of the auto companies, with the above demands to be put into practice.* The issue here is who would nationalize them? What kinds of governments do we have and would they be capable of running nationalized industries *differently* than they are currently run?

Without the kinds of radical changes proposed above, even an enriched series of loan guarantees might not make a difference for the survival of the Detroit Three in the longer term. Then again, a more sustained improvement in the market might

create a new period of growth. In the short run, unless there is a new series of mass working class struggles, it is difficult to see this set of demands taking root. For socialists, the key is that we develop our own capacities as workers to organize, build unity and embrace common goals for different segments of the working class and mobilize and fight for an independent set of demands and approaches that will contribute to the kind of society we would like to see in the future. **R**

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Workers Don't Bail Out Bosses:

- Is a coalition of activist groups, unionists and individuals,
- It seeks to support and promote the struggles of workers, no matter whether they are unionized, casual or unemployed.

Why this coalition is needed:

- For a long time, neoliberal capitalism has pursued profits at the expense of workers' working and living conditions. Since this kind of capitalism has led to a world economic crisis, attempts are unfolding to put the burden of that crisis onto the shoulders of working class people from around the world.
- At this point, workers don't have much of a voice, communist parties are marginalized since the disintegration of Soviet communism, social democracy wonders why the Third Way led to an impasse, unions are in retreat, and the global social justice movement died with the onset of the War on Terror.
- Under the current conditions of economic crisis, the necessity to articulate the needs and aspirations of workers is more urgent than in a very long time, but their voice is also quieter than in a very long time.

The coalition aims to:

- Link groups that organize around the various concerns of workers in the workplace and their communities. The

exchange of ideas and solidarity with similar efforts in other cities, regions and countries is crucial to meet the challenges of this world economic crisis. Equally crucial is the mutual respect among groups and individuals who focus on these different concerns, ranging from the preservation of pensions and the fight against concession bargaining through organizing drives among the casual workers to social housing, unemployment benefits and welfare for the working poor and unemployed.

- Promote the mutual understanding of the individual concerns represented in the coalition.
- Mutually support the mobilizations around single issues on which members of the coalition are working.
- Find common ground and common goals that would allow broader actions that could transcend single-issue campaigns and thus multiply the mobilizing powers of individual groups.
- Develop a vision for the future that could help to orient the struggles for immediate goals and also give the moral strength that is needed to engage in working class activism.
- Recognize that because the economic crisis complements a profound ecological crisis, any vision for the future has to include sustainability without which neither the human race nor other species will have a future on this planet.

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