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The North American Auto Industry in Crisis

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The current financial crisis marks a series of turning points in the history of the North American auto industry.¹ First, the iconic “Big Three” have been downsized to “The Detroit Three.” Once the global symbol of U.S. productivism and consumerism, they now teeter on the brink of bankruptcy and, in the process, profound questions are being raised about the decline of U.S. manufacturing jobs more generally. Second, the auto unions, themselves once emblematic of what workers could achieve within capitalism, have been reduced to lobbying to save “their” companies, and a decades-long trend in private-sector labor negotiations has now confirmed collective bargaining as having shifted from demands *by* workers to demands *on* workers. This highlights the broader crisis of labor: if labor cannot find a way to renew itself it could fade into irrelevancy. And third, the environment — which the industry so rapaciously disregarded and the unions so short-sightedly ignored — seems to have forced itself onto the agenda. In coming to grips with both the threats and opportunities provided by this historic moment, the following points are crucial:

1. The current financial crisis may have been the immediate factor that drove the U.S.-based auto companies to the wall, but their troubles precede and go beyond this crisis. Their problems are rooted in the particular strategic choices they made in the pursuit of profits, in the uneven impact and failures of the privatized U.S. welfare state, in the destructive dynamics — to workers and their communities — of the intensified global competition that now characterizes capitalism, and in overcapacity in the auto industry.
2. The postwar successes of the auto unions in winning a “middle-class” lifestyle are over. The union strategies of those years came at the expense of building longer-term class capacities inside and outside the union — neither developing the capacity of workers collectively to challenge the power and control of employers in the workplace, nor contributing to a class-wide movement against the entire class of employers on the political and social terrain. When circumstances changed, the costs of this neglect were manifested in the unions being left dependent on trying to accommodate the companies. This, too, has come to a dead end.
3. We cannot take much solace from the apparent crisis of neoliberalism. While this current ideological setback represents an important political opening, the essence of neoliberal practices, on the part of both the state and companies, has hardly disappeared — as has been made clear in their pressures on autoworkers to conform to “market realities” and the March 30 ultimatum from President Obama.
4. The current challenge is not how to save the companies, but how to save our productive capacities and communities. Only such a shift in how we define the problem can effectively address immediate needs — including not only the needs of those who will remain in the Detroit Three, but also of the tens of thousands of workers already laid off and the tens of thousands more that will come with “successful” restructuring — and do so in a way that builds the independence and broader capacities that create possibilities for hope.

The Current Crisis

The collapse of credit markets for major industrial borrowers hit all auto companies and their suppliers, with the drop in consumer borrowing leading to massive declines in sales.

While the slump presents short-term challenges to the Japanese and European car firms, it signals a crisis of survival for the Detroit Three. General Motors, alone, lost \$30.9 billion in 2008. Its fourth quarter loss was \$9.6 billion, a decline of 39 percent in revenue. It sustained losses in North America and the rest of the world. This burned a huge hole in its cash reserves. The corporation ended 2008 with about \$14 billion in cash, which is close to the minimum amount of cash GM claims it needs to fund its operations. (That figure includes the \$4 billion it borrowed from the U.S. Federal government.) Figures are similar for Chrysler and Ford.

Unable to get credit from seized-up private markets, the Detroit Three were forced to borrow from the state. Both GM and Chrysler applied for and received loan guarantees

from the U.S. and Canadian governments (with conditions), while Ford mortgaged its assets to access a line of credit. The U.S. government provided a total of \$17.4 billion to GM and Chrysler. Each asked for still more from the Obama administration.² The Canadian and Ontario governments promised \$3 billion, plus tax relief of various kinds.

In order to receive the loan guarantees, the lame-duck Congress and the Bush administration imposed a set of conditions on the companies, accompanied by a vicious attack on the workers. The companies were forced to submit formal restructuring plans to cut costs, streamline their operations, and change their product offerings, subject to approval by the new administration at the end of March 2009. GM, in its report, promised to cut three of its eight brands, close five more of its U.S. factories, and cut another 47,000 jobs globally by the end of 2009 — 19 percent of its workforce, with jobs outside the United States accounting for 26,000 of its reductions and 20,000 U.S. jobs slated to go. GM of Canada asked for \$7.5 billion from the federal and Ontario governments. While the company pledged it would not announce any new closures of Canadian plants, it did say that it planned to cut its Canadian workforce to 7,000 by 2010. In 2005, GM of Canada employed 20,000 Canadian workers.

The demands made on the workers were harsh: The United Auto Workers (UAW) had to match the wage, benefit, and working condition levels at the U.S. operations of Honda, Nissan, and Toyota. This applied to Canada, too (the Canadian Auto Workers [CAW] argued that they would match the U.S. parent companies of the Detroit Three branch plants). In addition, at least half the contributions to the new U.S. union-administered funds for retiree health care benefits (called a VEBA), would have to take the form of (now devalued and fragile) company stock. The requirement was that the workers should “come to the table,” with the unions referred to as *stakeholders*. Of course, their fellow stakeholders — the top managers and bondholders — hardly faced demands that threatened their health, incomes, and economic survival. At least 80 percent of the bonds are owned by enormously rich private and speculative “vulture” hedge funds. The requirement to match nonunion workplaces was nothing more than an open challenge to unionization itself.

The Obama administration rejected the initial restructuring plans of both GM and Chrysler. Taking a decidedly hands-on approach to shaping the restructuring process, it demanded that GM fire its chairman and CEO, Rick Wagoner, and engage in “a more aggressive restructuring plan” that would include more concessions from the workers and bondholders, changes to product lines, and other efforts to make it competitive with the transplants. It was given sixty days of working capital, and if it failed to live up to the conditions, it would be subject to what Obama called a “controlled” bankruptcy proceeding. In his first news conference, the new GM chairman confirmed what financial analysts had already noted: that the bankruptcy plan was “more probable” than ever. Bankruptcy could allow a judge to invalidate worker pensions, benefits, and all contractual benefits.³

Chrysler was deemed “not viable as a stand alone company” and was ordered to form a partnership with Fiat. It was given thirty days of working capital to consummate the merger and was also threatened with bankruptcy.⁴

The Canadian federal and Ontario provincial governments quickly demanded more concessions from CAW members.

What might these developments mean? Obama and his auto commission have decided to use the power of the capitalist state to impose a solution fully in keeping with neoliberalism. Whatever the ultimate outcome for GM and Chrysler, the industry would be modeled on the lean and mean transplants: competitive, profit-making machines with weak or no unions. Finance would retain a dominant role in deciding its priorities. And the demand for short-term profitability, discouraging longer-term investments and costly new technology, would come at the expense of the environment. The administration is using its power to force reluctant bondholders to accept hugely discounted returns, in the name of the broader interests of the capitalist class as a whole. It is using the threat of bankruptcy to force workers to accept further job loss, reductions in wages, benefits, pension rights, work intensification, and deteriorating working conditions. The firing of Wagoner was an effort to appeal to the growing anger of many Americans with the greedy CEO's of the financial sector — while making no real fundamental changes, other than reinforcing the disciplining power of Wall Street financial interests. In a similar way, in appearing to be equally harsh with both bondholders and the UAW, the administration maintains a façade of fairness — even though workers will end up paying with their basic livelihoods and pensions.⁵

In the face of a lack of mobilization and struggle by their unions, North American workers have been disoriented, demobilized, and frightened by mass layoffs, speedup, plant closures, and threats of the bankruptcy of their employers. Both the UAW and CAW were compromised by previous concessions, and the larger labor movements in both countries have been unable to mount any real challenges to neoliberalism. This has emboldened employers and the state in their demands on the workers. The auto unions accepted the

terms of the original demands with minimal conditions of their own. The UAW negotiated concession agreements with Ford and GM, but wasn't able to resolve the issue of company contributions to the VEBA in the latter.

The CAW bargained a pattern agreement of concessions with GM, but hit a snag in Chrysler Canada bargaining, with the latter demanding deeper cuts than at GM and publicly threatening to pull out of Canada. Ford of Canada also complained that the cuts didn't go deep enough. Right-wing Canadian Prime Minister Harper, Finance Minister Flaherty, and Ontario Premier Dalton McGuinty insisted on further concessions.

At the time of writing — the beginning of May — Chrysler has gone into a “surgical bankruptcy,” after feverish efforts to put together a package fell short. It included provisions for more layoffs and plant closures. The U.S. and Canadian governments translated their \$15.5 billion in aid into a total of 10 percent ownership of the company (8 percent going to the United States and 2 percent to Canada); Fiat will own 20 percent and eventually 35 percent; the UAW will hold 55 percent of the company through shares in their VEBA, to pay for retiree medical costs (minus vision and dental benefits which were given up). A group of bondholders refused to swap their devalued debt claims for shares. The new Chrysler board will include three members from the U.S. Treasury, one each from the Canadian government and the UAW's VEBA (the latter without independent voting rights), and three from Fiat.

This was preceded by massive new concessions by both the UAW and the CAW, which radically undermined the traditional package of rights won by those unions over the years. The unions then moved to apply the new round of concessions to GM and Ford as well—in a perverse version of “pattern bargaining.”

The Chrysler bankruptcy arrangement is seen as a “dry run” for GM. In both cases, the illusion of union participation and part ownership hides the fact that workers' wages, benefits, working conditions, and pensions will now be held hostage to the need to increase the return on “their” investments in the company and their responsibility to pay for their own retirees' health care.⁶

Survival of the Detroit Three

A number of factors have contributed to placing the survival of the Detroit Three at risk.

A key element is the dependence of workers on privately bargained pension and social insurance plans — the so-called “private welfare state.” The weak U.S. social safety net and the privatized, employer-based health insurance system worked to reinforce some of the structural advantages of the transplants. They have younger workforces and radically lower “legacy costs” — the cost of paying for retirees' pensions and health care.⁷ General Motors, alone, has about five retirees and surviving spouses for every active worker in its plants in the United States. Toyota has about three hundred retirees in its entire U.S. operations.

Even in Canada, pension costs are an issue. Although the single-payer health care system limits costs to the employers and evens the playing field somewhat, public pensions are also low and the legacy costs to the Detroit Three for retirees' benefits there are substantial. Cutbacks in government health care spending and privatization have increased the role of private insurance, while access to drugs, vision, and dental care remain private.

As the companies increased productivity over the years through technological change, outsourcing, speedup, and the adoption of lean production techniques, the number of active workers decreased and the proportion of retirees correspondingly increased. Factoring in market share losses and buyout packages for active workers, the costs of pensions and retiree health care became unsustainable. Productivity doubled in the past twenty years, alongside a 25 percent reduction in jobs. At the end of the 1970s, when the concession era began, there were about 750,000 hourly workers at the Detroit Three — today, more than two-thirds of those jobs are gone.⁸

In most developed capitalist economies, the market is not likely to grow more than 2 or 3 percent annually. So ongoing productivity increases will push up the rate of job loss in the overall manufacturing sector even higher over time.

Much has been made in the media about the wage differentials between the Detroit Three and the transplants, although labor costs reflect no more than 7 percent of the cost of an average new car. Autoworkers create enormous surplus value for capital, and concerns about their wages ignore this reality.⁹ Before the latest UAW collective agreement in 2007 that cut in half the wage rates of newly hired workers at GM, Ford, and Chrysler (and made them ineligible for some benefits and pensions), there was a three dollar an hour difference between them and the transplants. Of course, this reflected efforts of the nonunion plants to prevent unionization. Factoring in the new base rates, even this differential disappears.¹⁰

Another factor is the increasing share of the market by the transplants and imports, enhanced by trade liberalization rules and the perception (and sometimes the reality) that foreign-made cars were of higher quality. A major component of the changes in buying patterns has been the rise in oil prices and the tendency of the Detroit Three to concentrate on large, gas-guzzling vehicles, especially SUV's.¹¹ In fact, it was the explosion in SUV sales that explains much of the last wave of sales growth for the Detroit companies.¹² These manufacturers were simply acting as "rational" capitalists, specializing in market segments that brought in the greatest profits. The transplants also produced vehicles for all segments of the market — and joined the rush towards production of SUV's — but their expertise is in the production of smaller, high-mileage cars.

Finally, there is overcapacity in North American and world auto markets. Auto is a classic example of how the profit-seeking drive of capital — along with limitations on working peoples' capacity to buy goods — leads to the production of more goods than can be consumed, driving and sharpening competitive pressures. *The Economist* notes that, "According to CSM Worldwide, an automotive-market consultancy firm, the world could produce about 94 million cars a year — about 34 million more than it is buying."¹³ Even with the wealth and depth of the North American market there is a huge imbalance between capacity to produce vehicles and the market for them. In the context of the current downturn, this is even more problematic. Sales of a little over thirteen million light vehicles, including imports, in 2008, were down 18 percent from 2007. The high point of the market — around sixteen million units — is not expected to return until possibly 2013, according to the Michigan-based Center for Automotive Research. Another auto analyst predicts that, even with the plant closures, capacity will be something like 16.9 million units in 2009.¹⁴ Actual output is forecast to be just 9.5 million, with an anemic capacity utilization rate of 56 percent.

How We Got Here

From the immediate postwar era through the 1960s, the Big Three, as well as smaller independents, dominated the North American market with large, gas-guzzling cars. They helped to shape the living and working conditions of Americans and Canadians and facilitated the move to the suburbs, urban sprawl, and massive dependence on petroleum.

The unionization of in-house parts and assembly by the UAW created pattern bargaining. All of the unionized companies had similar rates of pay and benefit packages, forcing them to compete in ways that took wages out of competition. They steadily increased productivity through the application of newer process technologies, and techniques to squeeze more production out of the workforce. (The latter was very important, as the grounding of competition in even oligopolistic markets remains the wringing of surplus value out of the workers' labor.) They also competed through regular model changes, which meant introducing new product technologies (such as power steering, power brakes, etc.).¹⁵

In the immediate postwar period, the UAW made modest efforts to challenge the production decisions of the corporations. After losing a bitter strike at GM, the union abandoned this strategy. As part of a larger effort to consolidate his power over the left-wing in the union, social democratic UAW leader Walter Reuther soon helped to shape a different kind of relationship with the companies. The so-called Treaty of Detroit ceded the basic control over production and product choices to management, in exchange for a growing share of the productivity increases and protection against inflation. A key element of that strategy — still followed today — was the refusal to challenge management's work intensification and speedup, and the suppression of any local union movements that mobilized members to fight against it. An enormous price was eventually to be paid for this, as it weakened the rank and file and undermined the union's base in the workplace. Reuther's successful drive to gain absolute control over the union's structures virtually destroyed the left and internal union democracy.

After a number of unsuccessful legislative initiatives, the UAW effectively gave up fighting for a class-wide safety net and winning benefits from the companies. This became a paradigm for the rest of the working class, cementing the dependence of workers on the competitive success of their employers for many facets of their lives — such as medical care, future retirement, dental care, and so much else.

There has never been a real independent working-class political alternative in the United States. The Democratic Party was at best a cross-class alliance, dominated by key sectors of capital. The UAW, like much of the union movement, came to subordinate the political interests of working people to the electoral needs of the Democrats.

The UAW strategy began to fall apart in the 1970s. At that time, offshore imports had begun to take an increasing share of the market in the United States. In response, the union and the companies pressured the government to impose voluntary import limits. Eventually, however, foreign companies, lured by the North American market and rich subsidies from

states eager for new investment, began to build plants in North America. These companies chose so-called greenfield sites, with no unions and younger workers.¹⁶

The end of the postwar boom and the ensuing capitalist structural crisis placed new pressures on the auto companies to bring in higher returns to financial investors on Wall Street. The foreign transplants brought with them new outsourcing practices, labor cost cutting, and work-intensification regimes, embodied in lean production. The Detroit companies took about ten years to adapt these methods successfully, applying them in fits and starts. The general defeat of the U.S. working-class movement — symbolized by the imprisonment of the PATCO union leaders — sharpened already existing tendencies within the UAW to seek job security for a declining number of members through enhancing the competitiveness of the employers. In the face of these new forms of restructuring, the union abandoned any sense of class solidarity. This undermined the union in various ways:

- Accommodation of employer concession demands fostered a sense of defensiveness and defeat.
- Acceptance of massive outsourcing of jobs to lower-paid workplaces, along with work intensification, legitimated the segmentation of autoworkers' jobs and undermined solidarity.
- Lean production intensified work, limited breaks, and reduced the number of good jobs. The increased drudgery and danger on the job further weakened the union's legitimacy on the shop floor.
- Tension between younger and older workers resulted from arguments over who would pay the costs of pensions and health care.

Between January 2000 and January 2009, all U.S. auto and parts producers (including the transplants) reduced their workforces by 43 percent; in Michigan, auto employment was reduced during this period by 51 percent.¹⁷ Some plants opened and expanded in the United States, while others were closed or downsized. Foreign-owned firms located primarily in the U.S. South, while the Big Three concentrated in the Great Lakes area. Overall, there was a net loss of jobs in the United States. But changes in the job numbers were related to ongoing *restructuring* activities inside the United States (outsourcing, technological change, and work intensification), rather than to offshoring.¹⁸

Canadian Differences

The Canadian UAW developed in a different political and cultural environment than that of the United States. The left wasn't completely purged from the union, its political influence lasted well into the 1990s. Local rank-and-file power (often tied to left opposition caucuses concerned about workplace issues) survived long after its marginalization or disappearance from U.S. locals, becoming a source of strength for a number of struggles, even with centralized pattern bargaining. The continuing presence of the left helped to foster internal debates, despite the bureaucratization and centralization of the leadership.

Anger over U.S. political and economic domination in Canada fed opposition to multinational corporations, free market capitalism, and U.S. foreign policy across the Canadian labor movement, and this, too, resonated inside the Canadian UAW.

The existence of even a moderate social democratic party like the Canadian Co-operative Commonwealth Federation and later the New Democratic Party contributed to a political space independent of employers for labor. Although the union developed close ties to the party, it built its own independent political campaigns against wage controls and free trade.

After the 1965 Auto Pact between the United States and Canada, which provided for managed free trade of parts and finished vehicles, the union made steady gains in bargaining. A growing confidence, rooted in an ongoing tradition of struggle, helped it develop an approach that argued for union independence in the face of demands for concessions and partnership. All of this contributed to the rejection of the 1982 concessions made in the United States and later the Canadian break with the UAW in 1984.

From its inception, the CAW continued to oppose concessions, make new bargaining breakthroughs, and wage important political struggles against free trade, globalization, and right-wing governments. It defended the rights of public sector workers. During the late 1990s, it organized a series of plant occupations against workplace closures. CAW stood as a respected example of the idea that a union did not have to embrace the ideology of competitiveness, even in an era where there seemed to be no real alternatives.

When trade agreements transformed the regulatory environment in the 1980s and early '90s, the industry and the union continued to benefit from the low Canadian dollar, low energy prices, and the existence of public Medicare.

UAW, CAW, and the Crisis

At the beginning of the millennium, it seemed that the UAW and CAW could not have been more different. Yet, by the onset of the current crisis, the similarities became unmistakable.

True to form, the UAW adopted a strategy of jointness and concessions, in return for promises of job protection, access to outsourced jobs, and protectionist measures from the state. When a movement arose in opposition to jointness and concessions, it was defeated by the ruthless power of the administration and the continuous restructuring and plant closures. The UAW became increasingly isolated from other sections of the working class and other social movements. It opposed the application of more rigorous environmental standards and defended the model choices of the Detroit Three. Its single-minded concern with defending only its members and protecting relatively well-paid jobs (and private benefits) gave it the appearance, to other less secure and well-paid workers, of a kind of special interest. The failure of the UAW to address real divisions within the working class came at a cost.

The union also never mounted credible efforts to organize the transplants and major nonunion parts producers, instead relying on voluntary recognition agreements and the imposition of pre-arranged contracts on workers, often with no-strike clauses and other limitations.

In the context of the massive market losses of the Detroit Three, the union bargained two-tier wages for new hires in the 2007 agreement. It is difficult to see how a union can continue to operate in an environment where some workers make half as much as others, do not receive the same amount of benefits, and are asked to support tens of thousands of former workers who might get more in pensions and benefits than they make slaving away on the assembly line. (Some might argue that, with the crisis, there will be no new hires, but the companies have already begun aggressive buyout and early retirement programs for current workers, to clear out those who have traditional wage levels and make room for those working for half that.)

Overall, Dan La Botz, the American left educator and activist has described it well, "The union relegated itself to be the Big Three's junior partner, then sidekick, and finally, hanger on." Clearly, the UAW was in no position creatively to challenge the agenda of the state and employers, in the face of the current credit crisis.

A combination of factors led to a change in the approach of the CAW. In the early 2000s, the Canadian dollar began to rise sharply against the U.S. dollar, energy prices began to rise, and the market share of the Big Three began to decline, in relation to both the transplants and imports. Political regulation of the market was reduced through the adoption of neoliberal policies, and the competitive advantages previously benefiting the Canadian industry gradually disappeared.

The union also began to change. In the wake of the 9/11 attacks, the leadership — extremely powerful in this highly centralized union — became frightened by the new political, economic, and regulatory environment. Despite their left-wing reputation, and often militant actions, they lacked the kind of broader, anticapitalist or socialist perspective needed to develop the radical strategies and approaches that could challenge the employers. Even more, the process of bureaucratization had begun to take hold, with the top leaders losing any belief that a mass movement of working people could ever challenge globalization or the power of major employers.

The New Democratic Party also accepted the impossibility of challenging neoliberalism. As in the United States, without a socialist, working-class-based political movement or party operating both outside and inside the union, there was no real political reference point to the left of a right-moving social democracy. The entire political space for labor changed during this period and this, too, strongly affected the CAW leadership.

Partly because of the CAW's history, the leadership retained enormous prestige, power, and internal support and used these to stifle dissent. The left inside the union began to abdicate its critical role and ceased building an independent base inside local unions or other union bodies. The leadership was, therefore, relatively free to make major policy changes, justifying collaborative strategies as being in keeping with the union's traditions. As long-respected leaders started to make these arguments, it confused and weakened the activist base that had been the driving force behind many of the union's struggles.

Reflecting this evolving perspective, the union sought new bases for the competitiveness of the Canadian industry. It argued for subsidies to lure new Big Three investments and made political alliances with business-oriented parties to do so. It created political campaigns calling on members to get community support for subsidies and limitations on imports. It formed corporatist institutions and committees to jointly develop demands for policy changes, in partnership with industry and state representatives and the largest parts producers. It encouraged appeals to "buy domestic," in a context where much of the competition was from the transplants, located in Ontario and the United States. Many

people close to the leadership dismissed trying to organize the transplants because they were “foreign.”

Long before the current round of concessions, the union agreed to a series of contract reopenings, reducing break times, and allowing the outsourcing of unionized positions, in exchange for promises of new products.

Rather than building the power of the working class, the union decided on a growth at all costs strategy. However, union growth was secured mainly through mergers, rather than organizing campaigns. Instead of proposing and developing a larger crusade to organize the transplants and major suppliers, the union sought bureaucratic solutions similar to those of the UAW and the SEIU. At Magna International, the huge Canadian-based parts manufacturer, the CAW bargained what it called the “Framework for Fairness,” which would take away the workers’ right to strike and eliminate independent union shopfloor representation, in a joint effort with the employer. This was justified by the “necessity of getting our foot in the door.”

In the last set of negotiations in 2008, the CAW started negotiations early and bargained away \$400 million worth of new concessions, claiming, defensively, that “at least we didn’t bargain two-tier wages.” The union committed to the notion that it had to remain competitive with the declining cost structure of its U.S. brothers and sisters in order to convince the corporations to maintain branch plant investment in Canada.

Canadian autoworkers, too, became fairly isolated from the rest of the highly segmented working class. The CAW had previously built solidarity with anti-poverty, anti-globalization, and low-wage struggles. It also led a highly popular strike against outsourcing at GM in 1996 that captured the imagination of working people across Canada. Those kinds of actions have more or less disappeared in the past few years. The anger and frustration of other workers against the CAW’s appeals for the auto loan guarantees reflect the union’s distance from the working class as a whole today.

Limited collective struggles, isolation, the “save our employers” mentality, and the endless series of plant closings and job losses, left the union increasingly weakened and demoralized. This hardly placed the CAW in a strong position when the credit crisis actually hit at the end of 2008.¹⁹

The weakness of the UAW, CAW, and larger labor movements in both countries was not missed by the ruling classes and the U.S. and Canadian governments, when they imposed the conditions for the loan guarantees.

Alternative Policies and Approaches

1. Socialist Perspectives

A socialist approach to the search for solutions to the auto crisis might properly begin with a set of principles: class solidarity, democracy, independence from employers, alternatives to the logic of competitive markets, the development of democratic and productive capacities, and environmental responsibility and sustainability.²⁰

If we were to apply these principles, what might we demand?

First, the “private welfare state” needs to be replaced by a set of strengthened, democratically administered, universal public programs. Pensions, health care, dental, vision, and pharmaceuticals cannot be guaranteed through private plans, dependent on corporate profitability and administered by private insurance companies. These should be fundamental rights that strengthen the independence and well-being of working people. For now, governments should at least guarantee already negotiated plans, which, after all, were funded by the deferred wages of the workers in the first place.

Second, the banking and finance sector should be nationalized and socialized and run by democratic bodies. Finance needs to become in fact what current bailouts implicitly assume that it is—a public utility. It should be used to fund the legitimate social and economic needs of society.

Third, auto production and trade must be regulated. Democratic planning bodies need to be created to regulate trade, the entry and location of production facilities, and the movement of capital. Whatever the immediate result of current restructuring efforts, all of the companies cannot produce vehicles at full capacity and continue to sell their products in North America.

Fourth, the need to deal with climate change and the general environmental crisis requires that there be fewer personal and commercial vehicles. We need: (1) new, smaller vehicles that use non-fossil fuels; (2) closed-loop production processes; (3) reusable and recyclable materials and an infrastructure to handle the collection and recycling process; and (4) mass transportation and the infrastructure for it; (5) development of alternative sources of fuel and energy; and (6) new forms of living, working, and enjoying recreation time. All of

this requires changes in industry and society that go far beyond the logic of private capital accumulation and competition.

Fifth, much of the productive capacity currently used to produce cars must be redirected to produce other goods or services. Government-owned corporations should be created to take over the productive facilities and resources — such as tool and die making — left idle by today's downsizing, to create environmentally friendly goods, such as wind generators, solar technologies, and mass transit. These resources have been subsidized by the state and communities, so why should we allow them to disappear because they no longer fit into the logic of market profitability? The unemployed and underemployed would have to be mobilized and organized to demand these changes and ultimately work in this new sector, earning decent union wages.

Sixth, communities must be organized to defend their right to decent jobs and a share of new production facilities. New institutions have to be created to allow working-class communities like Pontiac, Michigan and Windsor, Ontario to investigate and analyze their needs (be it infrastructure, housing, transportation, services, recreation, etc.), and then to access the technical and financial resources to address them. This is one way to avoid the proliferation of deindustrialized urban centers across North America.

Seventh, we need a bold alternative vision for transforming the auto industry. Some call for a nationalized auto, mass transit, and energy corporation, which would take over the auto companies, reintegrate key supplier facilities, dramatically increase investment in mass transit, phase out fossil and nuclear fuels, and move towards renewable forms of energy.²¹ They point out the enormous success of nationally planned industries during the Second World War, when GM — although still privately owned — became the largest aerospace manufacturer, under public control in a planned environment. If nationalized industry and planning worked then, why couldn't they work now? Others have called for strong regulation and a series of transformative experiments, arguing that without changing the larger economic and political environment, a nationalized industry would have a hard time operating "differently." Whichever approach is taken, transforming the current industry will require major structural reform, challenging the logic of capitalism and capitalist state institutions.²²

Eighth, there need to be solidaristic strategies to protect jobs and income. These might include work sharing (using unemployment insurance programs to subsidize incomes) and extension of various negotiated forms of time off, such as vacation, parental leaves, reduction of overtime, and the like.

2. Getting from Here to There

How could we fight for these things and what kinds of political projects would we have to build to make them possible? Two necessary conditions come to mind. Our unions must be changed, and we must develop an alternative politics.

The UAW and CAW are seen by many simply as advocates of the narrow sectional interests of their members. The anger and envy that mark the outlook of many workers towards autoworkers are more than just ideas caused by the media. They reflect the real life experiences of many workers who, in this neoliberal era, have never participated in collective, class-oriented struggles to address their concerns and needs. They, therefore, tend to dismiss the trade union movement and look towards individualistic solutions.

Unions — and not just the UAW and CAW — need a fundamental *cultural* change, much like the one that took hold in some of the industrial unions of the CIO in the 1930s, in response to the hidebound and narrow craft unionism of the old AFL unions. Unions must see their role as representing and mobilizing both the employed and unemployed; in communities as well as in workplaces. They must fight against the increasing stratification within their membership and become involved in concrete forms of rebuilding working-class communities, all in the spirit of solidarity. This kind of approach might go a long way toward addressing the isolation of workers in primary labor markets in oligopolistic industries like auto.

Unions need to be open, democratic, and participatory, going beyond formal democracy to develop member capacities through education, access to information, and mobilization. Work time must also be reduced, so workers have an opportunity to play a role in their union and in political life.

Aside from standing up against concessions, unions have to take up the almost forgotten struggle for creative, rewarding, and productive alternatives to lean production and management-controlled work organization. Such efforts would address a major concern of all employed workers.

There also has to be a new movement — a crusade — to pass the Employee Free Choice Act in the United States and to organize the transplants and other nonunion strongholds in

both countries.

In a larger sense, the union movement must recognize the impossibility of returning to the days when traditional collective bargaining approaches would bring ongoing gains to their members. Today, a radicalized capital is bent on fundamentally altering the power of unions and the living and working conditions of workers — especially autoworkers. Mutually beneficial forms of competitiveness are impossible. Unions need to radicalize their practices, policies, and politics. The lack of mass resistance to the current round of concession demands is a sad reflection of the failure to recognize the urgency of this task.

While unions must play a critical role in the process of change, they have important limitations. They must collectively bargain for their members and are dependent on the success of employers in specific segments of the marketplace. They have to deliver gains in the short run in order to retain credibility with their membership, and this often conflicts with longer-term goals and the interests of other workers.

What's needed is a socialist political movement — one that challenges the logic of private capital accumulation and seeks to fight for an alternative social system. Such a movement would provide an alternative pole of reference for workers and unions, bringing a deeper and clearer analysis of the necessary strategies and demands needed to address the current crisis and contribute to the building of a more ambitious resistance movement.

In the 1930s, the existence of radical anti-capitalist movements and parties inspired working-class activists to create the industrial union movement and other mass community struggles in the face of seeming impossible odds. They ended up mobilizing tens of thousands of working people, forcing governments to implement key social reforms and institutionalize the CIO unions.

Today, we are left with a small number of radical groups, individuals, and networks in both Canada and the United States, with a tenuous base in the union movement and ties to a number of community projects. A larger anti-capitalist or socialist political movement has to be built, working inside and alongside working-class communities and trade unions to: (1) support organized resistance (such as demonstrations, rent strikes, and workplace occupations); (2) push them further (occupations could become first steps towards demanding that workplaces remain open, part of a larger plan for transforming the industry and our economy); (3) argue for structural reforms that could create possibilities for transformational changes; and (4) promote education on the crisis, the system, and strategies for fighting back.

How can we begin to do these things? First, we need to talk and plan together. In Toronto, for example, a group of socialist and other radical activists—trade unionists, community organizers, and others — are organizing a mass assembly this fall to (1) address some of the differences and similarities in various aspects of working-class life; (2) build on and deepen our common understanding of the roots of the current crisis; (3) work toward linking our short-term defensive struggles to more ambitious efforts to challenge the system; and (4) to see what might be the most appropriate organizational forms for moving forward.

Second, we need to support, help build, and participate in ongoing struggles. In the United States, anger over the bonuses and massive bailout money for capitalists — in the face of continuing demands for sacrifices and job losses for workers — is growing. Here in Canada, labor unions are starting to mobilize around modest defensive demands, such as the extension of unemployment insurance, severance guarantee funds, and the rights of temporary and precarious workers. New links between unions and non-unionized workers are being re-established as well. The CAW has organized occupations to demand improved severance packages in workplace closures and a huge demonstration in defense of pensions. The Steelworkers are building opposition to the possible closure of major steel facilities. Local labor councils are creating larger campaigns. Hopefully, each struggle will build confidence to do more and provide space to talk about how we can raise the political level of our demands and the breadth of the movement.

The overall economic crisis might very well still be in its early stages. The eventual scale and direction of the larger fight-back movement is impossible to predict. Socialists need to be there, popularizing socialist ideas and orientations, and contributing to developing a new generation of socialists.

Notes

1. Sam Gindin contributed ideas, comments, and useful criticisms to this article. [Go back](#)
2. "Billions Received, But Needing More," *New York Times*, February 18, 2009. [Go back](#)

3. The contrast between the way that bailouts to the financial sector have been handled and the obsessive scrutiny of workers in the auto companies has been noted by many analysts. As Robert Scheer wrote in the *Nation* (April 1, 2009), "As opposed to the financial high rollers richly rewarded for crawling in and out of balance sheets, the folks who crawl in and out of cars along an assembly line are left with permanent aching backs and hard-won health care and retirement plans about to disappear through their company's bankruptcy. Where's their bonus package?" [Go back](#)
4. Chrysler's survival was already in jeopardy as a result of its majority ownership by the vulture fund Cerberus Capital Management, which was widely conceded to have no interest in the long-term future of car manufacturing. [Go back](#)
5. As auto analyst Brian Johnson of Barclays Capital in Chicago noted, "Improvements in liquidity for GM will come out of the UAW." See John Lippert and Keith Naughton, "Obama Weighs Buyout Rage Against Future of Iconic Auto Union," Bloomberg.com, April 2, 2009. [Go back](#)
6. The union's stewardship of its new shares would also be subject to certain restrictions: if the stock moves above a certain level, the difference has to be returned to the government and there will be a committee to adjust the level of benefits to match the value of the assets. The UAW has already announced its intention to sell its Chrysler shares in the future. [Go back](#)
7. The first of the U.S. transplants opened in the late 1970s and early '80s (Volkswagen, 1978; Honda, 1982; Nissan, 1983). See Dan La Botz, "[What's to be done about the Auto Industry?](#)," MRzine, October 18, 2008. [Go back](#)
8. Sam Gindin, "[Saving the Detroit Three, Finishing Off the UAW, Learning from the Auto Crisis](#)," The Bullet, December 24, 2008. [Go back](#)
9. This doesn't include the labor of miners, steelworkers, parts workers, and those who contribute to the product before it gets to the assembly plant. Of course, for capital, the surplus value must be realized through the eventual sale of the product which is being blocked by the crisis. Lowering labor costs will not contribute to solving the crisis. [Go back](#)
10. Christopher Martin, "[Detroit's Problem: It's Health Care, not the Union](#)," CommonDreams.org, December 13, 2008. [Go back](#)
11. It is important to keep in mind that the transplants are not the same as imports. Even though they tend to source much less of their parts locally, they produce domestically. Toyota alone has thirteen installations in North America, in states far from the Detroit area. Inside the NAFTA area, the Detroit Three only produced half of the total manufactured in 2007. See Jean-Claude Vessilier, "Cars, the End of the Cycle," *International Viewpoint*, March 2009. [Go back](#)
12. Harry Katz, "[The Future of the UAW and the Big Three Auto Companies](#)," webcast from Cornell University School of ILR, February 27, 2009. [Go back](#)
13. "The Big Chill: The Car Industry", *The Economist*, January 17, 2009. [Go back](#)
14. Haig Stoddard, auto analyst at HIS Global Insight, quoted in Liam Denning, "Heard on the Street: Detroit is Facing a New Normality," *Wall Street Journal*, January 12, 2009. [Go back](#)
15. Much of this analysis was informed by Chris Roberts's brilliant unpublished dissertation, *Harnessing Competition? The UAW and Competitiveness in the Canadian Auto Industry, 1945-1990*, (York University, 2002). [Go back](#)
16. There were a number of joint ventures between unionized Detroit-based firms and transplants. Those facilities were organized by the UAW and CAW. [Go back](#)
17. U.S. Bureau of Labor Statistics. [Go back](#)
18. Nichole Aschoff, "Globalization and Job Movement in the Automobile Industry," research questions and planned dissertation design, notes to Sam Gindin. [Go back](#)
19. Certain continuities of the union's militant traditions remained among a small stratum of activists within the union during this period. The election of a new CAW president

in 2008 created some potential for change in the union, but how this works out is yet to be seen. [Go back](#)

20. Many will argue that the following approaches and demands are unrealistic and unrealizable. In the current context, only structural reforms, inspired by a socialist perspective can begin to address the underlying problems laid bare in the current crisis. While they are impossible to realize without a movement fighting for their implementation, raising them is part of the necessary effort to build such a movement. [Go back](#)
21. La Botz, "What's to Be Done about the Auto Industry?" See also *Labor Notes*, April 2009 Issue, pages 7-10, which argue the necessity and feasibility of nationalization. See also, "[Restructure the Big 3 But Not with Bankruptcy](#)," by Mark Brenner, Mischa Gaus, and Jane Slaughter, MRZine, March 31, 2009. [Go back](#)
22. The existence of U.S. and Canadian government shares in both the Chrysler plan won't lead to the functional nationalization of the companies. Both governments are clearly dedicated to minimizing their direct role in the operation of the two firms and neither challenges the logic of private profit as the ruling principle for their futures. Neither is interested in controlling the entire sector. This is a strong argument for the necessity of challenging the nature of the state as part of working toward a different solution to the crisis in the industry. [Go back](#)

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