

from our readers

Reader ponders auto company strategy for survival

Editor:

Several weeks ago, columnist Steve Barnaby wrote a piece about the auto industry, and I enjoyed reading it. In respect to the role of the unions, you spoke up fearlessly, something not often done on the part of liberal writers who tend to regard labor as a sacred cow.

But one of the factors in writing on the auto industry in the Detroit area is that you are in "fast company." That is, you have to be very careful about getting the facts straight, because experts abound. On my street in Birmingham, there are at least five engineers and executives who have been on the firing line and know the facts from personal experience. I enjoy learning from these people.

But I think you subscribe to at least one fallacy about the industry, a misconception held widely. This notion is that the industry deliberately pushed people into bigger cars, so that when the demand suddenly shifted to small

cars, they were done in by their own greed and stupidity because they were unprepared. This theory is largely false.

IN UNDERSTANDING the industry, it is vital to note that it is enormously capital intensive, requiring huge outlays of capital for plants, tooling and the like. Most of this investment is "fixed," that is, it goes on year-around whether the plants are running or not. Even the big labor costs (which you correctly cited) continue in part through fringe benefits, although no men may be working. This high fixed overhead makes high volume imperative, because then the per-car expense the red ink becomes horrendous. This fact is the principal reason why more than 2,000 car companies have folded in the past 75 years.

Because high volume is so vital, management is guided by one basic consideration: what kinds of cars will sell the best? What do people want?

Democratic capitalism. The consumer is king.

Managers go to great length to gauge opinions of potential buyers. Dealers are constantly consulted; dealer orders are analyzed by computers and projections made. One executive told me: "I attended monthly sales meetings for years and never once heard expressed the idea 'We must sell more big cars because there is more profit in them.'"

On the contrary, the theme song was "Let's determine if we can what people want to buy in volume, and then let's go out and sell the hell out of these cars." Get the volume and the profit will take care of itself.

I HAVE never talked with an auto stylist who did not scoff at huge cars and big tail fins, with lots of chrome. Engineers detested all this junk. But they built the cars because that's what the public wanted.

Yes, the industry made bigger profits from big cars, but only because that's

what the big market wanted. There was the volume.

The above statement is well documented in the November 1980 issue of Harper's, in an article by William Tucker. You should read it.

General Motors in particular, saw the handwriting on the wall and as early as 1961 offered small cars; and in 1972 took an enormous gamble by deliberately downsizing all its full-sized cars. Ford thought the risk too big. As late as the spring of 1979, the day the Shah was overthrown, there were long waiting lists for big cars. (Ford, remembering the Edsel, was in no mood to try to force or induce people to buy cars they were not interested in).

The truth is, big cars ride better, offer more room, and are safer and are well suited to the wide open American spaces, and long vacation trips. As long as gasoline was cheap, the public loved its full sized cars and the U.S. became so skilled in making them that the Japanese and Germans did not even try to compete.

AS TUCKER proves in his Harper's article, the government itself fostered the big car market by interfering in the oil market, keeping down the price of gasoline for years.

Meanwhile, the Japanese and Europeans not only allowed world oil prices to prevail, but they even added big taxes, thus fostering their expertise in the small car field.

Tucker cites case after case to show that only when there was gasoline shortages, or threats of higher prices did the public here suddenly turn to small cars. Business recession also was a factor. . . . Remember the temporary success of George Romney and American Motors during the "gas guzzler . . . dinosaur" days of Romney's ad men?

If you really want to get the full picture, I urge you to read the Harper's article. In fact, I understand you can get a free reprint by phone - General Motors Public Relations, GM Building. But even Tucker does not fully understand the role of volume sales and the importance of consumer demand that I

have outlined above. He cites "profit" without pointing out that profit simply comes from high volume, which comes from meeting consumer demand successfully.

In conclusion, it seems to me that government itself is the basic cause of most of our economic troubles today. The high auto wage levels which you so properly criticized resulted in large part from the fact that government has fostered too much power for the unions: the closed shop, the check-off for dues, etc. Inflation itself is due in large part to fiscal and monetary mismanagement.

But government does not effect bad policy simply through design. There is a reason for it.

Basically, I think it has to be ethos of Liberal Democrats who have held power in Congress through much of the past 40 years. It is easy to build a case on that theory, but time does not permit me to bore you with more words on that subject.

JOHN HARWOOD
Birmingham

Criticism of physicians is a denial of reality

Editor:

Scientists discover and isolate a powerful form of energy which can be used to diagnose and treat disease. Gradually, it becomes apparent that the new force can kill as well as cure. Many who work with it die painfully from burns and cancer, including a pioneering woman chemist, a two-time Nobel laureate, and her physicist daughter.

Eventually, it's established scientifically that this energy form can cause cancer of the blood, lymph glands, bone and other organs. It can also damage the reproductive organs, the body's genes and chromosomes and may linger on for many generations to produce negative genetic mutations capable of doing irreversible harm to the human gene pool.

Meanwhile it's learned that the new force, altered and expanded, can be used to manufacture incredibly destructive weapons for warfare and in a variety of technological ways. But as use and availability multiply worldwide, so do uncontrollable dangers to the public such as premature death and genetic and ecological disaster.

INSPIRED BY a commitment to prevent disease and suffering, a group of internationally-respected physicians unite to halt proliferation of the energy's highly toxic sources and its increasing use in military hardware. The organization is led by a pediatrician with firsthand knowledge of the lethal capacity of the controversial materials.

Together they work to educate society about the catastrophic hazards to world health and human survival which seem inevitable unless dependence on this potentially deadly form of energy and destruction is checked.

Unfortunately, the preceding script is tragic fact, not fiction.

The non-disposable, unsafe, self-perpetuating form of energy described is radiation, exemplified by today's nuclear power and weapons industries. A group called Physicians for Social Responsibility does exist to try to end the threats to the human race of the megadeath effect of nuclear war and massive global radiation contamination.

The Eccentric's columnist, Steve Barnaby, however views the concerned doctors as laughable fanatics, out of touch with the "real world" and the "health problems of today." He sees their efforts to halt a man-made, world-wide plague more terrible than any reported in the annals of medicine, as a joke. Some joke. And poor misinformed Steve Barnaby may die laughing at it.

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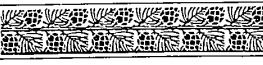
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