

Corruption in America: Big Three Execs Get Huge Pay To Ruin Auto Sector

by Richard Freeman

Since 2000, driven by shareholder value, the Big Three global automakers—GM, Ford, and DaimlerChrysler—have fired 100,000 American workers, more than 65,000 of them skilled auto production workers. In this process, they have utterly destroyed the advanced machine-tool capacity embedded in the U.S. auto industry. This year, the process of destruction intensified, with GM and Ford walking toward the cliff of bankruptcy. Yet for their efforts, the CEOs are treated to huge compensation packages instead of more deserved long jail sentences. The chiefs of each of the Big Three—GM’s Rick Wagoner, Ford’s William Clay Ford, Jr., and DaimlerChrysler’s recently retired Jürgen Schrempp—have each hauled in between \$10 and \$25 million in total annual compensation.

GM and Ford executives have recently portrayed the problem at their companies, as being the payment of allegedly “expensive” worker health and pension benefits. GM publicly cries that it is being put at a competitive disadvantage by having to pay health-care benefits. But GM is hiding corruption behind this public complaint. The management teams of these companies, often trained at the Harvard or Stanford Business School, are shutting down valuable capacity, and incompetently driving their companies into the ground, guided by the idea of adding a few extra pennies increase to the

company’s stock price or dividends. Often, the executive’s compensation level is tied to the company stock price or other similar targets. Moreover, for this history of incompetence, the auto company stockholders reward the executives with higher salaries, bonuses, and stock option plans.

Lyndon LaRouche has called this “shareholder corruption” and said on Aug. 11 that stockholders bear equal blame with the executives. The morally corrupt shareholders are only concerned about their investment: They will permit and encourage executives to destroy their companies, “to maximize return” in the short term; and then, when the company is ruined, demand that the U.S. government bail them out.

What is true for the Big Three automakers, applies equally to the airline industry, which is trying to throw off its pension and health-care costs, and to most sections of U.S. manufacturing and industry.

We examine each of the Big Three automakers, to see to what extent this damaging shareholder corruption has progressed, hollowing out the core of U.S. manufacturing:

General Motors: Since the beginning of 2000, GM has slashed U.S. hourly production workers from 140,000 to 115,000. Then this year, CEO Rick Wagoner, who has presided over this destruction since 2000, closed down five GM production facilities: its Saginaw, Michigan malleable iron plant; its Linden, New Jersey assembly plant; its Baltimore, Maryland assembly plant; and both a body plant and a chassis assembly plant in Lansing, Michigan. All told, another 7,900 workers were laid off.

On June 7, Wagoner psychotically boasted to a stockholders meeting that he will oversee the elimination of 25,000 more hourly United Auto Worker production workers’ jobs, accompanied by the closure of an unspecified number of production facilities—probably seven—all by 2008. Given the speed with which GM is being dismembered, many of these cuts in production and employment will occur in the immediate future. *In toto*, since 2000, this would mean the axing of 57,900 production worker jobs by Wagoner’s company. During May, GM’s bonds were reduced to junk status, producing seizures among hedge funds and the world’s \$400 trillion derivatives market, and threatening systemic breakdown to the world’s financial system.

For this unparalleled helmsmanship, according to GM’s 10K report for 2004 filed with the Securities and Exchange



General Motors/Joe Polimeni

General Motors Chairman and CEO Rick Wagoner (left) and Vice Chairman Bob Lutz. Of course they are smiling: Wagoner got paid more than \$10 million and Lutz \$6.4 million in 2004—while they slashed GM’s workforce.



Ford Motor Co.

Ford Chairman and CEO Bill Ford, Jr. and his father, William Clay Ford, Sr. Another smiling pair. Ford, Jr. hauled in \$22 million in compensation in 2004, while cutting thousands of Ford Motor Co. jobs.



DaimlerChrysler

DaimlerChrysler Chairman Jürgen Schrempp, who left the position in August 2005, was paid \$12 million in 2003 alone for his wrecking job.

Commission, Wagoner received a \$2.2 million salary that year; plus a *\$2.46 million bonus*; plus 400,000 stock options valued at \$5.1 million; plus \$78,000 in perks including “personal use of company aircraft”; plus \$79,000 as a GM contribution to his “savings plan.” Counting some other benefits, Wagoner’s total compensation came to over \$10 million; this does not include an additional lavish pension benefit.

GM’s Chairman Bob Lutz, and its chief financial officer, John Devine, each received total compensation packages of \$6.4 million in 2004. It is estimated that the GM top management team took in more than \$50 million in compensation for the year.

Emulating Big Brother GM

Ford: Since 2000, Ford Motor Company has eliminated 22-25,000 American hourly production jobs; shut down four production facilities, and cut 10,000 salaried jobs as well. A Ford Motor Company spokesman told *EIR* Aug. 15, “We don’t print for the public the exact number of production workers; I doubt we can tell you that.” Ford is planning to close an additional one-to-four production facilities, including the Hazelwood plant near St. Louis. In May 2005, Ford’s bonds were reduced to junk status,

The individual who has overseen this take-down, first as a top officer, and then as CEO since October 2001, is William Clay Ford, Jr. Ford is a total “green”-nut. The Jan. 1, 2002 issue of *HighBeam Research* characterized Ford as “a vegetarian birdwatcher partial to auto paint made from soybeans.” In 2001, Ford anted up \$25 million to launch the Center for Environmental Leadership In Business, which preaches about global warming. He has spent tens of millions more to spread Gaia-ism throughout the United States. As a genuine Baby-Boomer, Bill Ford, Jr. is not the least disturbed that Ford’s biggest sellers are gas-guzzling SUVs, or that he is destroying tens of thousands of workers’ livelihoods.

Although worth many hundreds of millions of dollars, in 2004, Bill Ford was awarded by Ford stockholders with \$12

million in Ford stock—mostly as a “bonus”—and a stock option grant worth another \$9.9 million. In addition to this \$22 million, there were other benefits bestowed on him. In 2004, Ford President Jim Padilla was awarded \$7.1 million in total compensation.

DaimlerChrysler: Since 2000, DaimlerChrysler has cut 17-20,000 hourly workers in the United States, and an additional 5,000 salaried workers.

In 1998, Daimler Benz purchased Chrysler Corporation. The man at the head of the wrecking operation was Jürgen Schrempp, who was CEO of DaimlerChrysler until early August 2005. In May 1995, Daimler Benz Chairman Edzard Reuter—who had supported some infrastructure-building in the Middle East, among other locations—was replaced by Schrempp. By about late 1997, the unhinged Schrempp had reduced the number of Daimler Benz units from 35 to 23, and had axed 63,000 Daimler workers.

Upon completion of Daimler’s merger with Chrysler in 1998-99, Schrempp turned the same “shareholder value” process loose against Chrysler’s production in the United States. Schrempp was assisted by his Satanic little helper, Dieter Zetsche, who two weeks ago, replaced him as DaimlerChrysler CEO.

Chrysler does not list the compensation level of its executives in its 10K reports to the SEC. However, the July 7, 2004 print issue of *Deutsche Welle* reported that in 2003, in return for the havoc he wrought, DaimlerChrysler CEO Schrempp hauled in total compensation of \$12 million. Further, the *Daily Oakland Press* reported on April 11, 2004, that “as a group, the board of management had collected more than \$48 million in compensation during 2003.” In 2004, the compensation was at least at that level.

EIR has determined that since 2000, the top executives for the Big Three U.S. automakers have collectively, and obscenely, looted their companies for between \$500-\$750 million in total compensation—equal to the wages of 15,000 production workers for one year. Instead, they should have fired themselves.