

Editorial

## Blaming the Workers for the Failures of Capitalism

The bailout of the auto monopolies in the U.S. and Canada is being accompanied by a massive propaganda campaign against auto workers, blaming their high wages and expensive benefit plans for the inability of General Motors and Chrysler to make a profit. This campaign is part and parcel of the current ideological offensive against the working class aimed at disorienting and disarming it in the face of the attacks on wages and working conditions that are planned in every sector of the economy.

There is no truth to the claim that high wages are the cause of the problems of the North American automobile industry, or any other sector, for that matter. The root cause of those problems, as is the case with the economic crisis in general, is the anarchy of production under capitalism which leads to periodic crises of overproduction. Coupled with

that is the relentless downward pressure on wages that has taken place over the past 25 years which has reduced the demand for cars and other commodities. The financial crisis which came to a head last fall and the resulting mass layoffs of workers has further exacerbated this problem, but the North American auto monopolies have been in trouble for a long time now.

The reality is that the relatively high wages earned by a significant section of industrial workers were an important factor in the post-war boom in North America. Those high wages stimulated demand for a whole range of consumer goods, including cars, and the taxes paid by those workers were used to create a modern society with modern roads that further fueled demand for cars. During the 1950s, 1960s and

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Commentary

## The (IL)Logic of Bailouts

The ideological offensive accompanying the current financial and economic crisis is so intense that even many who consider themselves socialists and communists are reduced to criticizing the details of the trillions of dollars in corporate bailouts that have been announced over the past few months, rather than opposing them on a principled basis. The argument is presented to the effect that, even though the bailouts are detrimental in the long term and accompanied by various anti-worker provisos, in the short term they save millions of jobs and are, therefore, unavoidable. This is the same sort of argument that comes up during every federal or provincial election according to which working people must hold their noses and vote for the “lesser of two evils” because the alternative will be even

worse.

However, this argument simply does not hold water. The multi-trillion dollar bailouts of the big banks and other financial institutions, supposedly for the purpose of restoring credit and confidence, have accomplished nothing for working people except to further impoverish them. Tens of millions of workers around the world have been thrown out of work over the past four months. Millions have already lost their homes and millions more will do so in the coming months. The bailouts of General Motors and Chrysler, which could end up well over \$40 billion, were accompanied by the layoff of at least 50,000 workers, and that is just the first round of layoffs. The second round will involve Ford and the various auto

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parts manufacturers. The third round will be those workers whose jobs depend on the wages earned by those auto workers. Ultimately, if General Motors and Chrysler survive, and that is a very big “if”, it can only be on the basis of further mechanization and further transfer of production facilities to low-wage countries, such as China. So, claiming that the bailouts will “save jobs” is merely a sop to fool gullible workers. It is not a valid argument for the necessity for bailouts.

There is, of course, a logic of sorts to the bailouts. Despite the globalization of finance capital over the past few decades, national states are controlled by definite groups of monopoly capitalists who use them to maximize their profits at the expense of other sections. The bailout of the American financial sector is a good example. The U.S. economy is suffering from enormous budgetary deficits and enormous balance of trade deficits. It has amassed staggering debt levels, both governmental and personal. The financial crisis that came to a head in September of last year is international in scope and has resulted in tight credit everywhere. In order to bail out the financial institutions on Wall Street, the U.S. government had to come up with at least \$1.5 trillion dollars, and probably far more. It will also be running a federal deficit of almost \$2 trillion in 2009. This money has to come from somewhere and there are only two sources.

The first source is U.S. government borrowing, which over the past several years has come primarily from China and the oil-rich Arab states. Because the U.S. government is seen as the most stable in the world and it has essentially pledged to underwrite loans made by U.S. financial institutions, there will be a tendency for increasing amounts of liquidity in those countries to flow to the U.S. But China, in particular, is also facing an economic melt-down due to the loss of its American markets. So whatever capital flows from China to the U.S. will hamper any potential economic recovery there and condemn the Chinese people to even more job losses and suffering. Various other countries will face similar pressures. In other words, U.S. borrowing is a form of shifting the burden of the crisis onto the backs of the people in other countries.

The other source of money for the U.S. bailouts is for the U.S. government to simply print more dollars. This will have the effect of decreasing the value of the U.S. dollar, which will have several implications. First, a decrease in value of the U.S. dollar creates inflation which reduces the real value of wages. So, it will shift the burden onto the American working people. Second, it will drive up the price of imports and thereby further constrict the U.S. market to other countries. This shifts the burden onto America’s trading partners. Third, it reduces the value of foreign holdings of both U.S. dollars and U.S. debt, once again shifting the burden onto others. Therefore, the U.S. bailouts will have the effect of further internationalizing the crisis and blocking any potential recovery in other countries. They are a virtual guarantee of a long period of perpetual stagnation and crisis of the entire capitalist system.

This is all in addition to the fact, which *Modern Communism* has repeatedly pointed out, that taking money out of the pockets of working people and handing it over to the rich is counterproductive and will only serve to deepen and broaden the crisis by further reducing demand for surplus commodities. This is why no rational argument can be given to justify the bailouts. Instead, an appeal to emotions is substituted. We are told that “millions good-paying jobs” are at stake and that if we oppose the bailouts we are condemning those workers to unemployment. But it is not we, but the capitalist system, that has condemned those workers to unemployment. Furthermore, that die was cast, not last September, but years or decades ago by those who control the economy. With or without government handouts to the capitalists, those jobs will be gone. Whole industries will be gone. That is the reality facing the working class and people. This is the logic of capitalism.

The logic that the banks, the auto industry or some other sector of the economy is “too big to let fall”, is the logic of gangsters and of the labour aristocracy. It is the logic of those who are only interested in saving their own hides and to hell with the rest of the working class. They are prepared to accept the loss of millions of “low-paying jobs” if it will save a few thousand “good-paying jobs”. And when all is said and done,

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# Further Consolidation of Canadian Meat Packing Industry

A decision in February by the federal government's Competition Bureau to facilitate a merger between Lakeside (Tyson) and XL Foods will lead to higher meat prices at the retail level and lower prices for cattle producers, according to analysis conducted by the National Farmers' Union (NFU). The merger, which is expected to proceed quickly now that the Competition Bureau has approved it, leaves only two companies – Cargill and XL – with control of virtually the entire beef packing capacity in Canada, the NFU points out in a news release.

“Cattle farmers are already struggling with record low prices,” said Fred Tait, NFU Manitoba Coordinator. “This will only make the situation worse.”

The merger means there will be no competition in an industry that has also seen regulations decreased considerably as a result of federal cost-cutting over the past decade.

“The Competition Bureau has become a joke,” Tait said. “It is more appropriate to call it the Consolidation Bureau. This decision allows XL to attain a 48 percent market share of the beef packing industry in Canada, as well as acquiring auction markets, cattle finance companies and cattle insurance companies. It already had control over virtually all the largest auction markets in Saskatchewan, and this merger strengthens its

captive supply of cattle going into its plants.”

Tait said the cattle marketing system has become a full-fledged “command and control” operation that will operate solely for the benefit of the two big companies. “The current Canadian government has long expressed the opinion that we should deregulate the market and replace regulation with competition. But it now appears they have abandoned competition altogether. Farmers are left exposed and under the thumbs of these two companies that will dictate the market.”

Tait also noted that in 2005, the federal Competition Bureau allowed Cargill to buy out Better Beef, a large Ontario beef packing company. Farmers in Ontario now have the lowest cattle prices in the country, while retail prices to consumers have continued to climb.

In its report “The Farm Crisis and the Cattle Sector”, released in November 2008, the NFU pointed out that Cargill first entered the beef packing industry in Canada in May 1989, opening their plant in High River, Alberta. Since that time, the report notes, there has been a “dramatic acceleration in the transfer of control of this industry, from a relatively large number of Canadian-based packers operating a large number of plants to two US-based corporations that have concentrated production in a few huge plants.”

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not even those few thousand “good-paying jobs” will be saved. It is all an elaborate shell game to transfer trillions of dollars in wealth from the working class to the rich and from smaller, weaker capitalists to bigger, more powerful ones. Even more dangerously, this logic is a major component of the ideological assault against the working class which demands that workers identify their interests with those of “their own” capitalists, while seeing other sections of the working class as their enemies.

Those who argue that the bailouts are a necessary evil should explain exactly what concrete benefits will result for the working class, not for one small section of the class, but the entire working class. They should

explain why propping up various monopolies and delaying their inevitable collapse is preferable to letting them fall, along with the entire rotten capitalist system. And they should do so from the perspective of the working class and not from the perspective of the labour aristocracy.

There is no doubt that without the massive bailouts, particularly in the U.S., the entire international capitalist system would have collapsed last fall. This is not to say that capitalism would have come to an end, however, it would have placed the question of capitalism or socialism squarely on the agenda. It would have shattered all of the illusions about capitalism being the highest form of economic

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1970s, wage rates in Canada and the United States were significantly higher than anywhere else in the world, but during that period those economies grew by leaps and bounds and corporate profits soared. However, by the 1980s and 1990s wages in Europe and Japan had caught up with North American wages and in some cases, such as the Japanese auto industry, exceeded North American wages. So, when the wages of North American auto workers were much higher than auto workers in Europe and Japan the North American auto giants were highly profitable, but now that wages in Europe and Japan have caught up or surpassed North American wages the North American auto industry is no longer profitable. Therefore, either there is no relationship whatsoever between wage rates and profitability or it is the opposite of what the propagandists are claiming.

Of course, in general terms wages and profits come out of the same pool of wealth created by the labour of workers, so there is an inverse relationship between the two. A rise in wages will result in a drop in profits and vice versa. However, the relative profitability of two competing companies is affected by many other factors besides the wages they pay

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and social organization and encouraged working people to seek alternatives. The capitalists and their government and media spokespersons were quite clear on this issue, which is why they pushed through the bailouts. However, the working class has not yet figured out that it is capable of reorganizing society in ways that serve the interests of the producers rather than the exploiters. It has not yet come to the realization that if the capitalists and their system collapse the mines, mills and factories, as well as the hospitals, schools and so on, will still remain, as will the workers who run those facilities and who produce everything of value in the society.

Whatever the progressive and revolutionary forces say or do, the governments of various countries will continue to bail out some capitalists, while others will be allowed to fall. This is the way that monopoly capitalism operates and it will do so until it is finally overthrown. However, the worst possible disservice that the progressive and revolutionary forces can do to the working class and

their workers. In fact, it is estimated that wages constitute only about ten percent of the price of a car. Issues of technology are far more important, as are issues of quality and reliability, two fronts on which North American auto manufacturers have lagged behind their competitors since at least the 1980s. Furthermore, there is no indication that the North American car manufacturers are willing, let alone able, to close that gap. Therefore, regardless of what concessions they wring out of their workers and what handouts they receive from governments the long-term outcome will be the same. General Motors reported losses of \$30 billion in 2008, before the current crisis had even gathered steam. The chances of it turning things around in the middle of a depression of historic proportions are very slim to none.

Just as the wages and benefits of auto workers have nothing to do with the current problems of General Motors and Chrysler, the concessions being demanded of auto workers also have nothing to do with the long-term viability of those companies. Rather, it is a cynical attempt to extract a bit more profit from the hides of the workers before those companies go down the drain.

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people is to cover up for the monopoly capitalists, to attempt to justify in the eyes of the workers the crass money grab that is being perpetrated in the name of "saving jobs".

## **Modern Communism**

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