

Lee Iacocca, who spearheaded the attack on autoworkers, dead at 94

By Jerry White
4 July 2019

Lee Iacocca, the president of Ford Motor Company from 1970 to 1978 and CEO of Chrysler Corporation from 1978 to 1992, died at his home in Bel Air, California on Tuesday at the age of 94.

Iacocca's death triggered an outpouring of praise from major media outlets. The *New York Times* published a 3,200-word obituary hailing Iacocca as a "visionary automaker" who "took over the floundering Chrysler Corporation and restored it to health in what experts called one of the most brilliant turnarounds in business history."

The admiration in the corporate media arises from the central role Iacocca played in the 1980s in implementing a fundamental shift in the policy of the American ruling class. The 1979-1980 Chrysler bailout was the first shot in a corporate offensive against the working class aimed at forcing workers to pay for the historic decline of American capitalism. This class war continues to this day.

The son of Italian immigrants who settled in Allentown, Pennsylvania, Iacocca wrote that his father's shaky business ventures during the Great Depression of the 1930s "turned me into a materialist." He continued: "Years later, when I graduated from college, my attitude was 'Don't bother me with philosophy. I want to make ten thousand a year by the time I'm 25, and then I want to be a millionaire.'"

After graduating from Princeton University with an engineering degree, he joined Ford Motor Co. in 1946 as an engineering trainee, but quickly switched to sales. He came to prominence at the company after the success of his "56 for 56" sales pitch, which offered a 1956 Ford for 20 percent down and \$56 a month for three years. After a stint as corporate director of truck marketing, Iacocca was promoted to vice president and general manager of the Ford division in 1960, at the age of 36.

He was taken under the wing of Ford President Robert McNamara, one of the "Whiz Kids"—former Air Force veterans hired by Henry Ford II to bring modern management efficiencies to the automaker. McNamara would go on to become secretary of defense in the John F. Kennedy and Lyndon Johnson administrations and the prime architect of the Vietnam War, which killed three million Vietnamese and 55,000 US soldiers.

Iacocca was known for launching the sporty Ford Mustang in

1964 with an eye toward younger people who had more disposable income during the post-World War II economic boom. The vehicle became the hottest-selling model in Detroit history, bringing Ford \$1.1 billion in net profits over two years and putting Iacocca and the car on the covers of *Time* and *Newsweek*.

Iacocca was also responsible for the Ford Pinto, a subcompact car with a gas tank that would explode during rear-end collisions. Ralph Nader's 1965 book *Unsafe at Any Speed* had exposed the resistance of car executives like Iacocca to the introduction of safety features, such as seat belts, and their reluctance to spend money on improving safety.

In 1970, Iacocca was named Ford president. Over the next eight years, he led the company's cost-cutting campaign, including the first wave of mass layoffs, as the US faced growing competition from powerful industrial rivals in Japan and Germany and the Arab oil embargo of 1973 led to a fall in sales of larger cars built in Detroit and a surge of more fuel efficient imports.

Writing in his autobiography on his days as Ford president, Iacocca noted that he was in several labor negotiations with the United Auto Workers in the 1970s. "Throughout those years," he wrote, "I always felt that the companies were at a real disadvantage in dealing with the union. It had us over a barrel, because included in the union's arsenal was the ultimate weapon: the right to strike. And the mere threat of a work stoppage was the most frightening thing we could imagine."

Iacocca said he was in favor of all the auto companies locking out the autoworkers in order to have a "final bloodletting" and change the "pattern between union and management before it was too late." The "possibility of a lock-out would always come up," he wrote, but the auto executives at GM, Ford and Chrysler "we were always too divided to take joint action."

In 1978, Henry Ford II fired Iacocca, telling the *Detroit News* that Iacocca was "an extremely intelligent product man, a super salesman," but was "too conceited, too self-centered to be able to see the broad picture." Several months later, Iacocca took over as CEO of Chrysler.

In August 1979, Democratic President Jimmy Carter appointed Chase Manhattan banker Paul Volcker to head the

Federal Reserve Board. The new Fed chief declared that a “decline in real income was necessary” to fight inflation. He denounced workers’ efforts to protect their living standards. Just a year before, 150,000 coal miners had defied Carter’s back-to-work order during their record 111-day strike.

Volcker imposed the “Volcker shock,” raising interest rates to record levels—reaching 20 percent in 1980—to deliberately bring on the worst recession since the Great Depression. This drove unprofitable sections of industry out of business and allowed corporate America to use mass unemployment as a hammer to drive down the wages and conditions of workers.

Chrysler Corporation, the weakest of the US Big Three automakers, had barely escaped bankruptcy in 1974-75. It began hemorrhaging once again. In 1978, it lost a half-billion dollars. By 1979, the company was losing \$6-8 million a day, and it would soon lose a total of \$1.1 billion, the largest loss in US corporate history. Facing imminent bankruptcy, Iacocca turned to the Carter administration, appealing to it to organize a federal bailout.

While many obituaries have noted Iacocca’s launching of the Ford Mustang and Chrysler K-Cars and minivans, his greatest innovation was to put UAW President Douglas Fraser on Chrysler’s board of directors in 1979. While such moves were commonplace in Europe and Japan, no major US corporation had done this.

Explaining his decision in his 1984 autobiography, he wrote that Fraser learned that “profit was not a dirty word” and “understood so much that some workers began to see him as a turncoat...” To business critics of the move, Iacocca said, “We need to build better cars for less money. Who else can help us reach that goal if not the head of the union?”

With the assistance of the UAW, Iacocca closed or consolidated 20 plants and eliminated 57,000 jobs, including 12 plants and 30,000 jobs in Detroit alone. Over the course of 19 months, he imposed nearly half a billion dollars in wage cuts, or nearly \$10,000 for each autoworker. In today’s dollars that would translate to \$35,000 a year.

UAW Vice President Marc Stepp summed up the pro-capitalist position of the union, declaring, “I believe that the company will have to trim operations down. But what can you do about it? We have free enterprise in this country. The corporations have a right to make a profit.”

The concessions were accompanied by the promotion of anti-foreigner hysteria by Iacocca and the UAW, blaming Japanese and other foreign workers for stealing American jobs. As a consequence of this campaign, Vincent Chin, a Chinese-American worker in Detroit, was bludgeoned to death by a Chrysler foreman and his unemployed step-son, who thought Chin was Japanese.

The Chrysler bailout was followed by President Reagan’s firing of 13,000 striking air traffic controllers in 1981 and a decade of violent union-busting. This was the beginning of a social counterrevolution that continues to this day and is aimed

at stripping workers of every social gain won in the course of a century of struggle.

When Iacocca became president of Ford in 1970, the nearly 1.5 million autoworkers at GM, Ford and Chrysler were the highest paid industrial workers in the US, if not the world. By the time he retired from Chrysler in 1992, hundreds of thousands had lost their jobs and cities like Detroit, Flint, Toledo and Dayton had been ravaged by deindustrialization. Autoworkers had suffered a historic reversal that affected every section of the working class.

Iacocca was also one of the first celebrity CEOs. While he famously agreed to work for \$1 in his first year at Chrysler, as part of his posturing about “equal sacrifice,” he became the auto industry’s highest paid executive, with salary and stock options worth \$18 million.

In 1970, average CEO pay was \$1 million in current dollars and the ratio to workers’ pay was roughly 21 to 1. By 2018, the ratio had ballooned to 312 to 1. Over the last four decades, workers’ real wages, i.e., adjusted for inflation, have flat-lined. During the same period, CEOs have seen a 937 percent pay increase.

In his 1984 autobiography, Iacocca wrote: “The cement in the whole democracy today is the worker who makes \$15 an hour [\$37 an hour in 2019 dollars]... As long as a guy is making enough money to meet his mortgage payments, eat fairly well, drive a car, send his kid to college and go out with his wife once a week for dinner and a show, he’s satisfied. And as long as the middle class is content, we’ll never have a civil war or revolution.”

In the current round of contract talks, Iacocca’s heirs are looking to complete his dream of destroying autoworkers’ pensions and health care benefits. After decades of UAW-backed concessions, there are no more contented “middle class” autoworkers and the UAW is seen as nothing more than a bribed tool of management. Sooner rather than later this will lead to revolutionary upheavals that will burst over the heads of union bureaucrats, corporate executives and big business politicians.

That, ironically, will prove to be Iacocca’s real legacy.

To contact the WSWS and the
Socialist Equality Party visit:

<http://www.wsws.org>