What's ahead for U.S. auto

The next few years will be decisive in the history of the U.S. auto industry. American Motors Corporation and Chrysler are currently devoting most of their energies to staving off bankruptcy, while General Motors is shooting for an even bigger share of the market with an unprecedented national advertising campaign. All the automakers are rushing to comply with the new federal fuel economy and emission standards and are diverting all research and development spending to this effort. The industry is living in the shadow of last year's recall of the Ford Pinto and the Firestone 500 steel belted radial tire. The industry is facing the threat of a new oil crisis stemming from the destabilization of Iran, with rising gasoline prices and gas rationing enforced by "conservation" fanatic James Schlesinger's Department of Energy.

If the industry merely tries to struggle through the next few years — fighting for each others' market share and to keep out imports, searching for a *modus vivendi* with the Naderites, the regulatory agencies, the United Auto Workers, and so forth — it is headed for certain disaster. In a recent speech Philip Caldwell, vice chairman and president of the Ford Motor Company correctly diagnosed the chronic ills of the U.S. economy that the auto industry must address and pointed in a more promising direction. Something must be done immediately, said Caldwell, to reverse the decline of U.S. exports of industrial products and of the productivity of the nation's industries, and the degeneration of the economy into a service economy that has to import manufactured goods. Caldwell's remarks, excerpted below, are unfortunately colored by the view that the world has entered a period of slower economic growth during which the U.S. will be competing with other national economies for a bigger share of the "worldwide pie." Nevertheless his speech is a refreshing whiff of the tradition of Henry Ford, Sr.

The auto industry's future?

As the article on the history of the auto industry below notes, Henry Ford, Sr., the founder of the modern auto industry, regarded the industry as a capital goods industry — he regarded the mass production techniques developed by his company and the famous Model T as the means to revolutionize the U.S. economy and foster large-scale urbanization. When Ford started, more than a third of the population was still on the land. Now one-twentieth of the American population is engaged in the agricultural sector. Ford's method was emphatically not to get locked into a fixed mode of production or into producing a fixed commodity, the auto, and then concentrate on devising newfangled methods of selling it. Today this means that the auto industry should be playing a leading role in global industrialization plans through the export of its engineering expertise, as well as its passenger vehicles and tractors to developing countries. Ford Motor missed this chance in the early 1970s when it rejected the Soviet Union's invitation to participate in the Kama River complex, now the largest vehicle plant in the world. At home, the Henry Ford, Sr. approach means orienting the auto industry to the development of a modern mass transportation system. The auto industry is one industry that would do well to "diversify" out of the GM model of building sexier cars every year.

Had the industry taken this approach throughout the postwar period, it would not be in the fix it is in today. As things stand, the industry is in a moment-to-moment combat situation with the Naderites and regulatory agencies. The recent issues of *Automotive News*, the industry trade publication, notes that just about everything that is being done in Detroit these days is aimed at meeting the Corporate Average Fuel Economy (CAFE) and other federal standards that are going into effect between now and 1985. In an interview with *Automotive News*, the technology director of GM's research labs, William G. Agnew, said that virtually all research and development efforts in Detroit are being directed toward downsizing — this is guiding the selection of lighter materials and the development of more efficient design to reduce wind and rolling resistance, and more efficient transmissions and accessories like "Space Saver" spare tires for reduced weight and more room in the trunks of downsized cars. Agnew and other auto researchers also note that the federal requirements on exhaust emission are in conflict with the fuel economy standards, creating insuperable problems for the industry.

GM is two years ahead of Ford and Chrysler in the design and production of the new downsized cars, which has given it a decided competitive edge. Last year, GM logged just under 60 percent of the domestic market and plans to maintain that market share through the biggest advertising campaign in its history. Chrysler's future was clouded last year by huge dollar losses and slipping sales. Layoffs at three of its assembly plants are scheduled for this month. Both Chrysler and Ford are in a much worse cash position than GM to meet CAFE standards.

Consumerist onslaught

Ford's worst problem last year was the Pinto, which was recalled because its gas tank exploded in rearend collisions. The Pinto was the subject of a major law suit.

According to one auto industry source, most American autos had the same flaws in design as the GM Corvair, the car which became notorious when Ralph Nader attacked it as a death trap in the mid-1960s. However, Nader's attacks on the industry and now the maze of federal regulations have come close to destroying the basic research capability which would enable the industry to overcome design and other problems, and to become an important force for industrial development in the world. Unless there is a fundamental shift in the way automakers operate and act to shape international economic policy, the auto industry will be the target of more "consumerist" recall campaigns.

The Center for Auto Safety, a Washington-based "consumerist" group originally set up by Ralph Nader, is now urging the National Highway and Transportation Safety Administration (NHTSA) to recall 10 million Ford cars produced between 1973 and 1978 on the grounds that it has "inside information" that they all have defective transmissions. For the last two years, the NHTSA has been headed by Joan Claybrook, the "Dragon Lady" from Congress Watch, Nader's original Capitol Hill lobbying group. In spite of their alleged fight two years ago, when Nader asked Claybrook to resign the NHTSA job because she was too easy on the auto companies, the two "consumerists" have been working hand-in-hand to cripple the auto companies.

The United Auto Workers too are a major force constraining the auto industry. An industry official has stated privately that they would go all out on a high-technology research and development drive if it were not for the UAW, a vocal advocate of environmentalist and consumerist onslaughts against industry.

Is it any wonder then that the auto industry is at the crossroads, not yet convinced what road to take?

How Ford gave the British a black eye

The British government is still seething over the Ford Motor Company's successful challenge to its 5 percent ceiling on wages last December.

The point has not been lost on the British government that Ford's granting of a 17 percent pay increase to its employees was not only a breach of the government's strictly enforced 5 percent pay limit. It was a battle between the British austerity system and the American system of high technology development — with the American system winning the first round.

The issue was wages. The Callaghan government and the Wilson government before that had insisted on an upper limit of 5 percent in wage increases per year or up to 10 percent with productivity deals and overtime pay thrown in. The government had relied upon its prized "special relationship" with the unions — called the "social contract" — to ensure the continuation of this policy from year to year. When the union and the Labour Party threw out the "social contract" last year and called for a return to free collective bargaining in Britain, the government simply imposed punitive sanctions on employers and firms that granted wage increases in excess of 5 percent.

Most British companies knuckled under in the face of threatened loss of government contracts and subsidies. Ford, however, concluded that the loss of government orders for 25,000 Ford vehicles per year was less painful than the British pay policy which would produce a net decrease in workers'

consequently in net output and expansion capability. After an eight-week strike, the company granted employees at its 23 plants in Britain a 17 percent package of wage increase and fringe benefits. A shorter work week and better pensions are also being negotiated.

The reason? Ford has traditionally operated on the basis that workers need a boost in living standards if they are going to produce high-quality automobiles. In other words, decent wages are a critical component of worker productivity, if combined properly with a high level of capital investment.

When Ford management settled the strike last December and announced union acceptance of a 17 percent wage increase, the British were not at all amused despite the fact that two months of labor strife had been ended. The government promptly called Ford officials into its inner chambers to hear the penalty: government departments would no longer purchase Ford motor vehicles, only present contracts would be honored, and no future deals would be signed.

Ford turned the tables and called a press conference to denounce the British government's pay and sanctions policy. According to the *Daily Telegraph*, such an attack was unprecedented and what's more, "The ferocity of the attack is believed to have the blessing of Mr. Henry Ford, head of the worldwide empire."

There is no question that the Ford Company understood the implications of the stand they took. Under Ford, Sr., the company developed a policy of continual innovation and upgrading of working conditions and living standards, and cheapening products through high-technology investment. In Britain, Ford is one of the few companies that has not cancelled expansion programs. It has recently unveiled plans to build a new engine plant in South Wales which could absorb thousands of the country's unemployed manual workers and technicians.

The British government showed its gratitude by slapping the company with blacklist-type sanctions. But Ford stuck to its guns and forced a defeat in Parliament of the government's whole sanctions policy. This unexpected defeat seriously weakened the arsenal of weapons available to enforce further wage-gouging.

In retaliation, the British press is now blaming Ford for setting the precedent for the wave of strikes now paralyzing the British economy. "The Ford workers are the pacesetters," wrote the *Daily Mirror*, before the strike was settled. "If they smash the pay policy everyone will lose — including the car workers in the long run. If they breach the pay policy every other big battalion will want to. Then three years of sacrifice would be wasted and disastrous inflation would be back."

— *Marla Minnicino*