

Labor Unrest and Economic Distress Impact U.S. Politics

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The decision by leaders of the United Auto Workers to call off its strike in late September against General Motors after only 41 hours has deepened the divide between UAW leaders and rank-and-file workers. Although the strike was initially impelled by growing discontent with shrinking benefits and worsening working conditions, the UAW accepted GM's demand for a two-tier wage structure and to make the union, instead of the company, responsible for the retirees' health care.

In opposing these concessions, many UAW members are pointing out that the settlement failed to include any explicit commitment by GM to continue to build cars and trucks in U.S. factories. The "two worlds" that separate rank-and-file workers and their "leadership" has become wider than ever.

LABOR AND THE FIGHT FOR HEALTH CARE

Global competition is forcing a fundamental transformation in the entire U.S. automobile industry. Ford plans to close 16 of its 41 North American plants by 2012. GM's market share is shrinking so fast that it will soon be surpassed by Toyota. Chrysler has been sold to a private investment group for a fifth what Daimler paid for it a decade ago.

The problem isn't one of productivity; U.S. autoworkers remain among the world's most productive. Ford's Wixom plant was voted the most productive U.S. auto factory in June; a week later Ford announced it was closing the plant.

Nor is the problem a lack of car sales. The problem is global competition. Remarkably, the UAW has failed to unionize a single one of the many Japanese-owned auto factories that have operated for decades in the U.S. This has given firms like Toyota and Honda, which provide lower wages and benefits, a competitive advantage over U.S.-owned firms.

The auto companies are using global competition as an excuse to gut hard-fought for health benefits. The UAW has responded by agreeing to the demand for a health care trust run by the union. Under this “voluntary employee benefit association,” or VEBA, the UAW will take responsibility for managing \$51 billion in GM’s health care liabilities. Once Ford and Chrysler sign onto the same deal, the total will be \$100 billion.

About 70% of VEBA will be financed by contributions from the auto companies in the form of cash, stocks, and real estate—at a moment when many economists predict that real estate prices may contract by at least 20% nationwide in the coming period.

By shifting the responsibility for health benefits onto the UAW, the auto companies will be able to write tens of billions of dollars in liabilities off their books—while workers’ health benefits will be subjected as never before to the vagaries of the “free” market.

This has elicited howls of protests from workers. Many argue that a quarter of a million UAW members will be asked to surrender future pay raises to finance the trust. Moreover, close to half a million retirees would have to pay a greater percentage of their medical costs by themselves.

A similar union-controlled trust for handling medical liabilities was set up at Caterpillar in 1998 and went bankrupt in 2005, leading to lower health benefits and pensions for most employees.

CRISIS IN PROFITABILITY

The crisis in employee health care has been long in coming. UAW leaders like Walter Reuther didn’t only capitulate to capital after World War II by giving the companies control over production in exchange for higher wages. At the time many U.S. workers demanded a single-payer health care system funded by the government. When Congress and President Truman objected, Reuther and other union leaders capitulated and accepted the system of employee-based health care. The availability of health care was made contingent on corporate profitability instead of being treated as a public good.

Now that U.S. capital is feeling the brunt of a long-term crisis of profitability, it is trying to gut the health benefits that many union leaders took for granted.

It is striking that none of the major aspirants for president, including the Democrats, support a single-payer system that shifts the funding of health care away from private insurers and employers by providing universal health care through the expansion of existing programs like Medicare. A single-payer system does not necessarily mean that the

government OWNS hospitals and medical facilities; it simply means that the government FUNDS facilities that may continue to be privately owned. Yet even that is considered too radical for Bush's Democratic Party critics!

This reflects an objective crisis. As we wrote in the Marxist-Humanist Perspectives for 2007-2008, "Since the mid-1970s, it has become clear that welfare state policies conflict with the expansionary requirements of capitalist value production. This has eliminated the economic basis of progressive liberalism. The Social Democratic or liberal Left has proven unable to effectively challenge the Right because the objective basis upon which its policies were predicated has seriously eroded...adequate social services and a rising standard of living for workers is no longer compatible with the accumulation of capital on an ever-expanding scale."

MINING DISASTER MIRRORS CRISIS

The growing divide between U.S. rulers and workers was especially born out from the Crandall Canyon Mine Disaster in Utah in August. The death of nine miners there was no "natural" event. It was a SOCIAL consequence of the drive to increase coal production, which is an integral component of the present stage of U.S. capital accumulation.

Half of the electricity generated in the U.S. now comes from coal, and each individual in this country consumes on average 25 pounds of coal daily. The drive to extract ever more coal in shorter amounts of time has led companies to use retreat mining in areas that are highly unstable and dangerous.

Retreat mining is a procedure in which pillars of coal that serve as support beams for underground mines are progressively removed in an effort to extract as much coal as possible. The disaster at Crandall was fully predictable, since retreat mining has been used for decades and has been condemned by miners for just as long.

Nor was there anything "new" about the technology used at Crandall Canyon. The mechanization used was the continuous miner—the same machine which miners opposed being introduced into the mines in the 1949-50 General Strike in West Virginia, which helped give birth to Marxist-Humanism.*

The disaster at Crandall shows that living labor remains the source of value, and the more intense is capitalism's "werewolf hunger" for it, the more it is compelled to employ workers in increasingly dangerous situations. That is starkly seen in China's massive industrial expansion, which largely rests on the backs of overworked miners; 180 perished there at the same time as the Crandall Canyon mine collapse in Utah.

Such conditions breed revolt. On Aug. 22, 800 miners in China's Hubei Province went on strike against a mine that denied severance pay. Few countries experience more labor strife than China; in the past 10 years 1.7 million labor disputes have been reported there.

CRISIS IN HOUSING INDUSTRY

The situation facing labor has to be viewed in the context of the overall economic problems afflicting the U.S. Key in this is the meltdown in the housing and mortgage markets. This year a record number of foreclosures occurred. Banks stand to lose billions of dollars because of the inability of many homeowners to keep up with their mortgage payments. Some fear that a default by even a few major banks could cause a crisis in the entire global financial system.

The bursting of the speculative bubble in housing and real estate may cause U.S. housing prices to plunge as much as 20% in the next few years. Since much U.S. consumer spending in recent years has been driven by homeowners essentially using their home mortgages as ATM machines by renegotiating their mortgages to take advantage of lower interest rates, some fear that a sharp decline in housing prices could send the U.S. economy into a recession.

The Federal Reserve responded on Sept. 18 by cutting its benchmark interest rate to 4.75%—the first such cut in four years and a steeper cut than usual. While this will make it easier for financial institutions to borrow money, it will have little impact on most homeowners; interest rates on many mortgages will rise significantly in the coming period. And it will have no impact on those too poor to own a home; the Federal Reserve's action does nothing to address the fact that September marked the first time in three years that the nation lost jobs.

The response of politicians in both the Republican and Democratic parties has been to bail out wealthy investors who profited from the speculative bubble in the housing market. While international financial institutions pumped hundreds of billions into the economy over the past few months to bail out investors, working people face increasing austerity and cutbacks.

U.S. ECONOMY IN GLOBAL CONTEXT

A major predicament facing U.S. rulers is that the U.S.'s political ambitions have tended to outstrip its actual economic might. The U.S. is the sole superpower and it is the largest NATIONAL entity in the world economy. But that doesn't mean that the U.S. CONTROLS the world economy. Although Europe's rate of economic growth has lagged

behind the U.S.'s for the past decade, its overall economic output is higher than the U.S.'s. And China and parts of India are becoming increasingly important economic powers, even though most of the rest of the underdeveloped world continues to languish in poverty and backwardness.

When Marx wrote *CAPITAL* the average income in the world's richest country was nine times higher than in the poorest; today it is 50 times higher. The number of billionaires in the world increased 66% over the past three years and their net worth grew by 86%, while tens of millions in Africa, Asia and Latin America have been thrown into utter destitution. The number of people living on less than a dollar a day in Sub-Saharan Africa increased by 100 million since 1990. And average life expectancy has fallen in 34 countries in the developed world since 1990 (see the World Bank's report on *GLOBAL ECONOMIC PROSPECTS*, 2005).

Meanwhile, China plans to expel 600 million peasants from the land in the next 25 years to obtain the low-wage labor force needed for global capital. It plans on building 400 new cities to house these soon-to-be proletarianized workers, but few can doubt that the future that awaits most of them is sweatshop labor and poverty. By 2030 the number of slum dwellers in poor countries will double to TWO BILLION—50% of the world's total urban population.

At issue in today's global economy is not just the QUANTITY of economic output but the ramifications of an increasingly GLOBALIZED world. Globalization has boosted corporate profits by securing cheaper labor, reducing the turnover time between investment and output, and lowering the cost of capital through a host of competitive pressures. However, globalization's gains are also something of a curse for capitalism, since it increases the connectivity between different units of capital, making it easier for crises to spread from one national entity to another.

For instance, China didn't suffer much from the 1997-98 East Asian economic meltdown because it wasn't yet fully integrated into world capital markets and its currency wasn't freely convertible. Yet since 2000 China has joined the World Trade Organization and has begun to move toward a convertible currency. The radical fluctuations in U.S. capital markets over the past months are largely a result of the new reality produced by China's increasing role in the world economy. One analyst refers to this as "an indicator of a new world economic pecking order. Whereas it was long said that the world caught pneumonia when the U.S. suffered a cold, it is now the Chinese economy that has taken world leadership" ("Markets Around the World are Marching in Lock Step," by Floyd Norris, *THE NEW YORK TIMES*, July 28, 2007).

U.S. Marxist-Humanists

The crisis in the U.S. mortgage market underscores this crisis of connectivity. The crisis wasn't simply caused by the actions of "greedy" capitalists. It flows from the separation of hundreds of millions of workers around the world from the objective conditions of production over the past 20 years. As more and more workers are "freed up" from working the land as part of the effort to supply global capital with a reserve army of cheap labor, downward pressure is exerted on wages. That has led to lower inflation rates in many countries, and in turn to lower interest rates. The latter helped create a speculative bubble in housing and real estate that now appears to have burst.

Some 93 countries experienced 112 systemic banking crises between 1975 and 2000. Such crises are becoming more common. It brings to mind the passage Marx added to the French edition of *CAPITAL* in 1875: "Only after foreign trade began to predominate over internal trade...only after the world market had successively annexed extensive areas of the New World, Asia, and Australia; and finally, only after a sufficient number of industrial nations had entered the arena—only after this had happened can one date the repeated self-perpetrating cycles, whose successive phases embrace years, and always culminate in a general crisis" (*CAPITAL*, Vol. I, p. 786).

Economic crises, of course, offer no assurance that a new society will come into being. They provide, at best, only for the **CONDITIONS** for its **POSSIBILITY**. It is the **HUMAN** factor that is decisive—whether those subordinated to the laws of capital will rise up and consciously reorganize society on new, socialist humanist foundations.

For that to be achieved, political practice—though surely necessary—is not sufficient. Those committed to the revolutionary transformation of society must work out a comprehensive concept of a non-capitalist society that can give today's freedom struggles a direction. This has been the focus of our work in News and Letters Committees for many years, as shown in our Perspectives Thesis of 2007-2008. We invite you to join with us in further developing this work-in-progress.

NOTES

*For more on this, see *The Coal Miners' General Strike of 1949-50 and the Birth of Marxist-Humanism in the U.S.*, by Andy Phillips and Raya Dunayevskaya.

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