Foreigners are not to blame for GM crisis

by Marsha Freeman

The announcement by General Motors chairman Robert Stempel on Dec. 18 that the giant automaker would be closing 21 manufacturing plants and idling 74,000 employees in the next four years, will lead to more than half a million secondary jobs lost throughout the U.S. economy. It is notable that this largest single down-sizing in the history of the auto industry is being carried out in a way which will achieve the greatest degree of chaos in the industry, and is being explained to the American public and auto workers alike in a way which is designed to focus their rage on foreigners, instead of the real culprit—failed U.S. economics policies.

As the chiefs of the big three U.S. auto companies join President Bush in Japan on Jan. 7, they have tried to prepare the way for exacting concessions from the Japanese, partly by making sure that the ire of U.S. citizens for the auto shutdown is directed across the Pacific. But a closer look at the numbers released at the time of the GM announcement tells a different story.

GM has blamed most of its failure to sell cars on its "loss of market share" to imported Japanese cars. In the middle of the 1980s, the company held about 40% of U.S. domestic car and truck sales. The peak year for sales in the auto industry was 1986, at 16.3 million total cars and trucks, including imports. At that level of sales, GM would have sold approximately 6.5 million units, at 40% of market share.

But, the company complains, they are down to about 35% of market share due to Japanese competition, and so now have excess capacity. However, the truth is that due to the depression, sales of new vehicles are estimated to have plummeted to about 12.5 million units in 1991. This means that even if GM had retained its 40% of the market instead of dropping five or so points, it would *still* be only selling 5 million units this year, leaving it with an excess capacity of more than 1.5 million vehicles.

Financial "analysts" explained that GM had to take this move now, due to pressure from Wall Street. Daniel Luria at the Industrial Technology Institute in Ann Arbor, Michigan commented, "Basically, you've got 28-year-old MBAs on Wall Street determining the size of our major manufacturing corporations." At his Dec. 18 press conference, GM head Stempel recounted how he had repeatedly asked the White House in 1990 to come to the aid of the auto sector, but the Bush administration said only, "Wait for the upturn." Now Bush—and his "mainstream" Democrat opponents—say: Blame it on the Japanese.

The competent response to the U.S. auto sector crisis is to declare a national emergency and take special economic measures. The automotive sector, with its related industries, is the largest single manufacturing sector in the country, involving about 650,000 people directly and millions indirectly. Drastic downsizing will guarantee the shutdown of the entire economy.

Dog eat dog

A full week before GM's announcement, Stempel released a statement simply saying that the company would be announcing massive cutbacks, leading to a week's speculation as to whose necks were in the noose. Analysts predicted that GM would produce 1 million cars this year which it could not sell, and that to satisfy Wall Street, which was threatening to downgrade GM's credit rating, the company would have to shrink dramatically.

But on Dec. 18, when the announcement was made, General Motors refused to specify what the shrinkage plans were. Contrary to past practice—where the oldest manufacturing factories or those producing the car models that weren't selling were at the top of list to be shut down—this time there would be a national competition to see which plants would stay open. Stempel would only specify that 21 plants—6 assembly plants, 4 engine plants, and 11 parts plants—will be closed. The *Los Angeles Times* commented that this "open-ended announcement pits factories and communities against each other to persuade the auto giant to spare them."

Though Stempel denied that GM was "whipsawing" the workers into a competition to see who could cut costs the most, the reaction of many of the workers and the locals of the United Auto Workers union was indeed to compete. The union members at the Arlington, Texas plant, which produces big cars such as the Buick Roadmaster and Chevy Caprice, have been pitted against employees at the Willow Run plant in Michigan.

One day after Stempel's announcement, the Texas workers voted to compress their work week into four 10-hour days, supposedly to increase productivity by allowing three different production crews. Arlington has suffered layoffs as a result of the overall Texas economic collapse and aerospace/defense shutdown, while the region around the Willow Run plant in Michigan has seen more than 12,000 jobs lost in auto in the 1980s. Communities are desperately trying every possible scheme of tax breaks and other incentives to get GM to pick their plant to save. As officials from Arlington have stated, they will do *anything* necessary to keep the GM plant there open.

Did all of this cutting and psychological warfare at least accomplish what Stempel claimed was the immediate goal? Hardly. On Dec. 26, just a week after the shrinkage announcement, two major credit-rating agencies downgraded debt securities issued by General Motors Corp. and the GM Acceptance Corp., which is its financing subsidiary.