

What killed the auto industry?

Hint: It wasn't the workers

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To hear pundits talk, the U.S. economy will rebound after the stock and credit markets heal. Consumers will then regain “confidence.”

But the bankruptcy of General Motors (GM) and Chrysler — icons of U.S. industrial might — are a sign that the nation’s problems go deeper than cash-strapped banks or fickle shoppers. The real economy is seriously sick — and it’s going to take more than bailouts and tax credits to set things right.

Car and truck sales are down 40 percent from two years ago and inventories are piling up. Just one example is that five months worth of Dodge Rams sit unsold. Gluts like this are why GM and Chrysler closed 16 plants and shed tens of thousands of jobs in recent years. As both companies “recover” from bankruptcy, more downsizing will follow.

While Ford barely avoided bankruptcy, it has lost money on auto sales for years.

The damage doesn’t end there. The collapse of the two titans is devastating other businesses. Hundreds of Chrysler and GM dealerships are closing shop. Parts suppliers such as Delphi are barely hanging on, as are thousands of other companies, from metal stamping outfits to restaurants, all dependent on auto’s well-being. The human toll of this disaster shows starkly in Detroit, which suffers one of the highest home foreclosure rates in the nation.

So who is to blame for this mess? Some economists point to incompetent management and a failure to get hip on hybrids; rightwing radio jocks blame “overpaid workers,” even though employees are the creators of the wealth and their wages, benefits and retirement only make up a small part of production costs. Some labor officials blame foreign competition, ignoring the fact that Toyota and Honda also face severe slumps.

One need only look at the lots full of unsold cars and minivans to see the real problem. Like other industries across the board, auto has produced too many vehicles for a finite market. The crisis of overproduction pinpointed by Karl Marx is the ultimate cause of the boom-bust cycles of capitalism, including today’s bust.

A catastrophe of the “free market.”

Mainstream economists praise capitalism’s competitive nature. What they won’t acknowledge is that competition inevitably leads to the devastating periodic crashes that leave millions of workers and their families impoverished.

Each individual enterprise is perpetually racing to boost its profit margin and market share. Dog-eat-dog competition is an act of survival under the profit system because any company that fails to participate is quickly driven from business or bought up by a rival.

More profits mean greater ability to invest in schemes to beat the other guy through developing new brands, sexier ads, etc. And since the cost of equipment and material are fixed, employers are compelled to boost profits through cutting labor costs — whether introducing new machinery, speeding up assembly lines, or cutting wages.

But in the mad scramble of GM to outdo Toyota and Ford, and vice versa, too many cars are produced. Supply surpasses demand, since there are only so many people who need — and can afford — a new car.

Today the world is awash in new SUVs, just as it is drowning in luxury condos no one has the money to buy. So the auto captains are forced to sell at a loss or idle factories to let inventories shrink.

Either way, workers pay the price for this anarchistic method of production. In Michigan, the epicenter of auto's meltdown, unemployment is 12.6 percent. In Detroit, it is near 25 percent.

Blacks, a high percentage of the auto workforce, are particularly hard hit.

Dozens of plants across the U.S. are idle. And things are not bound to improve any time soon. In May, the U.S. was operating at 68 percent of industrial capacity.

This is the flip side of overproduction. As sales slump and industries contract, under-consumption sets in. Buyers do not stop purchasing because they lose "confidence," but because they lose jobs and have thin wallets. No easy credit or "cash for clunkers" program is likely to convince a jobless or furloughed worker to buy a new Chevy Suburban.

Adding insult to injury.

So what is capitalism's response to this tragedy? Blame the workers and bust the unions! The White House and auto captains are using this crisis as an opportunity to gut the United Auto Workers (UAW) and the relatively high standards the union set for blue-collar jobs through hard-won strikes, including the historic plant occupations of the 1930s.

As a condition of the bailout of GM and Chrysler, President Obama forced the union to sacrifice its right to strike for six years. The UAW also has forgiven GM \$20 billion in debt owed to the union retiree healthcare fund in exchange for company stock — which is practically worthless. Chrysler also "funded" half its healthcare obligations to retirees with company stock.

Across the auto industry, unionized workers are facing huge concessions, from speed-up to pay cuts and two-tier wage systems. So who will buy the future cars of GM and Chrysler, Ford and Toyota? Not the growing legions of impoverished workers. This is the blind alley that capitalism finds itself in.

Socialism or bust.

In response to this crisis, many auto workers and activists on the left are calling for a complete retooling of auto factories to save jobs. Expanding light rail and producing more buses for mass transit, along with electric cars and other environmentally sustainable vehicles, are long overdue ideas. In an essay entitled “Goodbye GM,” filmmaker Michael Moore put forth these suggestions along with proposing a \$2 per gallon tax on gas to pay for such a shift.

However, the flaw in this proposal is, who can afford such a tax? Not the hundreds of thousands of laid off workers in auto, construction, or banking. Nor the millions who labor at Wal-Mart, Starbucks and other low-wage businesses.

Furthermore, an industry make-over alone can't bring this story a happy ending. After all, there are only so many buses or trains or electric cars that need to be made. Imagine six or more major corporations competing to produce the most buses! And with labor's productivity constantly rising, fewer and fewer workers can be employed at 40 hours per week.

The call for nationalization of the entire auto industry — under workers' control — is gaining steam. This refreshing alternative to layoffs and union busting makes perfect sense, since the UAW and taxpayers now own most of GM and Chrysler anyway (not to mention scores of banks and insurance companies).

So why stop with auto? Nationalizing all the major industries under workers control and running them not for profit, but for the benefit of society, would introduce planning into production. Rising labor productivity would translate into a shorter work week with no cut in pay, rather than joblessness for the majority and profits for the few.

Rather than say goodbye to GM, let's say adios to capitalism by building a revolutionary movement for the socialist reconstruction of society!

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