2010

Saving America's Automobile Industry: The Bailouts of 1979 and 2009, An Overview of the Economic Conditions, Factors for Failure, Government Interventions and Public Reactions

Taylor A. Wall
Claremont McKenna College

CLAREMONT MCKENNA COLLEGE

SAVING AMERICA'S AUTOMOBILE INDUSTRY

THE BAILOUTS OF 1979 AND 2009

An Overview of the Economic Conditions, Factors for Failure,

Government Interventions and Public Reactions

SUBMITTED TO

PROFESSOR BUSCH

AND

DEAN GREGORY HESS

BY

TAYLOR WALL

FOR

SENIOR THESIS

FALL 2010

NOVEMBER 29, 2010

Table of Contents

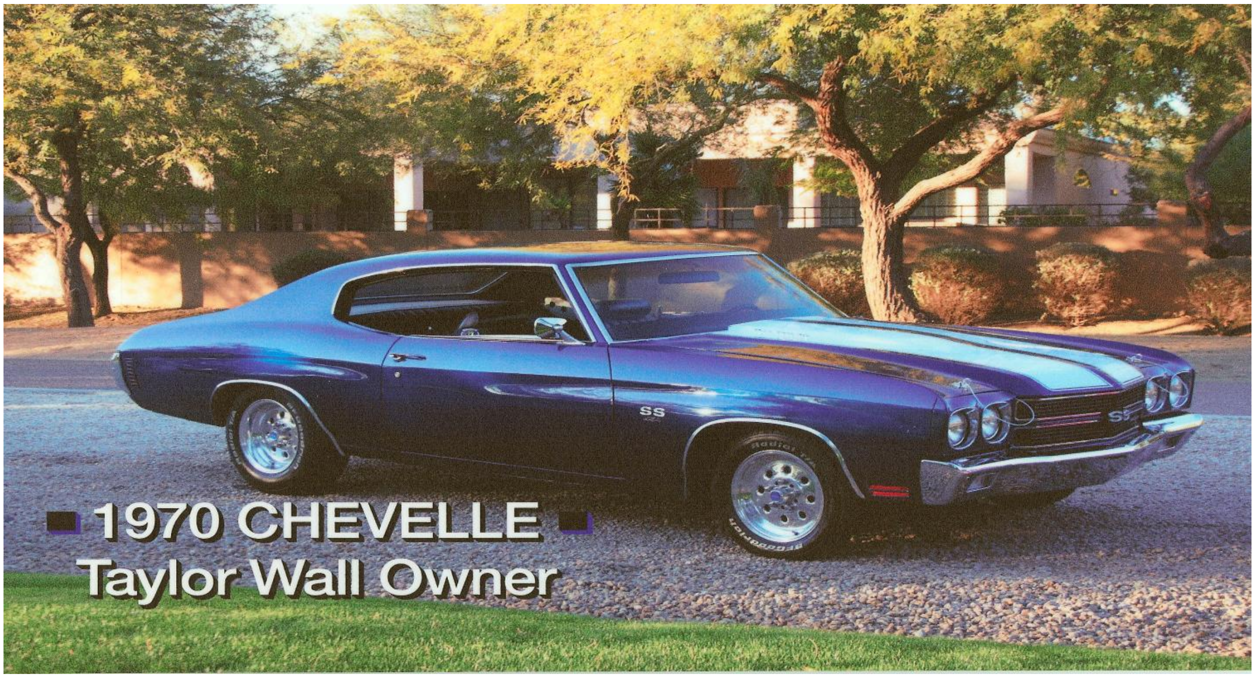

Photo Credit: 1970 Chevrolet Chevelle, Taylor Wall, November 20, 2010.

THE PAST

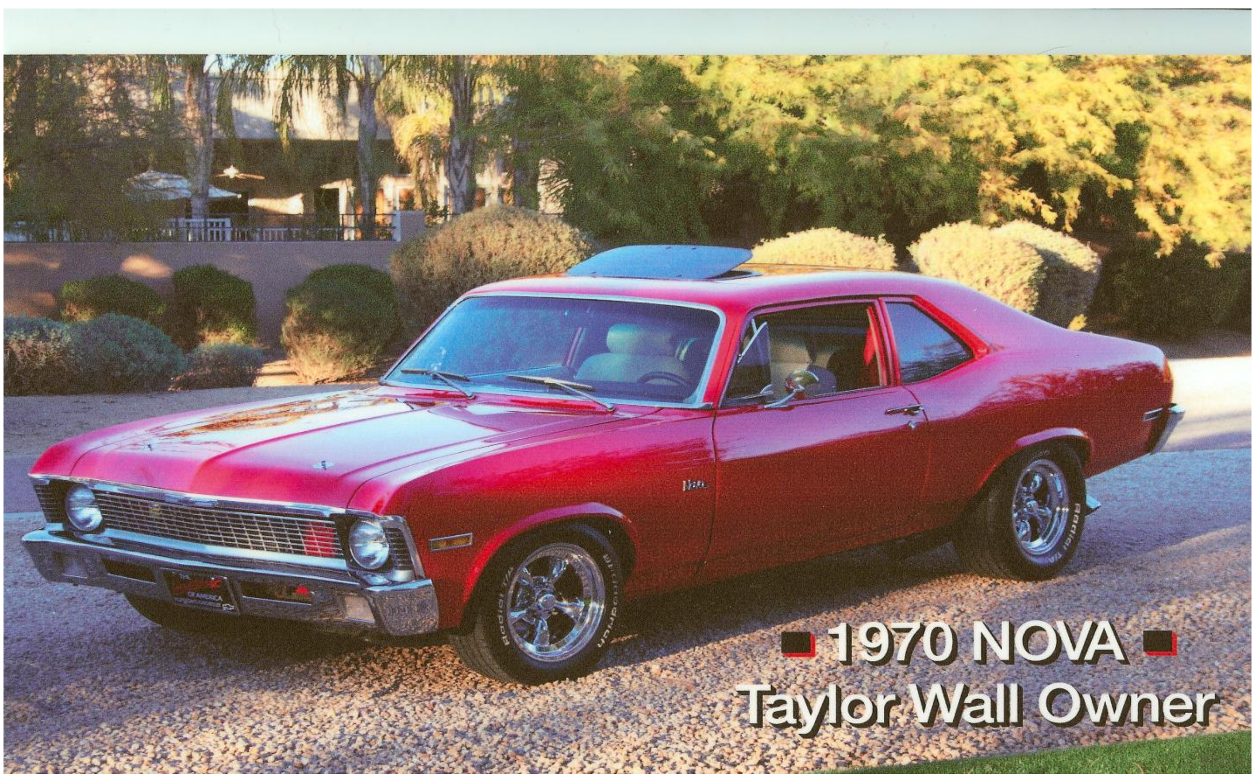

Photo Credit: 1970 Chevrolet Nova, Taylor Wall, November 20, 2010

Section I

Introduction

The turn of the key in the ignition, the roar of the V-8 engine, your hands gripping the steering wheel and feeling the control, power, and freedom of just you and the open road. Feeling a primal adrenaline rush triggered by your foot on the clutch, controlling a manual four speed transmission, with 454 cubic inches of pure horsepower under the hood, man and machine become one. This experience describes how many Americans were initiated into their lifelong passion for cars and their personal relationship with the automobile industry. The vehicles rolling off dealer lots and driving down Main Street created generations of Americans who were obsessed with cars. As the U.S. automakers thrived, smaller companies manufacturing individual automobile parts and accessories found substantial success, becoming an established industry within themselves, just as huge steel companies thrived on a symbiotic relationship with the auto industry. The epicenter of this automotive arena was Detroit, Michigan where the Big Three, Chrysler, General Motors and Ford, ruled the world through their utter dominance of the automotive industry. The Big Three were a major force driving the American economy, with their automobiles considered to be the epitome of U.S. industrial manufacturing. It was such muscular vehicles as the Charger, Challenger, Chevelle, Camaro, GTO and Mustang as well as the chrome adorned Coupe de Ville, Crown Victoria and Imperial that instilled Americans with a deep infatuation for the products of the automobile industry.

The 1960s success of U.S. automotive corporations was unmatched in the global market. Generations of young automotive enthusiasts kept their sights poised upon the latest and greatest products released annually by the Big Three, dreaming of one day having the opportunity to own their first American automobile. Seemingly every American can vividly remember their first car, from its make, model, year and even the sounds of their favorite tunes playing on the radio. These memories were actually Americans' first investment into the U.S. auto industry. The unbridled support of the American public gave the automotive corporations a false sense of pride and security. The industry thought that if it conducted business as usual, the Big Three would continue to rule America and the world. This single mindedness and a relentless production agenda would eventually immobilize them as they slowly lost their automotive hegemony and fell into financial ruin.

A boom and bust cycle began to develop for the U.S. auto industry. This cyclical nature is best exemplified through the absolute supremacy of the industry in the 1950s and 1960s to its near bankruptcy of the 1970s. In retrospect, it is shocking that the automakers ever lost their control over the industry. However, they consciously decided not to modernize their production methods, create innovative vehicles to meet the foreign car threat head on, or to respond to the need for fuel efficiency and pollution control. The automobile itself was not designed to sit still, but to accelerate and decelerate in order to meet the conditions of the road on which it travels. Automakers should have also designed their production methods, research, development, and worker management operations to be similarly as responsive to the conditions that were clearly ahead on the road which their industry traveled. The progression in the development of the automobile from the horseless carriages of the 1920s to the luxurious sedans of the 1960s is quite astounding. In light of this substantial evolution in vehicle quality, mid-century U.S. automakers should have better understood the necessity of continued vehicle modernization for their industry's long term prosperity.

This paper, in Sections II through V, will discuss prominent factors which directly contributed to the corporate disorder and financial turmoil the U.S. automakers found themselves in 1979. At this juncture, the uncontrolled power of labor unions, the severe financial impact of oil embargos, the aggressive imposition of federal regulations and the increasing dominance of Japanese imports all forced a crushing blow to the U.S. automakers. These critical factors brought the U.S. auto industry to its knees through an unprecedented and embarrassing bankruptcy.

After discussing these relevant conditions related to the auto corporation's failure, Section VI will delve into the specifics of Chrysler's bailout experience in 1979. Section VII will then discuss the bailout experiences of both Chrysler and General Motors in 2009. The paper will also review the government's position regarding the significant economic impact of letting GM and Chrysler fail. The paper's summary, Section VIII, will demonstrate that although the 1979 bailout was better perceived by the American public, the long term impact of 2009 bailout has the potential to produce a more strategic change in the U.S. auto industry.

Section II

Labor Unions

Throughout the early 20th century, the American automotive industry had continued to maintain an ever-increasing prominence in the domestic economy. The blossoming U.S. auto industry had sprouted from the ingenuity of Henry Ford and his utilization of the assembly-line to greatly refine the entire auto production process. Ford developed the assembly line concept after visiting numerous food-processing factories where he became enamored with the speed at which the factories operated. By implementing that process into automobile manufacturing, Ford lessened the assembly-time of a single automobile from thirteen hours to a scant ninety minutes. Although this innovation allowed automobiles to be more affordable to common Americans, a number of problems arose for the growing numbers of workers at the assembly plants. For example, the U.S. autoworker was now expected to robotically perform the same task on a seemingly-endless assembly line. Workers also had no control over the pace of the assembly lines, whose rapid speed was determined solely by management.[1] Another factor significantly disadvantaging the autoworker was job-uncertainty. Consumer demand for new models caused production changes and plant retooling which temporarily stopped production. Lay-offs to match the decreased vehicle output occurred. This resulted in autoworkers having no idea of when they would be laid-off or how long it would be until they would be allowed to return to work. The decision of which workers were to be laid-off rested solely with their foremen and upper-management. This encouraged corruption by forcing workers to resort to outright bribery to save their jobs.[2]

---

[1] Warner Pflug, *UAW in Pictures* (Detroit: Wayne State University Press, 1971), 11.
[2] Ibid., 12.

With all of the industry's problems, autoworkers in the early years enjoyed a substantially higher wage than employees in comparable industrial fields. This was exemplified by workers at Ford Motor who benefitted from Henry Ford's famous 1914 program, granting workers an eight hour $5 workday, which computed to 62.5 cents per hour. This wage was a substantially higher hourly-wage in comparison to workers in the steel industry who earned 30.1 cents per hour, an astonishing 51 percent less per hour wage than those employees of the auto industry. This momentous opportunity offered at Ford Motor brought droves of industrial workers to Detroit, all seeking employment in the emerging U.S. auto industry. However, this worker windfall would prove to be short-lived. In little over a decade, the landscape of the American economy would change forever, as would the labor and management structure of the automobile industry.[3]

October 29, 1929 is a day that will be marked in the pages of history as the commencement of the Great Depression, a period that would prove to be severely injurious to the American industrialized economy, including the automotive industry. In the aftermath of the stock market crash of that inaugural year, unemployment skyrocketed to 24.9 percent in 1933; a 21.6 percent increase from the pre-Depression levels, resulting in the public necessity to postpone the purchase of newly manufactured American-made automobiles.[4] As new-vehicle purchase became confined solely to the highest tiers of U.S. society, the auto industry was forced to substantially reduce their workforce to remain viable. Resulting from the decrease in the workforce, autoworkers found that simply having the opportunity to work on the fast-paced assembly lines now became a luxury. With the ever-decreasing amount of capital available to

---

[3] James J. Davis, "Wages and Hours of Labor in the Iron and Steel Industry: 1907 to 1920," (U.S. Department of Labor: Bureau of Labor Statistics 1922), 77, 91, http://books.google.com/books?id=XqYeAQAAIAAJ&pg=PP1&lpg=PP1&dq=James+J.+Davis,+%E2%80%9CWages+and+Hours+of+Labor+in+the+Iron+and+Steel+Industry:+1907+to+1920.

[4] Robert VanGiezen and Albert E. Schwenk, "Compensation from before World War I through the Great Depression," Bureau of Labor Statistics : Compensation and Working Conditions, http://www.bls.gov/opub/cwc/cm20030124ar03p1.htm.

automakers, the condition of auto factories began to significantly worsen as basic upkeep was reduced, resulting in unsafe working environments. The Great Depression's impact on Detroit was harsh, with unemployment levels reaching an unprecedented 45 percent. The massive increase in unemployment forced the city's auto industry to decrease its production levels by two-thirds, and lay off over 50 percent of its total workforce.[5] The hardship facing the autoworker had dramatically shifted from working conditions in the factories to the need for jobs for basic livelihood as thousands of workers stood in breadlines beseeching the Government for financial reprieve.

In the midst of this financial despair, Franklin Roosevelt was elected as President and created the New Deal, which was intended to stimulate recovery and reform the U.S. economic system. While the economy slowly got back on its feet, the American autoworkers found their salvation in the Congressionally-approved National Industrial Relations Act of 1935, which intended to extend the right of collective bargaining to all employees. Popularly known as the Wagner Act after its author, New York Senator Robert Wagner, the bill specifically mandated collective bargaining in section 7(a) National Labor Relations Act, which explicitly stated that workers "shall have the right to self-organization, to form, join, or assist labor organizations, and to bargain collectively through representatives of their own choosing.[6] The Wagner Act encouraged workers to join newly established unions to address grievances against their employers to improve the working conditions and to stabilize employment. The growing popularity of labor organizations in the auto industry came to a culmination on August 26, 1935, as the newly created American Federation of Labor chartered the United Automotive Workers

[5] Thomas Tandy Lewis, "The Thirties in America: Unemployment in the United States," *Salem Press,* March 2001, http://salempress.com/store/samples/thirties_in_america/thirties_in_america_unemployment.htm.
[6] National Labor Relations Act, 29 U.S.C. §§ 151-169 [Title 29, Chapter 7, Subchapter II, United States Code], http://www.nlrb.gov/about_us/overview/national_labor_relations_act.aspx (accessed on October 20).

(UAW). Union membership continued to increase, but the demands of autoworkers continued to be met with stiff resistance by the industry's corporate leaders, who refused to recognize the legitimacy of the UAW.[7] The automaker's refusal to accept the UAW as the primary labor organization of the auto industry led to the unions enacting a series of strikes in targeted factories, which severely impaired the entire industry.

On December 30, 1936 workers frustrated by their inability to gain recognition from GM, simply sat-down at their posts and refused to do their jobs at two Fisher Body factories, where primary parts were manufactured for GM.[8] Workers refused to abandon their strike and eventually barricaded themselves inside the factory. The unionists remained in the factories without an effort to dislodge them until January 11, at which time GM elected to cut off heat to the factory, exposing the striking workers to the 16 degree temperatures of the Michigan winter. The Michigan police force arrived, adorned with gasmasks and teargas canisters, asked the workers to peacefully leave the factory to no avail. This refusal prompted officers armed with clubs to storm the factory and disperse teargas. The initial surge by the police stalled as they were pummeled by a barrage of cans, door hinges, pieces of pavement, bottles and the concentrated spray of fire hoses. The attempt of police to storm the factory ended in an outright defeat as they did not succeed at removing the unionists but resulted in the injury of 14 officers during the assault. The "Sit-Down Strike" had lasted 44 days and following the repulsion of the advancing police forces, the event became known as the Battle of the Running Bulls, signifying the frantic retreat of Michigan police.

---

[7] Frederick Harris Harbison and Robert Dubin, *Patterns of Union-Management Relations: United Automobile Workers (CIO), General Motors, and Studebaker* (Chicago: Science Research Associates, 1947), 27.
[8] Paul Ingrassia, *Crash Course: The American Automobile Industry's Road from Glory to Disaster* (New York: Random House Publishing, 2010), 26.

On February 11, 1937 after the failed attempt to remove the striking union members, General Motors finally relinquished its union opposition. GM executives brought the strike to an end through their signing of a document stating that the automaker "recognizes the union as the collective bargaining agency for those employees of the corporation who are members of the union."[9] Just a month after the recognition of the UAW at General Motors, Chrysler's refusal to recognize the legitimacy of the Union resulted in a series of strikes of its UAW members, halting all production in their factories. The immense success resulting from the Battle of the Running Bulls taught the UAW a lesson. That striking was the most effective negotiation tool of the union. The city of Detroit itself also experienced a massive shift in its image, once referred to as anti-union capital of the world, it had seemingly overnight transformed into the epicenter of unionism in the United States.[10] During the workers plight brought on by the Great Depression, the new legislation helped unions to improve poor and unfair working conditions. However, as the economy grew stronger, so did the unchecked power of the unions.

* * *

February 1937 marked the beginning of a period in U.S. auto history in which industrial power had shifted to workers, as management feared the monetary burdens created by striking unionists. From this point onward, the UAW continued its exploitation of the auto industry for over three decades, constantly expanding their already more-than-generous pension. The extent of their bloated demands was made a reality on November 11, 1970 as the UAW and General Motors reached the conclusion of sixty-seven day strike. The provisions of the new contract granted GM's 400,000 hourly workers a thirty percent increase in wages and allowed for

---

[9] Paul Ingrassia, *Crash Course*, 26.
[10] Warner Pflug, *UAW in Pictures*, 43.

workers to retire after thirty years on the job with a full pension. These new concessions were added to their already oversized company-paid health insurance and unemployment benefits programs, which union members already had in their contracts. General Motor's upper management detested the creation of the new contract, but the monetary impact which resulted from an idle factory simply was too substantial. GM's factories were back in operation, but the long term financial drain resulting from union contracts was irretrievably set in motion.

American automotive corporations began to implement standing committees whose purpose and salary stemmed directly from keeping relations peaceful between unionists and management. GM and Chrysler were forced to create such committees to deal with such things as; grievances, education, health and safety and recreation. Although some of these committees seemed unnecessary, they were essential in subduing the possibility of union workers developing a rebellious attitude. Many automotive plants were forced to shut down for frivolous union demands such as the first days of deer hunting season.[11] If plant management tried to take a harsher stance, union workers resorted to sabotaging their own automobiles. *Time Magazine* reported that, "Autos regularly roll off the line with slit upholstery, scratched paint, dented bodies, bent gearshift levers, cut ignition wires, and loose or missing bolts. In some cars, the trunk key is broken off right in the lock, thereby jamming it."[12]

General Motors and Chrysler operated at the whims of the UAW, whose ability to implement industry-wide strikes pulverizing company profits weighed too heavily on auto manufacturers. The success to be won through simply refusing to do one's job stemmed from the UAW's infamous Sit-Down Strike of 1937. The union's unrestrained power continued to

[11] Paul Ingrassia, *Crash Course*, 48.
[12] Edwin Reingold, "Labor: Sabotage at Lordstown" *Time Magazine*, Monday Feb. 7, 1972. http://www.time.com/time/magazine/article/0,9171,905747-1,00.html.

grow in magnitude to the point where workers had the possibility to receive pension payments for longer amounts of time then they were actually employed by the automotive corporations. By 1979 the corporations were in a tailspin, stuck in a cycle that had backed GM and Chrysler helplessly into a corner. The only way to fix the out of control system was through a government induced corporate restructuring. The union was, through its power and greed, doing what automotive historian Paul Ingrassia described as "killing the geese that had laid the golden eggs at the feet of its members."[13]

[13] Paul Ingrassia, *Crash Course*, 48.

Section III

Foreign Oil Control

For decades the American automotive industry had been manufacturing cars with little regard for fuel economy. Whether it was the immortal chrome loaded "lead sleds" or the muscle cars of the late 1960's and early 70's, Americans powered through imported oil at an unprecedented level. This blatant disregard for fuel efficiency which occurred during this period was permissible, simply because the GM and Chrysler had no boundaries. There was no foreign competition and inexpensive oil allowed the industry to create heavy vehicles powered by monstrous, gas-guzzling engines. The ability to acquire unlimited quantities of foreign barreled oil, allowed American auto manufacturers to keep their customers content with big cars running on cheap gas. The industry's total dependency on foreign oil would come back to haunt them in autumn 1973, with the onset of the armed conflict in the Middle East.

In October of 1973, the State of Israel was emerged in battle against a coalition of Arab nations, headed by Egypt and Syria, in the Yom Kippur War. The conflict had begun following the incursion of Arab coalition forces into the Israeli-held regions of both the Sinai Peninsula and Golan Heights. Through prolonged hostilities, the State of Israel began to incur substantial losses, both militarily and monetarily. It had become apparent that the ammunition reserves of this American-ally were dangerously low, prompting President Nixon to deem U.S. intervention necessary. The creation of the State of Israel had been supported by the U.S. government. Now that Israel's continued existence was in jeopardy, the use of American military force was deemed necessary. Military intervention began on October 13, 1973 as the U.S. began Operation Nickel Grass, a massive airlift of weapons and supplies to aid the faltering Israel. Under the authorization of President Nixon, Israel was delivered 22,000 tons of war materials, including 157,564 pounds of artillery ammunition.[14]

Nixon's grant totaled $1.5 billion and had detrimental effects on U.S.-Arab relations. Members of the Organization of the Petroleum Exporting Countries (OPEC) began its use of oil as a political weapon. Saudi Arabia, then the world's largest oil exporter, coordinated a selective embargo effort targeting the U.S. and its diplomatic allies. The withholding of oil was intended to shift the Unites States' pro-Israeli stance, as well as to isolate the U.S. from its allies.[15] The withholding of OPEC crude-oil proved to be politically and socially challenging for the U.S. as OPEC provided Western Europe with 80% of its oil needs, Japan with 95% of its requirements and the United States with only 6 to 8%.[16] These shortages of oil forced American allies to oppose the U.S. decision to intervene on behalf of the State of Israel.

The results of the embargo had far-reaching effects in the U.S. with an onset of a domestic recession which proved especially damaging to its automobile market. The domestic price of gasoline, which had remained stable for the previous decade, had increased by an unprecedented 60 percent within months.[17] The resulting gasoline shortages throughout U.S. sent the public into a gas-frenzy, as Americans waited for hours in lines at gas stations to purchase gasoline at highly inflated prices. In order to relieve the daily gas-shortages, several States began to ration their sale of gas by instituting programs limiting fill-up days according to

---

[14] Anonymous, "Airlift of War Material to Israel Ends," *Los Angeles Times*, November 15, 1973. 14.
[15] Clyde H. Farnsworth, "Oil as Arab Weapon: Cautious Action at Parley in Kuwait Reflects Dangers of Embargo Policy," *The New York Times*, October 18, 1973, 97.
[16] Anonymous, "Meeting Reset: Faisal Reportedly Won't Shut Off Oil," *Historical Los Angeles Times*. October 14, 1973. A2.
[17] Paul Ingrassia, *Crash Course: The American Automobile Industry's Road from Glory to Disaster* (New York: Random House Publishing, 2010), 54.

the odd or even digits of a driver's license plate.[18] The hassle of obtaining gasoline enhanced American's desire for smaller more fuel efficient automobiles, which suddenly became truly coveted items. The nationalism surrounding the U.S. auto industry collapsed as "the emotional qualms that many Americans still harbored about buying Japanese cars gave way to practical considerations."[19] Consumers throughout this period were looking for smaller automobiles which would operate cheaper because of fewer visits to the gas station. However, these smaller, more fuel efficient cars were produced almost exclusively by Japanese automakers.

Following the end of the embargo on Saint Patrick's Day 1974, gas prices stabilized and automakers reverted to their previous business model. They continued to introduce larger less-efficient vehicles into the U.S. auto market. Even though smaller cars were increasing in popularity throughout this period, the U.S. automakers were reluctant to introduce such vehicles fearing that they would create a cannibalism of its larger vehicles. The sales of small cars would devour the sales of their bigger and more profitable passenger cars. Trouble in the middle-east continued after the embargo and oil prices rose again, sending the U.S. economy again into a recession. The recession effectively decreased domestic automotive sales and sent gasoline prices at the pump soaring once again. American buyers were now more serious than ever about owning those smaller, more fuel efficient Japanese automobiles.

The age of heavy vehicles powered by monstrous engines had officially come to an end as global forces began pushing once loyal American customers into the showrooms of foreign automobile dealerships. The 1970s were a decade that proved to the U.S. automotive manufacturers, that blatant disregard for fuel economy would not be tolerated by their American

[18] Paul Ingrassia, *Crash Course*, 54.
[19] Ibid., 54,55.

buyers. The sense of loyalty which tied many citizens to American automobiles had lost its luster. As gas prices soared, so too did the expectations of American buyers who began to value fuel efficiency in their vehicles. The American automotive companies had simply neglected to develop cars which could fulfill their customer's fuel desires. The 1970's can be labeled as the decade that finally laid American automotive hegemony to rest. A new era in the automotive industry had officially begun and it was headed by the smaller cars produced by Japanese auto corporations.

Section IV

Federal Regulations and Air Quality

For a half century, American corporations had dominated the automobile industry with little or no regulation over the vehicles they manufactured. This resulted in the creation of iconic but gas guzzling and carbon emitting vehicles such as the Ford Fairlane, Chevrolet Bel Air and the Chrysler 300. Throughout this period, the growing urban industrial economy was mirrored by the prominence of swiftly expanding suburban metropolises, which required Americans to travel farther distances to efficiently move between places of work, business and home. Aware of the increasing amounts of air pollution bellowing from the monstrous V8 engines powering those automotive-beasts, Congress enacted the Air Pollution Control Act of 1955. This was the first federal air pollution law and it established federal research programs to uncover the health and welfare effects of air pollution.[20] The drafting of this act marked the first time in which the federal government made an effort to study the potentially harmful consequences which auto emissions exerted on the environment.

Throughout the 1960s, air quality continued to deteriorate, causing the potential implementation of industry standards over pollution to become a substantial public policy issue. Heavy and inefficient American automobiles were becoming a major source of environmental concern, as they were seen as strongly contributing to increased amounts of urban pollution. Because of its smog problems, California initiated extensive research on pollution. It's research discovered that automobile exhaust accounted for nearly 85 percent of its polluted air, prompting the state to mandate anti-smog devices in all vehicles.[21] Possessing further research on regional pollution, California's Air Resources Board implemented the nation's first motor vehicle

[20] Environmental Protection Agency, "Origins of Modern Air Pollution Regulations," EPA, http://www.epa.gov/eogapti1/course422/apc1.html.
[21] Ibid., 1.

emission standards in 1966. This action officially made California the first state to institute industry-wide sanctions on its auto industry, mandating bolt-on pollution control devices on all their vehicles.[22] The popularity of California's actions continued to gain prominence, quickly growing to encompass many American voters. As the implications of automobile emissions were increasingly evident, so too was the public desire for federal regulations to be placed over the entire industry.

The call for increased federal involvement in pollution regulation materialized itself on July 24, 1963 with the passing of the Clean Air Act. The Act passed through the House with a vote of 272-102, with the stated intent of instituting and strengthening programs for the prevention and abatement of air pollution.[23] To accomplish such ends, the Clean Air Act pledged to involve the federal government directly in inter-state pollution issues through the infusion of federal research aid. The next step in the progression toward a cleaner environment was ushered in with the passing of the Air Quality Act of 1967, an amendment to the Clean Air Act. Although President Lyndon B. Johnson had pushed for regulations to be based on the federal level, Congress voted for regulations to be enforced on the state level.

Within the rhetoric of the amendment, Congress stated that "the predominant part of the Nation's population is located in its rapidly expanding metropolitan and other urban areas, which generally cross the boundary lines of local jurisdictions and often extend into two or more States."[24] As pollution was not contained only within state lines, Congress entrusted the

---

[22] California Environmental Protection Agency Air Resource Board "History of the Air Resources Board," California Environmental Protection Agency,
http://www.arb.ca.gov/knowzone/history.htm.
[23] Anonymous, "Californian's Votes on Issues in Congress," *The Los Angeles Times*, July 29, 1963. 24, http://proquest.umi.com.ezproxy.libraries.claremont.edu.
[24] The Clean Air Act, §85, 42 U.S.C § 7401-7626, Environmental Protection Agency, "The Clean Air Act," February 24, 2004, 7, http://www.epa.gov/air/caa/cleanair.pdf.

Secretary of Health, Education, and Welfare to create “Air Quality Control Regions”[25] to better combat the negative impacts of air pollution. Those states comprising each region were then responsible to cooperatively address the effects of pollution through establishing clearly defined “State Implementation Plans.”[26] This Act was intended to place the responsibility of air pollution prevention on the shoulders of state and local governments, with the possibility for federal intervention if it posed "an imminent and substantial endangerment to the health of persons anywhere in the country.”[27] It was through this notion that the federal government was taking a secondary role in regulating the national issue of air pollution and its effects on public health and agriculture. With this stated, the federal government still had itself vested into the program by continuing to “provide technical and financial assistance to State and local governments in connection with the development and execution of their air pollution prevention and control programs.”[28] But with the air quality regulations under regional control, there was no vehicle for mandating any changes to the enormous domestic auto industry.

Pressure for stricter control over auto emissions continued to grow, culminating on April 22, 1970. It was on this day that the first official Earth Day commenced, sparking a series of rallies throughout the United States. The immense amount of media coverage over the public outcry created pollution fervor that materialized itself into a 19 point plan to regulate the automotive industry. The UAW, along with several major environmental groups such as the National Audubon Society Sierra Club, Environmental Actions, Friend’s of the Earth,

[25] The Clean Air Act, 281.
[26] Ibid., 196.
[27] Ibid., 305.
[28] Ibid., 7.

Wilderness Society and Zero Population Growth presented this 19 point plan.[29] With such powerful special interests groups supporting the call for regulation, politicians hurried to identify themselves with this increasingly influential movement. To combat the Democratic Party campaigning for the Presidential nomination, President Nixon proposed a bill which called for the immediate and substantial reduction of auto emissions.

President Nixon's legislation came into effect and called for the strict reduction of hydrocarbon and carbon dioxide vapors by 1975. Enforcement of these newly established standards was backed by a possible $10,000 penalty per each unit sold which did not adhere to the emission regulations. The law placed a very strict time-table for the industry-wide implementation of new emission control devices within just two years. With the ambitious deadline established, Congress then placed the decision of determining the appropriate "compliance technology" into the hands of the auto corporations themselves.[30] The auto corporations in turn, decided to introduce the problem-ridden catalytic converter onto its existing vehicles instead of developing new engine technology. In the end, the gas burning internal combustion engine endured the federal law and remained intact.

The next step in the government's attempts to regulate vehicle emissions came through the creation of the 1975 Energy Protection and Conservation Act (EPCA). The major piece of legislation resulting from this Act was the creation of federally mandated fuel-economy standards which the automotive manufacturers where immediately subjected to. The institution of the EPCA was strongly opposed by the auto industry, but was held by Congress as necessary.

[29] Stan Luger, *Corporate Power, American Democracy, and the Automobile Industry*, (Cambridge: Cambridge University Press, 2000), 87.
[30] Ibid., 88.

It was believed that without a federal penalty, that the industry "simply could not be trusted to improve its vehicles voluntarily."[31]

Several proposals for the attainment of this goal were presented to Congress, each covering various methods of federal regulations. Congress decided the appropriate method of enforcing fuel-economy standards across the automotive industry was to institute a sales weighted fleet average, allowing the sale of vehicles not meeting fuel economy standards to be offset by those models which exceeded it.[32] The program was given the name, the corporate average fuel economy (CAFE), and required those vehicles produced by U.S. manufacturers to adhere to a 27.5 miles per gallon (mpg) average for new cars in 1975. This newly established fuel economy requirement would prove an arduous task, as the U.S. automaker's previous year's average fuel economy was a mere 13.2 mpg. The implementation of the EPCA and its mandated CAFE standard marked the final chapter of government regulation in the auto industry before the infamous year of 1979 when the first auto bankruptcy occurred.

Industry-wide regulation was a slow progression that began with the Air Pollution Control Act of 1955**.** This Act demonstrated that the federal government had knowledge of pollution and emphasized their desire to better understand its environmental impacts. When the implementation of the 1955 Act occurred, it appeared that the fate of the entire American automotive industry had been sealed. The evidence resulting from the Surgeon General's mandated study sparked the public's interest in the negative effects which their automobiles were having on their surrounding environment. With this fact now popularly accepted by Congress, it began to increase the strength of its regulation with the Act's of 1963, 1967 and 1970. These

[31] Stan Luger, Corporate Power, 95.
[32] Ibid., 94.

efforts exemplify the slowly increasing, but often ineffective, presence of the federal government into the emission control efforts of the states. The year of 1975 would mark the most dramatic attempt to control the pollution created by the automotive industry. Congress had explicitly defined a specific standard that it required each automaker to adhere to under the threat of severe monetary punishment.

Section V

Japanese Imports

Throughout the period of World War II, the Japanese automotive industry saw a steady decline in automotive production as the Japanese government nationalized factories for the production of much needed war materials. Accordingly, the majority of Japanese industry was redirected to benefit the war efforts, effectively placing technological development and innovation in the automobile industry to the wayside. The passing of the War Plant Law in October 1943, which incorporated all Japanese automotive manufactures into the war effort, immediately erased the competitive sales of its vehicles domestically and internationally.[33] With the end of the War came the next progression in the history of the Japanese automobile under the governance of the Allied forces on August 15, 1945.

The goal of the Allied Forces during their occupation of post-war Japan was to restructure the battered economy and establish a country based on principles of democratic governance. On September 6, 1945 President Roosevelt stated that, with regard to Japanese restructuring, "Encouragement shall be given and favor shown to the development of organizations in labor, industry, and agriculture, organized on a democratic basis."[34] On November 6, 1945 the Japanese government, under the influence of Allied General MacArthur, began the process economic reform beginning first with the dissolution of Japanese Zaibatsu. The Ziabatsu were large family-owned financial and industrial combines which completely dominated the market in their individual sectors of the Japanese economy. MacArthur believed that these vertical monopolies were a significant restraint upon Japan's growth. Adhering to New Deal styled ideals of free market ideology, MacArthur believed that the disbandment of

[33] C.S. Chang, *Japanese Auto Industry and the U.S. Market* (New York, Praeger Publishers, 1981), 34.
[34] Eleanor M. Hadley, *Antitrust in Japan* (Princeton, Princeton University Press, 1970), 6.

these holding companies would better ensure increased ownership in the business sector by stimulating new growth.[35] As this program of financial reform continued in its progression, the political relationship between the United States and the Soviet Union began to deteriorate.

To deter the threat of Soviet communism spreading to the economically downtrodden Japan, the United States instituted its Nine-Point Stabilization Program of April 1949 to speed the rate at which the Japanese recovery could occur. The intent of this Allied force's endorsed program was focused at lessening the monetary burden facing U.S. taxpayers who were supporting the post-war restructuring of Japan through the institution of specific reforms aimed at remedying its faltering economy. By instituting the Nine Point Program, Allied forces intended to create a balanced budget, improve the fluidness of Japanese tax collection and eliminate government interference in the economy, essentially purging its ability to issue subsidies. The deflationary intent of the Stabilization Program severely restricted the Japanese government's ability to issue credits and loans to its industrial sector, especially towards its tattered auto industry. The provisions of the Allied Program brought the ever-increasing amount of post-war inflation to a halt and constructed an adequate basis from which economic development could expand. As politically beneficial as the program was, its termination of government-issued subsidies heavily disadvantaged the Japanese automotive industry which began to incur heavy losses, instituting wage reductions and conducting mass lay-offs to simply remain viable.[36]

The Japanese automotive manufacturers finally received their financial salvation on June 25, 1950 with the United States' entrance into the Korean War. In an effort to assist in its war

[35] C.S. Chang, *Japanese Auto Industry*, 38.
[36] Ibid., 40.

efforts, the U.S. government began the substantial purchasing of war materials, including Japanese automobiles. The U.S. military placed three consecutive orders between July 1950 and March 1951, totaling 11,920 vehicles worth more than 9.8 billion yen ($27.2 million). [37] Throughout the war and immediately following the cease-fire, Japanese automotive companies gained large profits stemming from their partnership with the United States. In addition to massive vehicle orders placed by the U.S. Armed Forces, the United States commissioned Japanese companies to rebuild damaged and abandoned military vehicles throughout the Korean War period.

On the surface, the period surrounding the Korean War improved the dire industrial environment within Japan through Japanese firm's assistance in military vehicle purchases and rebuilds. Although this may be true, it is also apparent that the crucial automotive experience garnered by those Japanese workers would forever interconnect the Japanese and American automobile industries. Through the guidance of U.S. military personnel, Japanese engineers, mechanics and laborers were exposed to the processes of modern automotive manufacturing methods through the use of advanced equipment and techniques. American military personnel provided the Japanese with insight into such essential methods of U.S. manufacturing as modern enamel painting, safety glass in automobile windows and, most importantly quality control.[38]

Throughout the next two decades, the Japanese auto industry furthered its modernization efforts by continuing the process of implementing Detroit-styled methods of production. The U.S. Armed Forces provided the Japanese automobile companies with priceless knowledge, meaning that companies such as Toyota and Nissan were able to recognize the sources of

[37] Katsumi Kodaira, *Jidosha (Motor Vehicles)* (Tokyo: Aki Shobo, 1968), 187. Found in C.S. Chang, *Japanese Auto Industry,* 41.
[38] Katsumi Kodaira, *Jidosha*, 187. Found in C.S. Chang, *Japanese Auto Industry,* 41.

inefficiency within the American system and refine those components in their automotive manufacturing. The successful correction of U.S. inefficiencies allowed the Japanese to develop new engines powering more efficient vehicles, affectively giving them a competitive edge within the global industry.

The automotive industry has played a very important role within Japanese society, effectively providing increased job opportunities and revenue in the unstable times following demilitarization. This fact was recognized by the Japanese government, who has maintained a constant cooperative relationship with these automotive manufacturers. The government has allowed the corporations to expand by reinforcing their competitive production through granting tax concessions and imposing few national regulations.[39] The increased amount of capital gained through these allowances was then invested into the construction and modernization of factories. Providing for increased technological advancements allowed the Japanese automotive companies to produce higher quality products through the introduction of new techniques. The competiveness of the Japanese manufacturing process is apparent through the comparison to General Motors' Lordstown, Ohio plant, whose production target is 100 vehicles per hour, while the Toyota plant is expected to produce just 60 vehicles in the same period. This smaller quota allows Japanese workers increased time to install components more carefully and securely. The decreased amount of vehicles which Japanese workers are expected to assemble per hour, results in worker's unions which are generally less confrontational toward the auto manufacturers due to a less-hectic working environment.

Stemming from more efficient factory environments, unionized Japanese auto workers designated their loyalties to their companies as opposed to their labor organizations, unlike their

[39] C.S. Chang, Japanese Auto, 70.

U.S. counterparts. The relationship between labor and management in Japanese auto companies is one in which dedicated workers are rewarded by their management for making suggestions on ways to improve components of the production process. This ideal is apparent in the fact that auto companies do not expect workers to bend down to attach components underneath a vehicle, instead elevating and angling the assembly line to allow the task to be preformed standing up.[40] Another component of labor successes resonates from the general devotion to nationalism, which Japanese industrial workers possess. Workers are instilled with a strong sense of devotion to their families and to the nation, forming the need to excel at their jobs as they view it as a reflection of the national character of Japan.[41] The strong nationalism of the industrial working classes of Japan coupled with the positive relationship with upper-management, gives their auto industry, as a whole, an advantage over its international competitors.

The vehicles produced by the Japanese have historically been smaller, more fuel efficient vehicles. Elevated gasoline prices and smaller roads made small cars essential in Japan. Japanese auto companies' reigned supreme in this market niche as the American automobile companies held the belief that smaller cars wielded "low profit and potentially would diminish sales of their larger more profitable vehicles."[42] With the onset of the oil embargo of 1974, came the increase in the price for crude oil and, subsequently, U.S. demand for fuel efficient vehicles. Japanese producers were then able to successfully fill this void in the U.S. auto industry by continuing to heavily export vehicles to the United States to meet the increased demand.[43] The onset of petroleum-based hardships within the U.S. allowed the Japanese auto manufacturers to

[40] Paul Ingrassia, Crash Course: *The American Automobile Industry's Road from Glory to Disaster* (New York: Random House Publishing, 2010), 79.
[41] C.S. Chang, *Japanese Auto Industry*, 72.
[42] C.S. Chang, *Japanese Auto Industry*, 123.
[43] Ibid., 72.

successfully infiltrate the American domestic market, exporting 596,675 vehicles to the U.S. in 1974 alone. This is a stark comparison to Japan's exports of 1947 which totaled two vehicles, one car and one truck. This equates to a nearly 300,000 percent increase in vehicle exports during this period.[44] In the quarter of a century since the implementation of the Nine Point Stabilization Program by the Allied forces, the total exports of Japan had increased 91-fold, demonstrating the market viability which Japan garnered from its automotive instructors in the U.S. Armed Forces. [45]

Following the conclusion of WWII, the Japanese government came into contact with the technologically advanced United States. It was at this point, the rebuilding nation realized that its automotive technology was far outdated, prompting its willingness to redesign its industrial image. The period of reconstruction and the redistribution of economic opportunities allowed the Japanese auto manufacturers the opportunity to gain vital knowledge of American technology, and its dominant automobile manufacturing industry. The Japanese automakers' involvement in the restoration of damaged U.S. war vehicles gave them hands-on experience alongside American military engineers. This provided them a base to begin the redesign of the Japanese auto plants utilizing Americanized methods of production. The example set by the U.S. industry allowed the Japanese firms to understand and address such inherent problems in the U.S. operations as union-management relationships and governmental policies. The fusion of beneficial government concession programs, positive union relationships and technologically advanced facilities allowed the Japanese industry to become very successful manufacturers. The opportunity presented through the oil embargo allowed Japan an easy entrance into an untapped

---

[44] Motor Vehicle Manufacturers Association of the United States, World Motor Vehicle Data, 1980 Edition (Detroit: Motor Vehicle Manufacturers Association, 1980), pg. 48. Found in C.S. Chang, *Japanese Auto Industry,* 203.
[45] Ibid., 48.

American market with relatively no competition. The growth that had begun in 1945 continued its progression until 2007 when Japan officially surpassed its mentor, the United States, as the largest automotive manufacturer. Due to Toyota's foresight in meeting the market needs through the production of smaller more fuel efficient cars, selling more automobiles than GM is "as surprising as a Hollywood marriage ending in divorce," states Rebecca Lindland, director at auto consultant Global Insight. [46]

[46] Matt R. Healey, "Toyota Outsells GM for the First Time," *USA TODAY*, April 27, 2007, Money, http://www.usatoday.com/money/autos/2007-04-24-toyota-gm_N.htm.

Section VI

The Bailout of 1979

Throughout the latter half of the 1970s, the environment surrounding U.S. automotive manufacturers was comprised of domestic and international forces placing heavy constraints upon them. The inability of the domestic industry to come to amends with the United Auto Workers union (UAW), while developing fuel-efficient vehicles to meet consumer demand, had nearly immobilized Chrysler, GM and Ford. The situation at Chrysler Automotive in 1979 had become especially dire as the once-illustrious giant was submerged in debt, on the verge of bankruptcy. With corporate failure becoming a distinct possibility for the nation's tenth largest corporation, Chrysler executives deemed a corporate restructuring effort essential. The beginning of this shift materialized itself through the hiring of Lee Iacocca, following his discharge from Ford, as President of the faltering automotive maker. Iacocca's popularity came from his reign as a top executive at Ford Motor Corporation, where he had successfully refined corporate inefficiencies and created new, ground-breaking products. Lee became the unofficial "Hail Mary" of Chrysler when he began attempting the rescue of the automaker. It was a job that seemed insurmountable as both funds and public support were dwindling.

Iacocca's first day at Chrysler was tainted by the company's announcement of the worst deficit in its history, with a third-quarter loss of $160 million. Upon delving into Chrysler operations, Iacocca was astonished to discover that Chrysler was in complete corporate disarray with a constant level of production regardless of the then-present market conditions. For decades, Chrysler had focused solely on short term gains and constantly disregarded long-term effects of its actions. A prime example of this careless method of operation was Chrysler's over-production and mass-storage of its unsold automobiles throughout the Detroit area in times of hardship. Lee Iacocca was astounded when he discovered that in 1979 the amount of unsold Chrysler inventory "reached as high as a hundred thousand units, representing about $600 million in finished inventory."[47]

Iacocca also found Chrysler's upper management in disarray, knowing little of the astronomical costs resulting from the storage of those unsold vehicles, as there was no organization or orderly communication between the various levels of the corporation. The engineering and manufacturing departments rarely communicated, which resulted in the production of unreliable automobiles which continued to discourage car buyers from purchasing a Chrysler product. Lee Iacocca came to the realization that, "Chrysler didn't really function like a company at all"[48] and was in need of drastic shifts in its ideology, beginning with the removal of the inefficient operational components within the corporation.

After gathering the facts on the true state of disarray of Chrysler, Iacocca began to reassemble its corporate structure. Iacocca vehemently contended that in order to succeed, he needed competent management, holding the possibility of failure likely "unless you've got a good team."[49] Iacocca began releasing nearly all of the previous management, replacing them with experts whom he could trust, namely retired top-executives he had worked alongside at Ford Motor Company. Iacocca wished to surround himself with executives who had experience with his high-caliber management style and had previously demonstrated their competency under high-pressure situations. Lee hired five trusted and experienced men, charging each of them with restructuring a specific corporate component. Jerry Greenwald was assigned financial reform and Gar Laux was asked to streamline relations with dealerships. Hal Sperlich was given

[47]Lee Iacocca and William Novak, *Iacocca: An Autobiography*, (New York: Bantam Books, 1984), 163.
[48]Ibid., 152.
[49] Ibid., 167.

the task of reshaping the managerial structure with Hans Matthias and Paul Bergmoser assigned to assessing product quality and parts purchasing, respectively.

After assembling his executive team, Iacocca gave the go-ahead for the complete corporate restructuring, intended to streamline all stages of automotive manufacturing. These individual corporate alterations were intended to improve the overall quality of Chrysler products, in turn increasing their owner loyalty. With the internal redesign of Chrysler in place the automaker needed to garner new buyers. This led to the single largest account change in the history of advertising. Chrysler moved its $150 million advertising account from its two ad agencies, Young & Rubicam and BBDO, to the New York based agency, Kenyon & Eckhart.[50] Iacocca felt that Chrysler was now on track with its new restructuring program, but this short-term optimism came to an abrupt halt with the events of January 16, 1979.

It was a short three months after Lee Iacocca had been employed and put his turnaround plan in action, when the onset of Iranian Oil Crisis of 1979 began. The overthrow of the Iranian monarchy with the resulting disruption in oil exports, threw the United States into its second oil crisis, during which the all-too-familiar site of shortages of gasoline that had doubled in price, appeared seemingly overnight. This situation had the effect of completely devastating Chrysler's profits, through the sales decrease of its gas-guzzling V-8 powered cars, recreational vehicles (RV's), trucks and vans. In response to the new situation, Chrysler executives began readjusting their corporate agendas, but were rendered completely helpless as the U.S. economy plummeted into a recession. This served as the final "nail in the coffin" as Chrysler entered crisis mode, and was forced to save money through mass layoffs, large scale asset sales, lessening wage contracts

[50] Lee Iacocca and William Novak. *Iacocca*. 178.

with the UAW and utilizing the Japanese style of last-minute parts shipment to cut overhead costs.

In spite of his restructuring efforts, Iacocca knew that relying solely upon traditional methods would not save Chrysler. To successfully alter the failing course the Chrysler Corporation was travelling, Iacocca decided it was essential to petition the U.S. Congress for help. He explained that Chrysler was in debt to over 400 banks and insurance companies for \$4.57 billion.[51] With the distinct possibility of bankruptcy, which would surely bring financial devastation to the families of half a million Chrysler constituents, Iacocca found himself in front of the U.S. Congress's House Subcommittee on Economic Stabilization. The hearings were very chaotic, filled with harsh questioning and accusations emanating from disgruntled Congressional representatives whom were appalled at the idea of a government loan to the deteriorating manufacturer. The skepticism of the committee members regarding granting the corporation help was supported by 27 percent of Americans as polled by the Roper Center in October 1979.[52] The commanding and knowledgeable demeanor of Iacocca fought to quell the committee's and the American public's interventionist worries. To demonstrate his confidence, the Chrysler president stated that it (Chrysler) was "petitioning for the guarantee of a loan, every last dollar of which would be repaid—with interest."[53] He further stated that he personally had instituted a new management team and had taken the necessary steps to internally improve the corporation, but explained that Chrysler would simply be unable to survive the recession without government

[51] Lee Iacocca and William Novak, *Iacocca*, 240.
[52] Roper Report 79-10, Oct, 1979. Retrieved Nov-25-2010 from the iPOLL Databank, The Roper Center for Public Opinion Research, University of Connecticut.
http://www.ropercenter.uconn.edu/data_access/ipoll/ipoll.html
[53]Ibid., 215.

intervention. After fierce discussions, the House of Representatives and the Senate both voted to grant Chrysler $1.5 billion through the Loan Guarantee Act.

The U.S. Congress voted to grant the federally backed loans to Chrysler, but it first required Chrysler to undergo an even harsher corporate restructuring. Charged with the task of loan distribution, Congress created Loan Guarantee Board, who's sole responsibility was to distribute the full $1.5 billion in guaranteed loans to Chrysler.[54] The passing of the Loan Guarantee Act carried with it multiple qualifications, all of which had to be addressed before Chrysler could even become eligible to utilize the government aid. Under the watchful eye of the Board, the Act required Chrysler "to raise more than $2 billion in additional financing from its banks, dealers, workers and others."[55] .

Chrysler entered into negotiations with the UAW, its toughest internal opponent, to establish a new relationship and obtain greater concessions for the auto manufacturer. The federally-required renegotiations between the union and the firm resulted in the UAW grudgingly agreeing to $403 million in concessions, in accordance with a new three-year contract with Chrysler.[56] With UAW president Douglas Fraser's endorsement of the corporate restructuring and government loan, Chrysler began negotiations of its substantial debt with its banks. Its mammoth debt was owed to both foreign and domestic banks, each loan financed at different amounts, which severely complicated negotiations. These banking institutions preferred to endorse a Chrysler bankruptcy through which they would have the opportunity to recover their investments at pennies on the dollar. The banks differed from the other Chrysler

---

[54] Maynard M. Gordon, *The Iacocca Management Technique*. (New York: Don, Mead & Company, 1985), 119.
[55] Anonymous, "Chrysler Plan's Legality Questioned by Proxmire." *New York Times*, May 13, 1980; D5. http://proquest.umi.com/pqdweb?index=19&did=111157965&SrchMode=1&sid=2&Fmt=10&VInst=PROD&VType=PQD&RQT=309&VName=HNP&TS=1271393870&clientId=42799.
[56] Paul Ingrassia, Crash *Course: The American Automobile Industry's Road from Glory to Disaster*. (New York: Random House, 2010), 79.

partners in that their continued survival did not depend solely on the automaker's financial recovery. At 12:26 P.M. on June 24, 1980, following painstaking negotiations, Chrysler Automotive and it banks finally were in agreement, allowing the company to receive its initial $500 million in loans.[57] Following the settlement, Iacocca reminisced upon the banker's stubbornness by stating, "It took longer to get the $665 million in concessions from our four hundred lending institutions than it did to get the loan guarantee of $1.5 billion passed by the entire United States Congress."[58] Although Chrysler had attained a new contract with the union and refinanced the massive debt owed to its banks, it did not silence its critics.

Those who opposed the bailout were represented through the voice of the chairman of the Banking Committee of the U.S. Senate, William Proxmire (D-WI), who Iacocca referred to as his "chief nemesis."[59] Iacocca constantly battled with the Senator, who strongly contended, "A decision by the Congress to bail out Chrysler would be a disaster for American business, for the American economy and for the American taxpayer."[60] Senator Proxmire and 46 percent of American voters, as reported by a September 1979 ABC News poll, opposed the granting of a federally backed loan to Chrysler.[61] The Senator held that through the grant, the government was wrongly intervening in the business cycle and allowing an inefficient corporation to remain in a market of far-superior competitors. Proxmire viewed bankruptcy as a necessary part of the American free enterprise system, and stated that Chrysler had failed following the Iranian oil

---

[57] Lee Iacocca and William Novak, Iacocca, 250.
[58] Ibid., 239.
[59] Ibid., 218-219.
[60] William Proxmire, "The Case Against Bailing out Chrysler," *New York Times, Oct. 26, 1979,* 3.
[61] ABC News/Harris Survey, Sep, 1979. Retrieved Nov-27-2010 from the iPOLL Databank, The Roper Center for Public Opinion Research, University of Connecticut. html
http://webapps.ropercenter.uconn.edu/CFIDE/cf/action/ipoll/cite.cfm?source_doc=ABCNews/Harris Survey&beg_date_date=1979-09-01 00:00:00.0.

crisis to shift its production toward the development of fuel efficient vehicles to remain competitive.

Fortunately for the nearly half-million Chrysler constituents, the Federal Government did not share Senator Proxmire's sentiments. On December 21, 1979 Congress voted to allow the automaker to receive its additional funding as promised under the Loan Guarantee Act. A large factor contributing to the Congressional approval of bailout funding came from a study conducted for the Congressional Budget Office by Data Resources, Inc., which measured the economic impact of bankruptcy at an unprecedented 500,000 to 600,000 jobs lost.[62]

It was not only the auto company's employees who would benefit from the Loan Guarantee Act, but federal government as well. As presented by *New York Times* reporter Judith Miller, who stated that, a Chrysler failure would produce "$1.5 billion in a year in unemployment benefits and erode federal income taxes by $500 million."[63] To add further legitimacy to the report resonating from Data Resources, Inc., Treasury Secretary G. William Miller presented his findings regarding the monetary burden emanating from the Chrysler dilemma. Miller provided the House Banking subcommittee with a report stating the economic benefits to be gained by the federal government through the granting of the requested $1.5 billion. If the government chose to allow Chrysler to fall into bankruptcy, it would most certainly "cost the federal government at least $2.75 billion in two years through lost tax revenues, unemployment claims and welfare costs."[64] Through Chrysler's failure, the government was sure to incur costs far exceeding the $1.5 billion requested by the automaker, prompting Secretary Miller to vehemently contend the granting of relief funds to be the most

---

[62] Judith Miller, "U.S. TO GAUGE IMPACT OF CHRYSLER FAILURE," *New York Times, September 23, 1979,* 18.
[63] Ibid., 18.
[64] Anonymous, "Cost of Failure by Chrysler Set at $2.75 Billion" *Los Angeles Times;* Nov 8, 1979, F12.

viable option. The monetary burden resulting from the drastic increase in the unemployment level following the failure of the automaker convinced the federal government to grant assistance to the faltering Chrysler Corporation.

Lee Iacocca ardently defended the federal loans, constantly stating that the loans were not government hand-outs, but loans that would be paid back in their entirety. The strong demeanor of Iacocca played a huge role in the government's decision to grant $1.5 billion to Chrysler. It was through his efforts Chrysler internally restructured itself and invested in the development of new innovative vehicles. Following the infusion of the federal loans, Chrysler began producing wildly successful automobiles such as the Plymouth Voyager minivan and the Le Baron situated on its legendarily innovative K-car frame.[65] Lee Iacocca had initiated a company overhaul in a manner similar to what he had done at Ford Motor Corporation. His intervention allowed Chrysler to repay its government loans a full seven years early.[66]

Upon reflection of his tenure as the president of Chrysler, Iacocca said, "If I'd had the slightest idea of what lay ahead of me when I joined up with Chrysler, I wouldn't have gone over there for all the money in the world."[67] For decades Detroit had remained the center of the automotive universe, a city where afternoon skies were clouded by a gray haze from the smoke-stacks of the automobile, steel, glass and parts plants all churning out a seemingly endless industrial supply.[68] With this oversized level of manufacturing engrained into Detroit's industrial production, it was always vulnerable to the boom-and-bust cycles. The financial hardships revolving around lean years never mattered to the automakers. Instead, they attempted

---

[65]Paul Ingrassia, *Comeback: The Fall and Rise of the American Automobile Industry*. (New York: Simon & Schuster, 1994), 63.
[66] Paul Ingrassia, Crash Course, 80.
[67] Lee Iacocca and William Novak, *Iacocca*, 141.
[68] Micheline Maynard, The End *of Detroit: How the Big Three Lost Their Grip on the American Car Market,* (New York: Currency Doubleday, 2003), 10.

to assemble large profits during good times to make up for their losses.[69] Upon gaining control of Chrysler, Iacocca instituted a corporate restructuring which would completely erase this previously accepted mean of auto production.

Iacocca and his top executives, who were all retrieved from retirement, brought quality back to American automobiles. Through the advertising campaigns of Kenyon & Eckhart, Chrysler was letting the American public know about it, with Iacocca as the centerpiece of these ads. Iacocca's presence in television commercials was meant to increase Chrysler's credibility and demonstrate to the public that quality existed in the innovative vehicles which he was endorsing in the advertisements. His most famous phase, "If you can find a better car—buy it," motivated the American public to go to Chrysler dealerships and inspect these new vehicles for themselves. Through these advertising efforts, Chrysler drew the public's interest and announced itself as the first automotive manufacturer to offer a five-year fifty thousand mile warranty on its vehicles, and fervently stand behind its offer.[70]

The remolding of Chrysler into the viable automaker it had been in the past was halted by the revolution in the Middle-East and the resulting economic recession in the United States. Restructuring the automotive giant was a task that proved too difficult even for the genius of Lee Iacocca. Chrysler maintained that neither the U.S. government nor the automakers themselves could have predicted the events in Iran, so placing blame solely upon the auto industry was unwarranted. The strong character and public presence which Lee Iacocca exerted, gave the American public someone they could trust with their $1.5 billion loan. Iacocca's achievements were so astounding that his name was brought into the mix for the Presidential ballot in 1984.

---

[69] Micheline Maynard, *The End of Detroit*, 14.
[70] Lee Iacocca and William Novak, *Iacocca,* 176.

His efforts at both Ford Motor Co. and Chrysler helped the American people to understand that allowing the auto industry to be financially demolished simply was not an acceptable option. The growing made-in-America sentiment of the nation successfully transcended to their Congressional representatives, whom eventually passed the federally-backed bailout of the Chrysler Corporation in 1979.

Section VII

The Bailout of 2009

In the years immediately following the automotive bailout of 1979, car manufacturers found success through the extensive use of government sales rebates helping U.S. vehicle sales surged upward by 21 percent in the final days of February 1981.[71] Automotive manufacturers then began to regress into their previous methods of production as gasoline prices fell. The possibility for increased profits from their previous corporate model enticed the automakers into continuing blindly in a state of denial.[72] The U.S. automakers did not fully understand the importance of developing new technology as the market had begun to shift, shown by the 1979 small car share of the market, which rose from 43 percent to nearly 58 percent in five months.[73] These numbers continued to increase dramatically for nearly three decades, at the end of which the U.S. manufacturers found themselves operating in a recession with plummeting vehicle sales and rapidly increasing debt. This time was different, as all three members of the Big Three, General Motors, Chrysler and Ford, found themselves billions of dollars in debt and knocking on Congress' door, again.

On November 18, 2007, the automakers' CEOs and the President of the UAW Ron Gettelfinger began their plea to Senate Banking Committee for the granting of bailout funds totaling $25 billion. Rick Wagoner, CEO of General Motors, began his presentation with the opening statement that, "What exposes us to failure now is not our product lineup, or our business plan, or our long-term strategy…What exposes us to failure now is the global financial

[71] C.S. Chang, "Japanese Auto Industry and the U.S. Market," (New York: Praeger Publishers, 1981), 153
[72] Micheline Maynard, *The End of Detroit: How the Big Three Lost Their Grip on the American Car Market,* (New York: Doubleday, 2003), 10.
[73] Lee Iacocca and William Novak, *Iacocca: An Autobiography,* (New York: Bantam Books, 1984), 185.

crisis."[74] This all too familiar statement seemed to be pulled from the manifesto of the Chrysler hearings three-decades ago, but this time it was met with strong skepticism. The "it's not our fault" argument would not suffice as the $25 billion loan was just too substantial an amount for Congress to approve without better reasoning. As they began a three hour analysis of the efforts of the Big Three, the committee first questioned on exactly how the automakers settled on $25 billion and of that amount, how would it be divided amongst the Big Three. This question happened to be posed by Bob Corker of Tennessee, and the answer he received both astonished him and set the stage for a future hearings. Wagoner seemed unprepared to respond to this simple question and attempted to evade the answer, telling Senator Corker that "you have to be fair and look at it."[75] The almost comical nature of this answer remained apparent throughout the hearings as multiple Representatives posed similarly founded questions, all of which the automakers were unprepared to answer.

The next major disturbance in the hearings came from Senator Corker's questioning of UAW President Ron Gettelfinger on the notorious Jobs Bank. The program was intended to supplement the pay of unemployed UAW members during economic woes. Senator Corker inquired about the exact length of time unemployed autoworkers were entitled to receive their paycheck through the Bank, and the only answer Gettelfinger could muster was "I'd have to look at the contract." Although this program had been in operation for over two decades, swelling to incorporate nearly 15,000 autoworkers, this was the first glimpse the American public and Congress had into this outrageous component within the auto industry. The uncovering of the existence of the UAW's Jobs Bank prompted further investigation by Congress and the media.

[74] Paul Ingrassia, Crash Course; *The American Automobile Industry's Road from Glory to Disaster* (New York: Random House, 2010), 218.
[75] Ibid., 219.

The facts which they uncovered substantially tainted the legitimacy of the Big Three, especially their request for bailout funding.

The Jobs Bank was created in 1984 in an attempt to curtail the fears of the UAW regarding auto manufacturing plants increasing reliance on robotics. GM offered to pay its displaced workers 95 percent of their salary until a new employment opportunity presented itself. Initially GM intended the program to maintain several qualifications for employee membership, such as a $500 million cap eligible only to workers with ten years on the job, but harsh negotiations with the UAW resulted in an agreed $1 billion cap encompassing all workers with 1 or more year's job-experience. In order for an autoworker to earn their wages and benefits, they were required to perform a company approved task or instead simply clock their time at preapproved centers, often located in the massive storage facilities at closed automotive factories. To further understand this system, *Wall Street Journal* reporter Jeffrey McCracken interviewed Jerry Mellon, a recently laid-off autoworker with 34 years at GM. When asked what these workers were required to do all day, Mellon listed a slew of activities including studying crossword puzzles, watching Civil War films and even playing Trivial Pursuit. After the thrill of participation in such tasks had lost its luster and after reading every magazine possible, they resorted to simply staring at the wall for hours on end. In the course of his interview, Mellon even revealed that on one occasion he had pushed four chairs together and had caught up on his sleep for several hours.[76]

Under the 2007 contract, workers who had lost their jobs were entitled to receive full pay by reporting to the Jobs Bank and 85 percent of their pay for simply staying home.

[76] Jeffery McCracken, "Idle Hands—Detroit's Symbol of Dysfunction: Paying Employees Not to Work; Cost Tops $1.4 Billion a Year As Layoffs Fill '*Jobs Bank*'; A Dismal Facility in Flint; Mr. Mellon Takes a Long Nap," *The Wall Street Journal*, March 1, 2006, A1.

Although some workers chose to participate in community service projects, others such as Mellon, opted to watch television or simply do nothing, all at the expense of the automakers.[77] With the specifics of the Jobs Bank uncovered, Senator Corker's response of "You got to be kidding me"[78] came to be held as the standard Congressional feeling toward the state which the American automotive industry had deteriorated into since the monetary infusion of 1979.

After the first day of presenting their case to the Senate, the three CEOs and Gettelfinger were questioned by the House Financial Service Committee, a meeting that would discredit their petition even further. The House hearing made a mockery of the automakers equal to that of the Senate hearings. As the auto executives were exiting, ABC reporter Brian Ross asked Wagoner a question that would further discredit his petition for bailout funds. Ross questioned the CEO on why General Motors was pleading for federal aid when he had flown to Washington aboard one of the company's eight private jets. Wagoner quickly retreated from the question as did Ford's CEO Alan Mulally, a scene that would be constantly replayed on national television for weeks to come. Wagoner's trip to Washington cost the company an estimated $20,000 aboard the company's $36 million Gulfstream jet; $19,000 more than a first-class commercial airline ticket priced at $837.[79] The automakers had successfully infuriated the Senate, House and the American public through a nationally broadcasted set of hearings in which they seemed unprepared and oblivious to the impact of their private fleets of jets. One Congressman

---

[77] Maxim Lott, "Automakers' Jobs Bank Program Workers to Do Nothing." FOWNEWS.COM, November 25, 2008, http://www.foxnews.com/politics/2008/11/25/automakers-jobs-bank-program-pays-laid-workers/.

[78] Paul Ingrassia, *Crash Course,* 219.

[79] Brian Ross and Joseph Rhee, "Big Three CEO's Flew Private Jets to Plead for Public Funds: Auto Industry Close to Failure but They Get Pricey Perks," ABCNEWS.COM, November 19, 2010, http://abcnews.go.com/Blotter/WallStreet/story?id=6285739&page=1.

compared the sight to "seeing a guy show up at the soup kitchen in high hat and tuxedo."[80] They were dismissed from the hearings and told to reconvene on December 4, 2008. Congress ordered them to return prepared to respond to those important questions they neglected to answer throughout the first two hearings.

For the second round of hearings, the auto execs decided to lessen public skepticism by driving from Detroit to Washington in hybrid vehicles manufactured by their respective companies; Wagoner in Chevrolet Malibu, Mulally in a Ford Escape and Nardelli in a Dodge Aspen.[81] These Congressional hearings were much less melodramatic in nature compared to the November debacle. What made these hearing important was Mulally's announcement that Ford Motor was withdrawing its proposal for federal funding. Although Ford's action weakened the argument of GM and Chrysler which placed their misfortunes on the dire U.S. economy, the estimated financial burden on the U.S. economy as a result of their failure frightened Congress. In Wagoner's presentation to Congress, he stated that a GM bankruptcy would result in three million U.S. jobs lost within a year, a $150 billion decrease in personal income and a tax loss of at least $156 billion over a three year period.[82] The government burden resulting from the auto industry's failure prompted Congress to issue a proposal granting $14 billion in federal loans to keep the faltering General Motors and Chrysler afloat. This $14 billion grant was meant to be a short term solution to keep GM and Chrysler viable until March 31, 2010, at which time a long-term restructuring plan would be instituted.

---

[80] Associated Press and CBS, "Despite Big 3 Pleas, Auto Bailout Stalling: CEOs Berated On Capitol Hill; Congressional Leaders Say Deal Is Unlikely Before Year End,"CBSNEWS.COM, November 19, 2010, http://www.cbsnews.com/stories/2008/11/19/business/main4618116.shtml

[81]Anonymous, "Big Three CEOs: You Are What you Drive," HYBRIDCARS.COM, December 2, 2008, http://www.hybridcars.com/news/detroit-symbolic-ride-congress-hybrid-25313.html.

[82] Paul Ingrassia, *Crash Course*, 224.

Following the unsuccessful hearings of November 2009, Senator Corker became the lead automotive negotiator for the Republican Party and had gathered the input of nearly every prominent automotive analysis regarding all possible outcome scenarios of federal loans to the automakers. Corker maintained that stronger federal regulations over federal funds were essential, coinciding with information he received from the Society of Manufacturing Engineers, that "a loan or bailout for the automobile industry makes as much sense as a blood transfusion without any effort to close the patient's gaping wounds."[83] To address these open wounds, Corker's chief of staff presented a new three-point plan to GM with the following changes to be implemented before the loan would be granted; reducing their debt by two-thirds by requiring their bondholders to agree to a stock-for-debt swap, requiring the UAW to accept stock in place of half the debt owed to them, and facilitating wage parity with the Japanese car companies.[84] These terms were accepted by GM's chief operating officer Fritz Henderson who agreed to enter into negotiations among the UAW, the Democrats and Senator Corker to structure the specifics of the agreement.

On December 10, 2009 the respective parties convened in the Senate Foreign Relations Committee hearing room in Washington and came to an agreement on the debt-equity program for the UAW, but negotiations began to deteriorate on the issue of equalizing the pay parity to match their Japanese competitors. The difficulty of reforming the salary disparity did not stem from hourly wages, which were near identical between Japanese and American companies, but in the UAW's monstrous pension funds. It was here where the American automakers where heavily disadvantaged by the union laborers whose retirement compensation added more than

[83] William A. Levinson, "A Bailout Can't Fix the Auto Industry's Basic Problems," Dearborn, June 2009, http://www.sme.org/cgi-bin/find-articles.pl?&09jum006&ME&20090601&SME.
[84] Paul Ingrassia, *Crash Course*, 225.

$1,600 to the cost of every vehicles GM manufactured.[85] Equalizing this amount as Corker insinuated would have affectively reduced the amounts payable to past and current union members which appalled Gettelfinger who claimed that the Republicans wanted "to pierce the heart of organized labor."[86] Corker addressed the UAW's dissent by offering to withdraw the term "parity" from the offer, instead replacing it with "competitive" as defined by the Obama-appointed secretary of state. Corker felt that this new agreement would prove to be beneficial for the UAW because President-elect Barrack Obama's secretary would surely be a Democrat and therefore sympathetic to the union.

However upon the reconvening of the involved parties, the Democrats and the UAW contended that the union had already granted more than generous concessions to the automakers and simply refused to accept the proposed terms of the loan. The unwavering stance of the Democrats prompted the Republicans to assume their position at the opposite end of the labor union spectrum, bringing negotiations to a halt. At 10:42 P.M. on the floor of the United States Senate, this disagreement surfaced as the vote was held and the proposed bill failed. Thankfully for the automakers, President Bush had instructed his White House staffers to interject if the negotiations began to deteriorate, forwarding that if the Congressional Bill failed, the executive office would issue the funds instead.[87]

Within days of the failure in Congress, President Bush diverted $17.4 billion from the already implemented $700 billion in bank bailout funds to the automakers to maintain their viability for the ensuing three months. This decision proved to be highly contested by the

[85] Paul Ingrassia, *Crash Course,* 200.
[86] Tom Krishner and Kimberly S. Johnson, "United Auto Workers Chief: GOP Trying To "Pierce The Heart of Organized Labor," December 12, 2008, http://www.huffingtonpost.com/2008/12/12/united-auto-workers-chief_n_150659.html.
[87] Paul Ingrassia, *Crash Course, 227.*

American public, of which, 42% opposed the diversion of bank bailout funds to the automakers, as reported by the Los Angeles Times.[88] In order to qualify to utilize the bailout funds, the executive order required the automakers to compose validity plans by February 14, 2009 each discussing specific programs to be refined to return the companies to profitability. By placing the responsibility in the hands of the auto companies themselves, President Bush demonstrated his refusal to preside over the auto bailout in his waning months in office; placing the burden of responsibility into the agenda of his successor, President-elect Barrack Obama.

Upon gaining the Presidential nomination, Obama began to address the implementation of long-term restructuring plans for both GM and Chrysler, as required under the provisions of Bush's $17.4 billion grant. President Obama deemed it more beneficial to assemble a group of the top auto consultants to further study the situation of the automakers instead of placing this responsibility into the agenda of a single official. This group was assembled and deemed the Automotive Task Force, composed primarily by Obama's cabinet members, such as the secretaries of Transportation, Commerce, Labor, Energy, the director of the Office of Management and Budget, the administrator of the Environmental Protection Agency, the director of the White House Office of Energy and Climate Change and the chair of the Council of Economic Advisors.[89] Appointed as co-chairs of the committee, Treasury Secretary Timothy F. Geithner and White House National Economic Council Director Larry Summers, held a meeting to discuss the viability of the plans submitted by GM and Chrysler in accord with the February 17, 2010 deadline. Under these freshly submitted proposals, the automakers were now

---

[88] Bloomberg News, "Los Angeles Times/ Bloomberg News Poll: National Politics and the Economy," Roper Center Public Opinion Archives, December 6, 2008, http://webapps.ropercenter.uconn.edu/CFIDE/cf/action/ipoll/Abstract.cfm.

[89] David Shepardson and Gordon Trowbridge, "Auto Task Force Taking Shape: Cabinet members, senior advisers and staff to tackle the restructuring of GM and Chrysler," The Detroit News, February 21, 2009, http://detnews.com/article/20090221/AUTO01/902210372/Auto-task-force-taking-shape.

requesting a further tax-payer investment of $21.6 billion, which they believed necessary to fulfill debts and successfully modernize their operations.

After an intensive review, President Obama was dissatisfied, concluding that "neither [plan] goes far enough to warrant the substantial new investments that these companies are requesting."[90] As inadequate as the plans were, President Obama maintained that letting these once-iconic American companies fail was unacceptable, announcing in a March 2009 speech that his administration would grant the automakers with additional time to work with their creditors, the UAW and all other parties. During this benevolent extension period, both GM and Chrysler were required to produce viable restructuring plans to increase the confidence of the American people in both companies.[91]

In comparison to General Motors, Chrysler's vehicle-distribution extended only to the markets of the United States and Canada, having a miniscule presence in quickly developing international markets. The neglect to attain an international presence resulted from what automotive historian Paul Ingrassia describes as, "a decade of mismanagement under [the German automaker] Daimler and eighteen months of directionless scrambling under [the private equity firm] Cerberus."[92] The corporate disorder resulted in a Chrysler simply unable to invest in new vehicle development due to Cerberus' refusal to introduce further funding. The Auto Task Force deemed that in order to morph into a viable company, suitable for the further investment of tax dollars, Chrysler needed to enter into a partnership with a profitable company. Chrysler began searching domestically and internationally for potential investors to infuse the

---

[90] Barrack Obama, "**REMARKS BY THE PRESIDENT ON THE AMERICAN AUTOMOTIVE INDUSTRY," The White House, March 30,2009, 1,**
http://www.whitehouse.gov/the-press-office/remarks-president-american-automotive-industry-33009.
[91] Barrack Obama, "Remarks by the President," 1.
[92] Paul Ingrassia, Crash Course, 232.

company with the competitiveness it needed to survive its downtrodden financial state. The only potential partner that Chrysler could uncover was the Italian automaker Fiat, who had shown interest in such a merger in 2008. President Obama endorsed such a partnership, contending that the successful restructuring of the once struggling Italian auto company demonstrated their potential for returning Chrysler to profitability. Obama stated to the American public that Fiat had pledged its full preparedness to transfer its cutting-edge technology to Chrysler and also guaranteed to build new fuel-efficient cars and engines in the United States.[93] Through his speech, Obama intended to alleviate the fears of the American public which believed that production would simply be outsourced with the continued dismemberment of union laborers.

On April 30, 2009, Chrysler filed for Chapter 11 bankruptcy, marking an end to the stressful negotiations between the Auto Task Force, Chrysler, the banks, the UAW, investors, and the Italian automaker Fiat. The Italian automaker's strong-willed CEO, Sergio Marchionne, publically stated that the introduction of Fiat would "help preserve American jobs, significantly accelerate Chrysler's efforts to produce fuel-efficient vehicles, and lead to a more rapid repayment of U.S. taxpayer dollars."[94] The plan called for a further investment of $8 billion as a means to provide further corporate stability until Fiat could begin the production of its proposed new-image Chrysler automobiles.

The events of April 2009 marked the second time Chrysler had entered into Chapter 11 bankruptcy, and had to restructure their corporate order to be eligible to receive federal funding. The provisions of Chrysler's Chapter 11 reorganization were harsh but necessary, as they "called

[93] Barrack Obama, "Remarks by the President," 3.
[94] Tiffany Husband and David Pierson, "Remaking Detroit; Auto Bailout; Forcing Chrysler into Fiat's arms; The president insists on a merger within 30 days of says he'll push for bankruptcy," *Los Angeles Times*, March 31, 2009. B1.

for dismissing 6,500 more employees, 20 percent of those remaining, while closing eight more factories and eliminating about 25 percent of the company's 3,200 dealers."[95] In order for such a corporate restructuring to be successful, agreements between the American and Canadian governments, Fiat, the banks and the UAW were instituted to address its massive debts totaling $5 billion to the union and $6 billion to its creditors.

Chrysler began its renegotiation process first with the UAW as its member's workers were directly responsible for designing and assembling its automobiles. It was well-known that the UAW possessed a huge benefit program incorporating its employees and their dependants, so in lieu of half the debt owed by the automaker the union would receive a 55% ownership of the company. To address the $6.9 billion owed to its lenders, Chrysler presented a cumulative offer of $1 billion. Steve Rattner, the Auto Task Force's chief investment banker, believed the offer to be justifiable because Chrysler stock was being traded at a scant eighteen cents on the dollar so, in fact, $1 billion was nearly equivalent so the banks would be receiving market value.[96] The restructuring efforts would grant the federal government with 10 percent ownership while Fiat would receive 20 percent, with the possibility to gain 35 percent after fully repaying American taxpayers. These new requirements were intended to produce a full corporate recovery, but remained hotly debated as demonstrated by a USA TODAY poll revealing that 67 percent of Americans still preferred to let Chrysler fail.[97]

With substantial public resentment apparent, the federal government found itself in the minority as it found it necessary to save Chrysler due to the severe American economic impact

[95] Paul Ingrassia, *Crash Course*, 256.
[96] Paul Ingrassia, *Crash Course*, 250.
[97] Gallup Organization, "USA Today/Gallup Poll # 2008-47: December Wave 1--Economy/Stock Market/Automobile Industry," Roper Center Public Opinion Archives, December 12, 2010, http://webapps.ropercenter.uconn.edu/CFIDE/cf/action/ipoll/questionDetail.cfm.

which would result from its failure. The Auto Task Force relied heavily on studies conducted by auto analysts such as the 2008 study conducted by the Center for Automotive Research (CAR), which researched the far-reaching effects the auto industry had on the U.S. economy. The study revealed that "the motor vehicle and parts industries employed 732,800 workers directly as of September, 2008."[98] With such a substantial percentage of the U.S. economy dealing with the production of automobiles, the loss of the automakers would surely impose detrimental effects on the U.S. economy. The federal government had a vested interest in maintaining the automakers, as CAR's study estimated that their collapse would result in a total government tax loss of over $156.4 billion throughout three years resulting from a decrease in the national income of $398.2 billion during that same period.[99] The burden to allowing the immense loss of government and auto industry revenue presented a significant threat to the American economy, prompting Congress to approve the granting of relief funds to Chrysler.

* * *

Unlike Chrysler, General Motors did not have to convince the Auto Task Force that it was too big to fail as it was an enormous entity which maintained an international presence and incorporated a significant percentage of the U.S. economy. The automaker truly was in financial turmoil and was experiencing an unprecedented loss of revenue. A corporate restructuring of the massive automaker proved extremely difficult as its eight different brands employed nearly 100,000 U.S. employees, who produced more than sixty different vehicles to be sold in over six thousand dealers throughout the U.S.[100] The February 17, 2010 restructuring plan GM delivered

---

98 Sean McAlinden, Kristin Dziczek, Debra Maranger. "CAR Research Memorandum: The Impact of the U.S. Economy of a Major Contraction of the Detroit Three Automakers. November 2008, 4. http://www.cargroup.org/documents/Detroit_Three_Contraction_Impact.pdf.
99 Ibid., 5.
100 Paul Ingrassia, *Crash* Course, 236.

to the Auto Task Force was deemed inadequate as the proposal could not possibly be implemented quickly enough to bring the automaker back to profitability. GM had independently began slowly producing profitable vehicles such as the Chevy Volt and Malibu, but the market in which they were operating was simply to harsh because of the recession. The other problematic theme within their proposal was CEO Rick Wagoner's upmost refusal to even consider bankruptcy as a viable option, even though the Auto Task Force maintained bankruptcy was the most viable option under which profitability could be attained. It was this substantial separation of ideals which finally caused the Obama administration to politely ask Wagoner to resign for the good of a company, which Task Force Chief Rattner viewed as "the worst-managed company he had ever seen."[101]

With the federal government financially supporting GM, they appointed Fritz Hendersen, the company's former Chief Financial Officer to the position of acting CEO of General Motors. With Hendersen at the helm of GM, President Obama made a speech to the nation discussing his administration's decision to provide GM with increased capital for 60 days, during which time the federal government and GM would work to create a viable business model. Obama pledged that during this period, his Auto Task Force in conjunction with executives at GM would develop a long-term plan to create a competitive and profitable GM.

Following President Obama's press release, the Auto Task Force and GM began their attempts at drafting a new restructuring plan, as the automaker continued to devour its bailout funds. GM's operating costs were far surpassing that of its revenues. The U.S. Treasury Department agreed to grant the automaker GM further bailout funds, bringing the total amount of government funding to GM to an unprecedented $20 billion. As the company continued to run

[101] Paul Ingrassia, *Crash Course*, 238.

out of money and had not received an offer for a potential partnership, the U.S. government had little choice but to become the newest majority owner of GM. To fortify the restructuring efforts of GM, the Auto Task Force assembled Chrysler's constituents, entering into ownership negotiations.

The negotiation efforts of the federal government resulted in the re-division of company ownership which centered on the U.S. government receiving a 60 percent share in return for an additional $30 billion in financing. This now brought the total of the entire bailout to a whopping $50 billion for GM. As the majority of GM's operations were located in Canada, the Canadian government acquired 12.5 percent while the UAW received 17.5 percent of company ownership. The harshest provision of this restructuring process was felt by Chryslers unsecured debt holders, who received 10 percent of the company, a scant 12.5 cents on the dollar of the total debt owed to them.[102] With these new terms of ownership grudgingly agreed upon, the automaker and the Auto Task Force maintained bankruptcy as the final option available to salvage the once-illustrious automaker, scheduling a bankruptcy hearing for the morning of June 1, 2010. The terms of the bankruptcy would require GM to salvage all its viable brands and assets, while selling all other inefficient components of its previous corporate structure.

GM, the once-great U.S. automaker, had just celebrated its 100 year anniversary and now found itself surrounded by members of Obama's Auto Task Force and bankruptcy lawyers, drafting the specifics of its Chapter 11 claim. Government intervention was deemed necessary as even with the substantial infusion of government bailout funds, the dwindling giant recorded its assets at $82.29 billion with a total debt of nearly $173 billion, officially becoming the most expensive industrial bankruptcy in U.S. history. This "New-GM" was comprised of Cadillac,

[102] Paul Ingrassia, *Crash Course*, 268.

Chevrolet, Buick and GMC, and its management was charged with the painful-process of shutting down up to fourteen more factories, and the laying-off an additional 20,000 employees.[103]

Following the Chrysler bailout of 1979, the Big Three automakers had continued their existence in an ever-modernizing global auto market which U.S. automakers had failed to gain a prominence in. Even as the auto manufactures attempted to modernize their methods of production, they were faced with the age-old dilemma of appeasing the UAW instead of investing in research and development of new and efficient models and plants. A 1984 uproar from the union forced the U.S. automakers to institute the Jobs Bank, a program which would haunt them during their future bailout plea to Congress. The corporate inefficiencies that plagued Chrysler in 1979 had continued their progression into the 21st century, as all three American automakers then found themselves in a state of corporate stagnation which they attributed to financial hardships facing the entire U.S. economy. To remain viable in this dismal environment, the three CEO's and UAW president presented their case to Congress through a mockery of a hearing, in which the negligence of the automakers infuriated both the Congressmen and the American public. The auto executives were so indulged in maintaining the status-quo of the U.S. auto industry that they did not even realize that arriving in the luxury jets would tarnish their plea. As embarrassing as the jet fiasco proved to be, the auto manufacturers did receive they monetary infusion they so desperately needed. This bailout was against the will of the American public, of which, an astounding 57 percent endorsed their failures, according to

---

103 Steve Hargreaves, "GM plant closings: 20,000 job cuts: Giant Michigan, Tennessee plants to shut. Workers in 9 states affected by cuts," CNNMoney.com, June 1, 2009, http://money.cnn.com/2009/06/01/news/companies/gm_facilities/index.htm?postversion=2009060113.

a 2008 ABC News poll.[104] The federal government found themselves forced to support the both GM and Chrysler while they finalized their bankruptcies. The Obama Administration became directly responsible for the well-being of the automakers, as the U.S. government became owners of both Chrysler and GM. The entire experience, with its tense negations and public embarrassments, was a very humbling experience for the automakers which was eloquently stated by federally-endorsed GM CEO Fritz Hendersen through his statement that, "this is not the end…but the start of a new and better chapter, one that needed to happen and one that begins today."[105]

[104] ABC News Poll, Nov, 2008. Retrieved Nov-26-2010 from the iPOLL Databank, The Roper Center for Public Opinion Research, University of Connecticut. http://www.ropercenter.uconn.edu/data_access/ipoll/ipoll.html.

[105] Paul Ingrassia, *Crash Course*, 272.

Section VIII

Summary

In retrospect, one can deduce that Chrysler's 1979 bailout was successful from a singular perspective. Chrysler fulfilled its governmental obligation by repaying its $1.5 billion debt seven years early, effectively remaining afloat and a viable member of Detroit's Big Three. During Lee Iacocca's 13 year tenure as president of Chrysler, he restored public confidence and Chrysler's credibility through the introduction of popular new vehicles such as the minivan and efficient front wheel drive K-cars. However, following the bankruptcy little was done to break the stronghold of the unions or to substantially improve fuel efficiency of all Chrysler's models. The unions continued to tighten their vice grip on the car companies and proved to be the final holdout in the 2009 bailout settlement. Even though fuel efficiency standards were set in 1975 requiring vehicles to operate at a minimum of 27.5 mpg, USA TODAY reported that in 2010 the average fuel economy was still only 22.4 mpg.[106]

According to recently released information by the Nissan Motor Co., their new all electric Nissan Leaf, which doesn't use a drop of fossil fuel, will get an equivalent of 106 mpg in city driving and 92 mpg highway driving. The Environmental Protection Agency (EPA) reported that this will equate to 99 miles per gallon in combined city and highway driving.[107] This impressive fuel rating has prompted Enterprise Rent-A-Car to purchase 500 Leafs for its fleet. With stiff competition from foreign automakers, GM now has impressive results from the EPA regarding the fuel economy of its newly engineered electric-gas hybrid poster child, the Volt. GM's Volt attains 93 all electric mpg and 37 mpg using its gas setting. This beats former

[106] Staff and AP Reports, "Fuel Economy jumped 6% last year." *USA TODAY*, November, 18, 2010, 1B.
[107] Associated Press Reports, "Nissan Leaf to get equal to 99 mpg." *USA Today*, November, 23, 2010, 1B.

EPA mileage leader, Toyota Prius' 51 mpg.[108] The car which truly has the potential to establish GM as a viable competitor to both Toyota and Honda is its Chevrolet Cruze. This vehicle is being produced at its Lordstown OH, plant, which has the capability to manufacture 300,000 or more Cruze's annually. The vehicle is powered by GM's smallest displacement engine, the 1.4 liter four cylinder, which gets an impressive 42 mpg as rated by the EPA.[109]

In 2009, although the automakers acquisition of federal funding was initially loathed by the general public, who was experiencing the worst recession since the Great Depression. GM and Chrysler have now begun their financial recovery through the successful reshaping of their inefficient production methods of the past. The terms of the bankruptcy created a newfound direct government influence in their corporate structures, with the government owning 60 percent of GM and 10 percent of Chrysler. With these substantial ownerships positions, the government now has the responsibility to have hands-on involvement in each companies operation, and to monitor the taxpayer's sizeable financial investments. GM and Chrysler have begun to allow workers a direct say in automaker's agenda, with the UAW now owning 17.5 percent of GM and 55 percent of Chrysler. With their newly vested financial interests, autoworkers will hopefully no longer sabotage their vehicles or demand outrageous contracts which would force their companies to be less competitive. With the union's new ownership involvement, their position should be that robbing the automakers of profits would be like robbing themselves. These unified relationships between the government, UAW, GM and Chrysler should positively promote the American public's trust in these companies.

[108] Chris Woodyard and Fred Meier, "Hertz plans to offer Coda electric cars in California," *USA TODAY,* November 23, 2010, 1B.
[109] James R. Healey, "GM enters crucial phase with IPO, Cruze," *USA TODAY*, November 5, 2010, 1B.

Following the infusion of the federal loans, Chrysler has begun its trek on the road to recovery, generating nearly $1.5 billion in profits for the first three months of 2010. The company fully expects to break even by the end of 2010.[110] Chrysler, under the control of Fiat, has reported that it will invest $600 million into its Belvidere, IL plant,[111] as well as $843 million into its Kokomo, IN plant, all in preparation for the production of new smaller fuel efficient vehicles for the 2012 model year. Chrysler's investment into its existing factories will help secure the jobs of its U.S. employees, saving 2,439 union workers currently producing vehicles in Belvidere[112] and 2,250 workers at Kokomo.[113]

GM has recently announced its plans to invest an additional $160 million into both its Michigan and Ohio plants to better support it's newly designed, fuel efficient 1.4 liter, four cylinder engines.[114] GM has also been experiencing increasing financial success through its noteworthy investment into the development of innovative vehicles, earning $2 billion in the third quarter of 2010 alone. GM's impressive quarterly earning has placed them ahead of Toyota, for the first time since the first quarter of 2007. Stemming from this success, GM has been able to repay $8.1 billion of its federal loans to both the U.S. and Canadian governments, an impressive five years ahead of schedule. In attempts to further increase the speed of its government repayments, GM will sell 478 million shares of its stock and $4 billion in preferred stock in what will prove to be the second largest initial public offering (IPO) since 1980.[115] If this sale proves to be successful, as GM fully expects it to, the automaker will earn at least $15.8 billion in profit, helping the U.S. government recoup a substantial percentage of its $50 billion

---

[110] Greg Gardner, "Chrysler predicts profit for 2010 as buyer traffic rises." *USA TODAY*. April 22, 2010, 3B.
[111] Chris Woodyard and Fred Meier, "Hertz plans to offer Coda," *1B.*
[112] Chris Woodyard, "GM, Chrysler to update factories: New jobs follow new vehicles into plants." *USA TODAY,* October, 29, 2010, 1B.
[113] Chris Woodyard and Fred Meier, "Hertz Plans to Offer Coda," 1B.
[114] Ibid., 1B.
[115] James R. Healey and Chris Woodyard, "GM takes back seat to brands." *USA TODAY*, November, 18, 2010, 3B.

investment into the automaker. In total, this will be the top U.S. stock offering in history, totaling $22.1 billion.[116]

In addition to Chrysler's substantial investment in factory renovation, Fiat plans to manufacture and sell seven of its vehicles in the U.S. by 2014, while Chrysler plans to supply nine models to sell under Fiat brands in the European market.[117] This increased production will secure American jobs and offer a greater selection of smaller fuel efficient cars to the American public. These efforts will also open the door for Chrysler to enter into the European auto market, which has remained previously untapped by them. GM hopes to increase its minor market presence in Europe while also expanding its production to garner the substantial growth occurring in the Asian market. Since more Asians are making a better living and are moving into a newfound middle class, they have more money to buy cars. The Asian market is ripe for U.S. automakers to develop cars to meet their needs.

Although Ford was not in the 1979 bailout and opted out of the 2009 bailout effort, it is likewise trimming the fat in its organization through restructuring its plants, opening new and improved factories, and introducing newly designed fuel efficient models, led by its star studded Focus and Fusion. Likewise, Ford is delving in global markets, primarily India, were they are having success with its newly designed car, the Figo. This vehicle has been designed to meet the specific needs of the growing Indian market. Its design and handling capabilities were developed to respond to the rough road conditions and heavy congestion in major cities, such as its capital of New Delhi. In a recent interview Ford president, Alan Mulally, vowed never to allow the automaker to get caught in a boom and bust cycle again. The automaker's newly

---

[116] Matt Krantz, "GM IPO stands to raise up to $22B." *USA TODAY*, November,18, 2010, 1B.
[117] James R. Healey, "U.S. market to get Fiat infusion," *USA TODAY*. April 22, 2010. 2A.

restructured corporate agenda includes the close oversight of the Ford family to ensure the automaker's continued livelihood through the production of smaller cars that are both profitable and strategically designed.[118]

A 2010 study conducted by the Associated Press showed public confidence in American cars since GM and Chrysler's government bailout of 2009 has risen from 29 percent to 38 percent while support for Asian automakers has fallen from 46 percent to 33 percent.[119] As previously discussed, both confidence and profits are on the rise for the American automotive manufacturers. Hopefully, the automakers will continue to implement the changes needed to make them competitive in the global auto industry by efficiently producing reliable, safe, pollution free, alternative fuel vehicles, effectively eliminating the need for extended government funding in our free market society.

In summary, the 1979 Congressional hearings were less combative and won over the American government and public due primarily to the commanding presence of Lee Iacocca. Iacocca's restructuring efforts allowed the government payback to occur years ahead of schedule. However, there were no long term changes in the factors that led to the entire industry's loss of dominance to the Japanese. Although the economic conditions were worse in the recession of 2009, the failure factors such as the union contracts, fuel efficiency, plant overproduction and Japanese imports remained basically unchanged since the 1979 bailout. In

[118] Phil LeBeau, "Ford: Rebuilding an American Icon," *CNBC Special Report*, November 10, 2010, Originally Aired at 9 p.m. ET/PT.

[119] GFK Custom Research North America. "The AP-GFK Poll." Roper Public Affairs & Media, March 3-8, 2010, 9, http://www.apgfkpoll.com/pdf/APGfK%20Poll%20March%202010%20CAR%20Topline.pdf.

spite of annual profits, the U.S. industry still lost billions due to the cost of worker buyouts, plant closings, and other restructuring efforts.[120]

The 2009 Congressional hearings proceeded poorly because of the arrogance of the auto executives and because of the foul economic mood Americans held due to the Great Recession. At this time, it appears that Chrysler, GM and Ford are actually taking steps to make the necessary long-term changes to become fiscally responsible and competitive in their operations worldwide. These changes will hopefully begin to repair the U.S. auto industry's image from such long held perceptions as, Generous Motors (GM) or Government Motors (GM) into Gainful Motors (GM). Through learning from their own historical failures, the new and improved American automakers should be able to produce their vehicles to meet the requirements of an ever evolving world market place.

[120] Bill Canis and Brent D. Yacobucci, "The U.S. Motor Vehicle Industry: Controlling a New Dynamic in the Global Economy," *Congressional Research Services,* March 26, 2010, 2.
http://www.fas.org/sgp/crs/misc/R41154.pdf

2011 Chevrolet Volt

Photo credit: 2011 Chevrolet Volt, Michael Graham Richard, Ottawa, Canada on February 6, 2009. www.treehugger.com

THE FUTURE

2011 Chevrolet Cruze

Photo Credit: 2011 Chevrolet Cruze, Tim Howard on 18 Feb 2010. www.autotribute.com

Bibliography

ABC News Poll. Nov, 2008. Retrieved Nov-26-2010 from the iPOLL Databank, The Roper Center for Public Opinion Research, University of Connecticut, http://webapps.ropercenter.uconn.edu/CFIDE/cf/action/ipoll/questionDetail.cfm?keyword=Auto+bailout&keywordoptions=1&exclude=&excludeoptions=1&topic=Any&organization=Any&fromdate=1/1/1935&todate=&sortby=DESC&label=&QSTN_LIST=&QSTNID=1721539&QA_LIST=&QSTN_ID4=1721539&STUDYID=66521&STUDY_LIST=&lastSearchId=1246941&ARCHNO=&keywordDisplay=Auto+and+bailout&x=8&y=13.

ABC News/Harris Survey, Sep, 1979. Retrieved Nov-27-2010 from the iPOLL Databank, The Roper Center for Public Opinion Research, University of Connecticut. html http://webapps.ropercenter.uconn.edu/CFIDE/cf/action/ipoll/cite.cfm?source_doc=ABC News/Harris Survey&beg_date_date=1979-09-01 00:00:00.0

Anonymous. "Airlift of War Material to Israel Ends." Los Angeles Times, November 15, 1973. 14, http://proquest.umi.com.ezproxy.libraries.claremont.edu/pqdweb?index=4&did=643456172&SrchMode=2&sid=4&Fmt=10&VInst=PROD&VType=PQD&RQT=309&VName=HNP&TS=1290556582&clientId=42799.

Anonymous. "Big Three CEOs: You Are What you Drive." HYBRIDCARS.COM, December 2, 2008, http://www.hybridcars.com/news/detroit-symbolic-ride-congress-hybrid-25313.html.

Anonymous. "Chrysler Plan's Legality Questioned by Proxmire." *New York Times*, May 13, 1980, D5, http://proquest.umi.com/pqdweb?index=19&did=111157965&SrchMode=1&sid=2&Fmt=10&VInst=PROD&VType=PQD&RQT=309&VName=HNP&TS=1271393870&clientId=42799.

Anonymous. "Cost of Failure by Chrysler Set at $2.75 Billion." *Los Angeles Times;* November 8, 1979, F12.

Anonymous. "Meeting Reset: Faisal Reportedly Won't Shut Off Oil." Historical Los Angeles Times. Oct. 14, 1973, A2, http://proquest.umi.com.ezproxy.libraries.claremont.edu/pqdweb?index=11&did=643170122&SrchMode=2&sid=1&Fmt=10&VInst=PROD&VType=PQD&RQT=309&VName=HNP&TS=1290547091&clientId=42799.

Associated Press and CBS. "Despite Big 3 Pleas, Auto Bailout Stalling: CEOs Berated On Capitol Hill; Congressional Leaders Say Deal Is Unlikely Before Year End." CBSNEWS.COM, November 19, 2010, http://www.cbsnews.com/stories/2008/11/19/business/main4618116.shtml.

Bloomberg News. "Los Angeles Times/ Bloomberg News Poll: National Politics and the Economy." Roper Center Public Opinion Archives, December 6, 2008, http://webapps.ropercenter.uconn.edu/CFIDE/cf/action/ipoll/Abstract.cfm?keyword=Chrysler+bailout&keywordOptions=1&exclude=&excludeOptions=1&topic=Any&organization=Any&fromDate=01/01/1935&toDate=&sortBy=DESC&studyId=66586&label=&start=summary&ArchNo=USLAT2008564&label=&abstract.x=29&abstract.y=7&abstract=abstract.

California Environmental Protection Agency Air Resource Board "History of the Air Resources Board," California Environmental Protection Agency, http://www.arb.ca.gov/knowzone/history.htm.

Canis, Bill and Brent D. Yacobucci. "The U.S. Motor Vehicle Industry: Controlling a New Dynamic in the Global Economy." *Congressional Research Services,* March 26, 2010, 2, http://www.fas.org/sgp/crs/misc/R41154.pdf.

Chang, C.S. *Japanese Auto Industry and the U.S. Market.* New York, Praeger Publishers, 1981.

The Clean Air Act. §85, 42 U.S.C § 7401-7671q, Environmental Protection Agency. "The Clean Air Act." February 24, 2004, 7, http://www.epa.gov/air/caa/cleanair.pdf.

Congressional Quarterly. "The Week's Votes in Congress." The Los Angeles Times, July 29, 1963. 11, http://proquest.umi.com.ezproxy.libraries.claremont.edu/pqdweb?index=2&did=87337656&SrchMode=2&sid=4&Fmt=10&VInst=PROD&VType=PQD&RQT=309&VName=HNP&TS=1287856535&clientId=42799&cfc=1.

Davis, James J. "Wages and Hours of Labor in the Iron and Steel Industry: 1907 to 1920." U.S. Department of Labor: Bureau of Labor Statistics. Washington: Government Printing Office, 1922.

Environmental Protection Agency. "Origins of Modern Air Pollution Regulations," http://www.epa.gov/eogapti1/course422/apc1.html.

Farnsworth, Clyde H. "Oil as Arab Weapon: Cautious Action at Parley in Kuwait Reflects Dangers of Embargo Policy." The New York Times, Oct 18, 1973.

Gallup Organization. “USA Today/Gallup Poll # 2008-47: December Wave 1--Economy/Stock Market/Automobile Industry.” Roper Center Public Opinion Archives, December 12, 2010, http://webapps.ropercenter.uconn.edu/CFIDE/cf/action/ipoll/questionDetail.cfm?keyword=Auto+bailout&keywordoptions=1&exclude=&excludeoptions=1&topic=Any&organization=Any&fromdate=1/1/1935&todate=&sortby=DESC&label=&QSTN_LIST=&QSTNID=1722894&QA_LIST=&QSTN_ID4=1722894&STUDYID=66611&STUDY_LIST=&lastSearchId=1246877&ARCHNO=USAIPOUSA200847&keywordDisplay=Auto+and+bailout&x=6&y4

Gardner, Greg. “Chrysler predicts profit for 2010 as buyer traffic rises.” *USA TODAY*. April 22, 2010, 3B.

GFK Custom Research North America. “The AP-GFK Poll.” Roper Public Affairs & Media, March 3-8, 2010, 9, http://www.apgfkpoll.com/pdf/APGfK%20Poll%20March%202010%20CAR%20Topline.pdf.

Gordon, Maynard M. *The Iacocca Management Technique*. New York: Don, Mead & Company, 1985.

Hadley, Eleanor M. *Antitrust in Japan.* Princeton, N.J., Princeton University Press, 1970.

Harbison, Frederick Harris and Robert Dubin. *Patterns of Union-Management Relations: United Automobile Workers (CIO), General Motors, and Studebaker*. Chicago: Science Research Associates, 1947.

Hargreaves, Steve. “GM plant closings: 20,000 job cuts: Giant Michigan, Tennessee plants to shut. Workers in 9 states affected by cuts.” CNNMoney.com, June 1, 2009, http://money.cnn.com/2009/06/01/news/companies/gm_facilities/index.htm?postversion=2009060113**.**

Healey, James R. “GM enters crucial phase with IPO, Cruze.” *USA TODAY,* November 5, 2010, 3B.

Healey, Matt R. “Toyota Outsells GM for the First Time.” *USA TODAY*, April 27, 2007, Money, http://www.usatoday.com/money/autos/2007-04-24-toyota-gm_N.htm.

Healey, James R. “U.S. market to get Fiat infusion.” *USA TODAY*. April 22, 2010. 2A.

Healey, James R. and Chris Woodyard. “GM takes back seat to brands.” *USA TODAY*, November, 18, 2010, 3B.

Husband, Tiffany and David Pierson. “Remaking Detroit; Auto Bailout; Forcing Chrysler into Fiat’s arms; The president insists on a merger within 30 days of says he’ll push for bankruptcy.” *Los Angeles Times*, March 31, 2009. B1.

Iacocca, Lee and William Novak. *Iacocca: An Autobiography.* New York: Bantam Books, 1984.

Ingrassia, Paul. *Crash Course: The American Automobile Industry’s Road from Glory to Disaster.* New York: Random House, 2010.

Ingrassia, Paul and Joseph B. White. *Comeback: The Rise and Fall of the American Automobile Industry.* New York: Simon and Schuster, 1994.

Kodaira, Katsumi. *Jidosha* (Motor Vehicles). (Tokyo: Aki Shobo, 1968), 187. Found in C.S. Chang, *Japanese Auto Industry,* 41.

Krantz, Matt. “GM IPO stands to raise up to $22B.” *USA TODAY*, November, 18, 2010, 1B.

Krishner, Tom and Kimberly S. Johnson. “United Auto Workers Chief: GOP Trying To “Pierce The Heart of Organized Labor.” December 12, 2008, http://www.huffingtonpost.com/2008/12/12/united-auto-workers-chief_n_150659.html.

LeBeau, Phil. “Ford: Rebuilding an American Icon,” *CNBC Special Report*, November 10, 2010, Originally Aired at 9 p.m. ET/PT.

Levinson, William A. “A Bailout Can’t Fix the Auto Industry’s Basic Problems.” *Dearborn*, June 2009, http://www.sme.org/cgi-bin/find-articles.pl?&09jum006&ME&20090601&SME.

Lewis, Thomas Tandy. “The Thirties in America: Unemployment in the United States.” *Salem Press,* March 2001, http://salempress.com/store/samples/thirties_in_america/thirties_in_america_unemployment.htm.

Miller, Judith. “U.S. TO GAUGE IMPACT OF CHRYSLER FAILURE.” *New York Times, September 23, 1979,* 18.

Maxim Lott, “Automakers’ Jobs Bank Program Workers to Do Nothing.” FOWNEWS.COM, November 25, 2008, http://www.foxnews.com/politics/2008/11/25/automakers-jobs-bank-program-pays-laid-workers/.

Luger, Stan. *Corporate Power, American Democracy, and the Automobile Industry.* (Cambridge: Cambridge University Press, 2000).

Maynard, Micheline. The *End of Detroit: How the Big Three Lost Their Grip on the American Car Market.* New York: Currency Doubleday, 2003, 10.

McAlinden, Sean Kristin Dziczek, Debra Maranger. "CAR Research Memorandum: The Impact of the U.S. Economy of a Major Contraction of the Detroit Three Automakers." November 2008, 4. http://www.cargroup.org/documents/Detroit_Three_Contraction_Impact.pdf.

Motor Vehicle Manufacturers Association of the United States. *World Motor Vehicle Data*: *1980 Edition.* Detroit: Motor Vehicle Manufacturers Association, 1980, 48.

National Labor Relations Act, 29 U.S.C. §§ 151-169 [Title 29, Chapter 7, Subchapter II, United States Code], http://www.nlrb.gov/about_us/overview/national_labor_relations_act.aspx.

Obama, Barrack. "REMARKS BY THE PRESIDENT ON THE AMERICAN AUTOMOTIVE INDUSTRY." The White House, March 30, 2009, http://www.whitehouse.gov/the-press-office/remarks-president-american-automotive-industry-33009.

Pflug, Warner. *The UAW in Pictures*. Detroit: Wayne State University Press, 1971.

Proxmire, William. "The Case Against Bailing out Chrysler." *New York Times, Oct. 26, 1979,* 3.

Quinn Jr., Dennis Patrick. *Restructuring the Automobile Industry: A Study of Firms and States in Modern Capitalism.* New York: Columbia University Press, 1988.

Reingold, Edwin. "Labor: Sabotage at Lordstown." Time Magazine, Monday Feb. 7, 1972, http://www.time.com/time/magazine/article/0,9171,905747-1,00.html.

Roper Report 79-10, Oct, 1979. Retrieved Nov-25-2010 from the iPOLL Databank, The Roper Center for Public Opinion Research, University of Connecticut. http://www.ropercenter.uconn.edu/data_access/ipoll/ipoll.html

Ross, Brian and Joseph Rhee. "Big Three CEO's Flew Private Jets to Plead for Public Funds: Auto Industry Close to Failure but They Get Pricey Perks." ABCNEWS.COM, November 19, 2010, http://abcnews.go.com/Blotter/WallStreet/story?id=6285739&page=1.

Shepardson, David and Gordon Trowbridge. "Auto Task Force Taking Shape: Cabinet members, senior advisers and staff to tackle the restructuring of GM and Chrysler." The Detroit News, February 21, 2009, http://detnews.com/article/20090221/AUTO01/902210372/Auto-task-force-taking-shape.

Sobel, Robert. *Car Wars: The Untold Story*. New York: Fitzhenry & Whiteside, 1984.

VanGiezen, Robert and Albert E. Schwenk. "Compensation from before World War I through the Great Depression." Bureau of Labor Statistics: Compensation and Working Conditions, 2001, http://www.bls.gov/opub/cwc/cm20030124ar03p1.htm.

Woodyard, Chris. "GM, Chrysler to update factories: New jobs follow new vehicles into plants." *USA TODAY,* October, 29, 2010, 1B.

Wright, Patrick J. *On a Clear Day you can see General Motors: John Z. De Lorean's Look Inside The Automotive Giant.* Gross Pointe, MI: Wright Enterprises, 1979.

Yang, Xiaohua. *Globalization of the Automobile Industry: The United States, Japan and the People's Republic of China.* Westport, CT: Praeger Publishers, 1995.