

The Detroit auto show: Auto execs celebrate record profits

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The North American International Auto Show in Detroit has put a spotlight on the deep social divisions in the United States, and who has benefited—and who has not—from the supposed recovery of the auto industry.

Auto executives, politicians, media talking heads and United Auto Workers officials are celebrating the “comeback of Detroit.” A little more than three years after the financial crash led to the near disappearance of General Motors and Chrysler, the companies have made record profits.

The Obama administration and Wall Street used the crisis to destroy what the American ruling class long considered the outrageously high wages and “gold-plated” benefits won by auto workers through generations of struggle.

With the full assistance of the UAW, conditions have been rolled back to what the great grandfathers of current auto workers once faced. Poverty level wages, 10 and 12-hour workdays, unrelenting speedup and a constant threat to jobs, wages and benefits are the daily reality inside the factories.

Today the industry is far more profitable than it was before the crash, despite a nearly 20 percent decline in overall US auto sales. GM, which made a record profit of \$7.6 billion in 2011 and \$4 billion in the first three quarters of 2012, told bankers this week that it expects profits to rise this year.

At least some in Detroit are doing extremely well. Ford’s Alan Mulally—who pocketed \$29 million in 2011—is expected to have another flush year. Sales of million-dollar-plus homes in the city’s wealthy suburbs are up 66 percent from a year ago. This includes the 9,000 square-foot home purchased by Fiat/Chrysler CEO Sergio Marchionne for \$3.9 million, adorned with a two-story great room, six fireplaces, two gourmet

kitchens and a lower-level theater room.

Some 12,000 people are expected to show up for the auto show’s black-tie charity preview gala, with sales of the \$300 tax-deductible tickets up 20 percent this year. Organizers estimate 3,500 bottles of champagne will be popped and poured at Friday night’s gala, where Detroit’s glitterati preview the new car offerings before the event opens to the public Saturday.

The *Detroit News* described one private party: “The theme for 2013 is Vive Detroit, and Bill and Lisa Ford are hosts, along with Ford CEO Alan Mulally and wife Nicki. Partygoers will walk the ‘streets of Paris’ in the east atrium, complete with an 18-foot Eiffel Tower where champagne and cocktails and French delicacies will be served.”

Among the expected guests is the city’s Democratic mayor, former professional basketball player and millionaire auto executive David Bing. On the eve of the show’s opening, the City Council approved Bing’s plans to slash \$90 million in wages and pensions from city workers by instituting furlough days, freezing pension payments and sharply increasing health care contributions.

The supposed rebound of Detroit—already the poorest big city in America—has coincided with a 66 percent increase in the poverty rate in Michigan over the last decade, the fastest growth in the nation. According to the Michigan League of Public Policy, nearly 1.7 million people—more than one in every six—are living below the government’s official poverty line.

A third of the state’s working families are struggling to fulfill their basic needs. These, no doubt, include many new-hires, who are only earning half the wages traditionally paid to auto workers. The \$15 an hour wage rate agreed to by the UAW is roughly equivalent, once inflation and union dues are taken into account, to

the 92 cents an hour their counterparts made in 1931—four years before the UAW was established.

Meanwhile, workers inside the plants are seething with anger over the new Alternative Work Schedule agreed to by the UAW, which virtually abolishes the eight-hour day by introducing mandatory 10-hour workdays and regular Saturday work with no overtime pay. The UAW has ignored petitions and even threats of wildcat strikes against the new schedule, insisting the “innovative” schedule was part of the agreement with the Obama administration to revive the auto industry.

UAW President Bob King toured the auto show earlier this week with outgoing Secretary of Labor Hilda Solis. King, the son of a former Ford personnel manager, boasted that UAW concessions had convinced the automakers to shift some production back to the US from Mexico and other low-wage countries.

“We have continued to bring back work,” King said, noting that some at Ford originally wanted to build the Focus in Mexico—not in the Detroit suburb of Wayne. “By working together, we kept it here,” he said. “We work every day with all three of the companies on highest quality, highest productivity and more investments and more products” in the US.

This was echoed by a Ford executive who praised the company’s “strong partnership” with the UAW, adding, “We couldn’t do it if we didn’t do it together.”

In his comments at the Detroit auto show, Fiat/Chrysler chief Marchionne said the type of job and wage cuts implemented with the assistance of the UAW were needed to revive profits in Europe, where auto sales have plummeted.

“While we sit around the table and endlessly worry about the social implications of the lack of utilization of labor, we keep forgetting that all these plants were designed and tooled with volumes and expectations that are not materializing,” Marchionne told the *Guardian*. This collapse in sales, however, is largely due to the savage austerity cuts imposed by the European governments, which took on the bad debts and gambling losses of the banks and financial speculators and are now demanding the working class pay for it.

“We are beginning to go through an incredibly painful process of retrenching,” Marchionne said. Like in the US, however, the process will be painful for the

working class, not the multimillionaire executives and global investors.

According to industry analysts, capacity must be reduced by at least 5 million units. This means the closure of up to 20 assembly plants, 10 engine plants, 10 transmission plants and 30 stamping plants, resulting in the destruction of 115,000 jobs.

As part of GM’s plans to slash \$200 to \$300 million in fixed costs in Europe in 2013, the US automaker has already announced the closure of its Bochum Opel factory—the first auto plant in Germany to be closed since the end of World War II. Meanwhile, French carmaker Renault is slashing 7,500 jobs, and Volvo execs used the auto show to announce plans for job-cutting measures at the Swedish automaker.

The global character of the capitalist economic crisis and the universal demand for job and wage cutting underscores the need for auto workers to reject the divide-and-conquer nationalism promoted by the UAW, IG Metall, CGT and other unions. What are needed are new organizations of struggle and an international strategy to oppose the global auto giants. If the livelihoods of those who produce society’s wealth—the working class—are to be protected, then the capitalist profit system must be replaced with a rational and democratically planned socialist economy based on human need, not private profit.



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