11-20-2008

Bailing Out the Big 3

Follow this and additional works at: https://ecommons.udayton.edu/news_rls

Recommended Citation
https://ecommons.udayton.edu/news_rls/1652
Bailing Out the Big 3

11.20.2008 | Culture and Society

University of Dayton automotive historian John Heitmann has mixed feelings about a government bailout of the U.S. auto industry, but he said the whole issue might have been avoided had the automakers just paid attention to the writing on the wall.

"We saw how the Japanese companies changed their business practices and were able to stay competitive," Heitmann said, referring to David Halberstam’s well-known 1986 book on the auto industry, *The Reckoning*. "We had about 25 years or so to try to deal with this, and we didn’t. Now it looks like the reckoning is coming."

The leaders of General Motors, Ford and Chrysler are pleading with Congress for a $25 billion loan to prevent bankruptcy. Heitmann called the loan a "Band-Aid" that would buy the automakers time, but it would likely not be enough.

"My heart says, 'yes,' to the loan because of the phenomenal ripple effect throughout the economy if Congress doesn't do it, especially in the Midwest," Heitmann said.

"But my head says, 'no,' because I don’t have a lot of faith the government can intervene and fix this without much more money going in to what would be a bottomless pit, particularly with the hubris of the Big 3 leadership over the past 50 years."

Heitmann specializes in the history of the American automobile and has been interviewed by ABC World News and The Associated Press for his perspective on the pending closure of GM's Moraine truck assembly plant.

His latest book, *The Automobile and American Life*, which explores how the automobile transformed business, life on the farm and in the city, the nature and organization of work, leisure time and the arts, is expected to be published in 2009. He will be interviewed by Chris Paine, maker of the documentary *Who Killed the Electric Car?*, for the documentary's 2009 sequel, *Revenge of the Electric Car*.

Heitmann compares the current crisis for the Big 3 to the history of the British auto industry, which after World War II was second in size to that of the United States. When the industry started failing in the 1960s, the government tried "many interesting strategies," but ultimately failed to save it.

The U.S. automakers are simply burdened by labor costs, Heitmann said. The companies agreed to too many concessions for labor considering the global competition of the industry.

"The proposed loan would just be a Band-Aid," Heitmann said. "All they'd be doing is buying time, perhaps through 2010 when the union contract ends or for the release of the Chevy Volt and other planned hybrid cars."

If the Big 3 filed for bankruptcy, they would be able to dramatically change their labor contracts and "cradle-to-grave" legacy costs and perhaps emerge as far more viable and competitive.

But if bankruptcy resulted in foreign automakers taking over some domestic operations — as they did when the British industry failed — jobs would likely return, but America's long-term interests might suffer.

"We'd be starting to see America more like a colonial economy, no longer the primary owners of what we make, and we'd see more of the wealth go overseas," he said.

For more information, contact Cameron Fullam, assistant director of media relations, at 937-229-3256 or fullam@udayton.edu.