

# America's Automobile Industry: The Real Reason Why The Big Three Are Failing

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For over a month the U.S. automobile industry has been on the verge of collapse along with virtually all the automobile-related businesses. Altogether, they employ an estimated 3 million workers. The blame for this crisis has universally been attributed to upper management at the Big Three auto manufacturers.

Many politicians, auto industry analysts, and media reporters claim the auto industries were not sufficiently competitive, arguing they relied too heavily on the production of SUV's or other vehicles with low fuel efficiency. In addition, virtually all Democratic and Republican politicians parroted business "experts," claiming the auto giants let labor costs get out of control. The litany goes on and on.

When we turn to the labor movement, including those in its left-wing, we find, somewhat surprisingly, a similar analysis of the problems, only with some slight variations. Again, the burden of the problem is placed on the shoulders of management. One socialist publication argues, for example: "The 'Big Three' have struggled over the past decade due to inept management and rising gas prices. Auto workers have already been paying the price for the bosses inability to produce reliable, affordable and fuel-efficient cars."

Others, basically from this same milieu, have criticized auto industry management for "years of opposing mass transit and fuel-efficient cars," adding that the "products they sell aren't the ones people want," as if what people want is somehow independent of how much money they have.

In the same vein, still others claim that the auto companies would be competitive if employee health care costs were not left entirely in the hands of the auto companies. The argument points out that in Canada the Big Three have significantly lower labor costs because health care is covered by a state-run, universal, single-payer system.

Many of these same labor advocates assert the need for the auto industry to utilize some of the idle plants for socially useful, green jobs where solar-powered energy products could be manufactured along with wind turbines, etc.

However, these analyses, which contain a grain of truth, simply scratch the surface. The real problem, which you will not hear mentioned by Democratic or Republican politicians or the corporate media, is that the capitalist system itself, whose underlying nature is entirely irrational, is responsible for the failure of the Big Three as well as economic catastrophes such as the one that is currently unfolding.

First, capitalism is a competitive system. Capitalists who manufacture the same product,

such as cars, must compete with one another for customers. If two rivals manufacture products of equal quality but one succeeds in cutting production costs in order to sell the product at a lower price, then customers will gravitate towards this business while shunning the rival. Hence, capitalists are under unrelenting pressure to lower prices, or to increase quality without raising prices, or, if possible, to raise quality while lowering prices, thereby triumphing over the competitors who have failed to score similar improvements. This is a life and death struggle among capitalists — those who fail go under.

Second, this war among capitalists leads to a different war on another front. In order to survive, capitalists must lower prices in relation to their competitors, all other things being equal. But labor costs comprise a major cost of production. Consequently, in order to survive, each capitalist attempts to keep production costs, including labor, to a minimum. Management has developed an arsenal of weapons to accomplish exactly this: full-time workers are replaced by part-time workers with less pay and no benefits; wages and benefits of full-time workers are lowered, as has happened regularly to United Auto Workers in recent years; manufacturing is moved overseas in order to take advantage of much cheaper labor; work is “contracted out” and performed by nonunion workers with lower wages and no benefits; or workers are entirely replaced by machines which require neither wages nor benefits.

Of course, all these measures amount to a declaration of war on the workers who want high wages, full benefits, long vacations, and job security. Hence, there is an ongoing struggle between management and the workforce over the question of compensation. With diametrically opposed interests at stake, this struggle sometimes takes the form of a head-on collision.

But these contradictory tendencies lead to an entirely irrational, unpredictable set of relations. On the one hand, if workers launch a successful campaign to receive higher compensation as a reward for raising productivity, the competitive standing of their employers could be jeopardized. Production costs rise, the cost of the product rises proportionately, and customers migrate to a rival’s more cost-effective product. In other words, the more workers win, the more they risk losing everything, namely their jobs.

On the other hand, if the owners succeed in keeping compensation low, and they have been basically successful on this front for the past four decades, they create an environment where workers’ ability to buy products is correspondingly lowered. Recently the working class incurred historically high levels of debt when buying cars and other basic necessities because of the reduction in wages and their overall standard of living. Consequently, in so far as capitalists win their battle with labor, they risk losing their customers, jeopardizing the business itself.

Moreover, these contradictory relations are repeated throughout the entire capitalist system. Each sector conducts its own battles for survival and the upshot then impacts other sectors in entirely unpredictable ways. For example, the recent crisis rippling through the financial institutions has resulted in the unavailability of credit for buying cars, which can hardly be blamed on the auto industry.

The failure of a particular industry is consequently not entirely rooted in the industry itself. Given the competitive nature of the system, when the economy turns bad, some industries will fail regardless of the quality of their management. So while one can blame the Big Three

for various decisions, these missteps were only bad in relation to their competitors decisions and in relation to the entire economy. Had the Big Three made different decisions, then their competitors might be facing bankruptcy with equally dire consequences.

All of this is to say that, because of its unplanned, antagonistic essence, crises are endemic to capitalism and can sometimes reach catastrophic proportions, as we are presently witnessing. Instead of society collectively planning in advance how many new cars people will need each year, and instead of each car plant sharing its advanced improvements with the other plants so all vehicles can be of high quality, capitalist society condemns everyone to the pursuit of their own narrow self-interest so that no one can predict the results for society as a whole. Millions of workers will soon be laid off, and millions will lose their homes. State and local governments will lose revenue, resulting in drastic cuts in social services, education, etc. The federal government, while quick to give a helping hand to financial institutions, CEO's, and stock holders, has been reluctant, to say the least, to do the same for workers. The explanation is simple: the government is convinced that businesses can thrive if provided with cheap labor.

In the coming months, as the economy continues its downward free fall, capitalism will generate an ever more shrill "everyone for themselves" climate as the capitalist rats at the helm of this economic Titanic jump overboard and abandon those of us in the working class to a sinking ship. Capitalism's apologists will continue to assure us that surely some rewards from the unbounded greed of the rich will trickle down to the rest of us, and they will plead for patience.

However, as it becomes increasingly obvious to workers that capitalism cannot ensure most of us a comfortable and secure standard of living, protests will break out. Workers will be increasingly compelled to organize themselves and fight against a system that is presently crushing them. And these struggles will intensify as victories are won, such as in the recent sit-in by the Chicago United Electrical workers demanding their severance pay.

In addition to the modest but important victory of the workers in Chicago, other significant political forces have emerged in response to the crisis. Cindy Sheehan, for example, who ran against the pro-corporation and pro-war Democratic Party Representative, Nancy Pelosi, has recently taken a huge step to the left and called for a revolution against the "Robber class." As she eloquently put it, "What if the workers took over every plant and started on the path to clean, renewable, and sustainable forms of energy, farming, and transportation?" (See Cindy Sheehan's article.) Another example is the emerging nationwide campaign to implement an "Emergency Plan to Bail out Working People — NOT Wall Street."

These developments open up the possibility of forming a political coalition that could offer working people an independent alternative to the two prevailing political parties controlled by the rich, the Republicans and Democrats. Such a coalition would have to be organized on the understanding that the interests of working people and those of the corporations, business owners, etc., are diametrically opposed. Corporations only want profits; we want a secure standard of living. These are incompatible goals. But for this coalition to successfully represent our interests, it must be organized according to strictly democratic principles so that its platform is discussed, debated, and then determined by the voting of every member of the coalition.

Such a coalition, although initially small, can offer a real alternative to working people by championing a program that is aimed at defending the interests of workers and oppressed

people in general, not the interests of the wealthy elite that currently runs society. By pointing out that a better world is indeed possible, this movement has the potential to win over the vast majority of the population. And once it wins the support of the majority, it will succeed in placing a revolutionary question on the historical horizon: who should run society, and in whose interests should society be run: those of the majority or a tiny wealthy minority? In our opinion, working people make the country run. Working people should run the country.

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