

IN THESE TIMES

Chrysler dug its own grave

By David Moberg

SHOULD WE, THE PUBLIC, SAVE Chrysler? Six governors and various members of Congress from states that would suffer if the troubled corporation defaulted have asked Chrysler's plea for federal aid. The United Auto Workers supports the union's plea, but asked for government money to buy 30 percent public control rather than the special tax credit Chrysler wants. Treasury Sec. C. William Miller has announced that the Carter administration may provide a \$500 million loan guarantee if Chrysler agrees to a reasonable plan for survival.

The UAW argues that there would be heavy public costs if Chrysler went under. That has to be spent now to preserve jobs, prevent deterioration and gain some control over the number three auto company's products. UAW president Douglas Fraser stressed that it wasn't Chrysler's actions that convinced him, but the 150,000 Chrysler workers and their families. Other advocates of some bailout argue that the unified competition in autos would be saved if Chrysler were saved.

Without the aid Chrysler probably won't fail completely. Sadler this year, one auto economist said, Chrysler's chairman John J. Riccardo was growing about the corporation's strong ratio of debt to equity, which even now is better than Lockheed had before its bailout, and supply of working capital. Also, it is worth remembering that Chrysler's record profit year came in 1976, one year after its previous record loss, and the same turnaround is possible again. Any company selling around one million cars and trucks could presumably find a way, however drastic, to reorganize and scale down its operations to become viable. Yet even such reorganization is a rough, jolting way out of the mess that Chrysler managers have made.

Some private aid came to Chrysler when Household Finance Corp. agreed to buy \$500 million in accounts receivable from the Chrysler Financial subsidiary and GM agreed to buy \$250 million. That will ease short-term borrowing problems that developed after Chrysler Financial lost its credit rating, but will deprive Chrysler of longer term income that GM and HFC now pick up. Meanwhile, Chrysler revealed that its sales in the first 10 days of August were off 35 percent from last year, far more than the 15 and 18 percent for GM and Ford.

In applying for the special one billion dollar tax credit against future possible income Chrysler had selected the financing mechanism and the course through Congress that would be most likely to preserve the corporation in its present form. Corporate lobbyists, starting their work months ago, wanted to avoid what they call the "hooks" that tend to go with loan guarantees.

Yet the public, if it foots the bill, has a stake in imposing a great number of such "hooks." Therefore, it is important to understand how Chrysler got into its problems to determine what prescriptions are needed, whether they're imposed as terms of a loan guarantee or through direct public ownership and control of a segment of the corporation.

Chrysler, of course, has stressed the added burden of government regulations. It claims that fuel efficiency and emissions-control regulations cost them \$620 per car, compared to \$240 for GM. Other pro-business, anti-regulation spokespeople have used Chrysler's plight as an excuse for an overall easing of regulations, citing a study by Henry W. McFarbaum that regulations cost \$366 to the cost of the average car.

Even if there is no more money



UAW President Douglas Fraser (right), and UAW Chrysler division vice-president, Mark Stepp, at a press conference where Fraser outlined the union's proposals.

only account for one-fourth the average car price increase since the federal standards were first introduced. Experts in the field also contend they're exaggerated. The total cost to the consumer, not the corporation, is under \$500 per car on the average, according to Barry Felice of the National Highway Traffic Safety Administration. Clarence Ditlow, director of the Center for Auto Safety, says that the high figures don't take into account the savings that come as companies learn how to meet the standards more efficiently or replace one system with another. Felice agrees that Chrysler may have a slightly higher burden per car because of its smaller production run, but estimates the disadvantage compared to GM at \$50 per car or less.

Of course, any full social accounting has to recognize the benefits in better health and prevention of injuries resulting from the safety and environmental regulations, which translated into dollars far surpasses the cost on the auto. Also, companies smaller than Chrysler in Japan and Europe have met the standards, often in innovative ways (such as Honda's stratified charge engine that not only cheaply and effectively cuts pollution but also increases gas mileage

considerably).

Industry officials admit that American consumers are demanding efficiency standards for cars far above the current government mandated level. "You could make a credible case," one auto economist argues, "that if it weren't for regulations the auto companies would still be making big cars and the import share would be 40 percent rather than 20 percent." Many of the changes made for fuel efficiency, mainly cutting down size and weight, cost little more than what the companies used to spend for annual model changes, except that the consumer now gets a more efficient car rather than tail fins. Chrysler now can't find the money to build small, efficient, clean and safe cars, but it managed to spend \$450 million in 1974-5 to redesign its big cars, Ditlow says. Considering how poorly the auto companies have responded both to market demand and social needs, there is a case to be made that the public should have been exercising more, not less, control in recent years.

Chrysler's real problems stem not so much from regulation as from the course chosen by the American automobile industry after World War II. Ignoring safety, the environment, efficiency and qual-

ity in favor of exaggerated styling and superfluous power in the quest for high profit and preservation of existing capital stock tied into old technologies, the industry ran up against environmental and consumer safety movements, international competition and the energy crisis. Chrysler suffered most in the reluctant adaptation of the industry to the new conditions, especially because of unresponsive bad management.

In the 1960s, again in 1971—the year of the Pinto and Vega—and again in recent years, Chrysler has either failed to introduce or to emphasize strongly a small, efficient car. At first they relied on imports from Japanese companies. Now they are limited to selling 300,000 of their small Omni/Ho van this year and next because they chose to buy engines from Volkswagen rather than build their own.

Corporate officials throughout the '70s have thought they would finesse the small car demand by introducing a new line of big cars with big profit margins and then use the money to build small cars. But the first energy crunch hit in 1972 just as they introduced a new line of large cars. The same thing happened again this winter, when Chrysler also lost much of its lucrative light truck and van market as gasoline prices soared.

The one wise move they made, introduction of the compact Volare/Aspen in 1976, backfired as quality problems and recalls drove away buyers. The Volare/Aspen share of the U.S. market dropped from 6.5 percent in the spring of 1977 to 3.1 percent in the first quarter of this year. For a company that sank from 12 percent of the market in 1977 to 10.7 percent this year, the Volare/Aspen decline explains a lot. But those quality problems can be traced in part to the huge layoffs of engineers in 1975 that were occasioned by the combined recession and previous poor planning by the company in sticking with big cars.

There have been other problems. Chrysler made a bid for a share of the world auto production with investments that mainly proved unsound, except for the Mexico operation. Chrysler also tried to match GM and Ford with a wide number of models (except in the subcompact category, where they had only the "captive imports"), instead of following very common advice to concentrate on specific, well-chosen market segments.

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Dodge Main closing threatens Hamtramck



Workers leaving the Dodge Main plant in Hamtramck, MI.

Chrysler's woes have already hit hard at Dodge Main, the old, multi-story, two-line assembly plant in Hamtramck, an enclave within Detroit. A thriving plant employing 10,000 workers a few years ago and as many as 8,800 late last year, Dodge Main is now down to 2,400 workers on one line and one shift. By next summer, the corporation says, the plant will be shut down, leading to an estimated permanent loss of 3,200 workers and to a severe blow to Hamtramck's tax revenues.

The overall corporate problems have somewhat overshadowed the crisis at Dodge Main, which gained fame in the late 50s as the home of the Dodge Revolutionary Union Movement. "We're still wishing that the corporation would keep it open," says a vice-president of the Hamtramck NAACP. "Now you hear more about closing the corporation, and we're all in a state of panic." When the plant closes, it will mean the loss of 3,200 jobs, and the loss of 3,200 tax dollars a year.

ally the plant was used for truck and van production. Since the May 30 announcement of Chrysler's intent to close, there have been three major demonstrations, starting with about 3,000 protestors and then dwindling. The Hamtramck NAACP, local politicians and various left groups have been active in campaigns to keep the plant open.

The UAW's Chrysler division vice-president, Marc Stepp, says that the union hopes in current negotiations to convince the corporation that "rather than close it entirely they should keep some production there." One possibility is using the plant for storage and spare parts, but that would still mean drastic cuts in employment. Another possibility is using the plant for the production of a new line of cars. But for neither the union nor any other group is there any doubt that the plant's closure would be a disaster for the community.

IN SHORT



Justice files suit against Rizzo

A civil rights suit was filed this week against Philadelphia's Mayor Frank Rizzo and the city's police department for "wide spread and systematic police brutality."

The U.S. Justice Department, in an unprecedented suit, charged the Philadelphia Police Department with violating the civil rights of every minority of the city, but especially blacks and Hispanics.

The suit asked that Rizzo, who was police chief before becoming mayor of the city, put an end to the brutality. The Justice Department also requested that federal funds be cut until reforms are made.

The fourth largest police force in the country, Philadelphia has a history of brutality. More than 1,100 civilian complaints are registered annually and 75 people are shot by police each year.

Court findings in pretrial hearings found that "intentional violence and

coercion by detectives" was a common practice of officers involved in interrogation of suspects.

In defending the police department's innocence, Rizzo called the suit "complete hogwash." He told the press on Sunday, "We welcome it (the suit)." Vowing to fight the suit he said, "No one is going to take advantage of this great police department."

Sheldon Albert, City Solicitor, said, "It's outrageous. This is the kind of suit that does nothing but give aid and comfort to persons breaking the law."

The suit came as a result of an investigation of the Philadelphia Police Department ordered by retiring attorney General Griffin Bell after a shootout last year between police and a Philadelphia group called Move. (A full description of the suit and the police scene in Philadelphia will be reported next week by Greg Moyer.)

NATION

AFSCME brass squares off

NEW YORK—Yet another conflict erupted this week between the President of American Federation of State, County and Municipal Employees Union (AFSCME), Jerry Wurf, and Victor Gotbaum, executive director of District Council 37.

Gotbaum, an unannounced candidate for the presidency of the union, was ordered by Wurf to refrain from having contact with anyone in any AFSCME local or council outside District Council 37.

Gotbaum told the *New York Times* Wurf's attempts to silence him are not isolated efforts at domination and control of the union.

Defying Wurf, Gotbaum went to New Orleans early this month to meet with union members of Louisiana locals who he said were not pleased with the "authoritarian" leadership of Wurf. "Members shall suffer no impairment of freedom of speech concerning the operations of this union," he said, adding, "Active discussion of union affairs shall be encouraged and protected within this organization."

Gotbaum, who has continued to hold off a formal announcement that he is a candidate for the presidency of the union, said he thought Wurf was nervous about criticism leveled at him about his leadership.

"He can't administer the union," said Gotbaum. The real difference between us is the way he's running the union. "I like to work with people," he said, "and Wurf likes to work them over."

CIA domestic spying revealed

Satellite photography was used by the CIA to analyze domestic disturbances according to documents released last month.

The top secret National Reconnaissance Office (NRO), an agency whose existence was unknown until it was inadvertently mentioned in a 1973 Senate report, operates all overhead reconnaissance programs for the entire intelligence community.

Known as the "Family Jewels," the CIA documents were prepared in response to James Schlesinger's 1973 requests for reports on all activities which might be considered to be outside the CIA's legislative charter.

Obtained by The Center for National Security Studies, under the Freedom of Information Act, the documents reveal that the CIA monitored the foreign radio broadcasts of anti-war activist Jane Fonda and former Attorney General Ramsey Clark and collected intelligence on the possible foreign connections of the anti-war movement.

In addition, the "Family Jewels" contain clear evidence that the CIA knowingly exceeded its charter by conducting domestic investigations of citizens involved in the anti-war movement of the 60s.



Machines will put farm workers out

The use of new harvest machinery on California fruit and vegetable farms will eliminate 40,000 jobs by 1982 and as many as 128,000 by 1987, according to a study commissioned by the Department of Labor, and prepared by the California Institute for Rural Studies.

Paul Barnett, a research associate with the Institute and one of the authors of the study said, "The use of wine grape pickers, shake-catch peach harvesters and electronic tomato sorters will cause most of the job loss. The jobs expected to be lost in the next decade are part of a long-term decline in farm employment." He added "with overall levels of unemployment, there are few opportunities for farm laborers to find new jobs. Without new training programs and new economic development programs there will be great hardships for those whose jobs are eliminated by new machines."

Only machinery that has proven commercially feasible in fruit and vegetable harvesting was considered in making the employment projections, according to the study. The estimates of the future adoption of the machinery were based on a study of recent trends in the rate at which farmers have been purchasing new machines.

IN SHORT is written by Laura Cianci except when otherwise indicated.

WORLD



Tehran demonstrators

Leftists battle Islamic militants

More than 160 people were injured when Islamic militants clashed with leftists in the bloodiest rioting since the overthrow of the shah. Hit by rocks, iron bars, chains and bottles, the injured were treated in seven hospitals. The fighting was stopped after two hours by Islamic guards firing tear gas and shots into the air above the 4,000 rioters.

Sunday's march, which involved more than 100,000 leftists, was organized in protest of the closing last week of the daily newspaper *Ayandegan* and the satirical *Ahangar* weekly. Heavily outnumbered by the leftists, the Moslem militants fought the demonstrators all along their route, from Tehran University to Prime Minister Mehdi Bazargan's office, in attempts to break up the press freedom march.

Neo-Nazis on the rise in West Berlin

On August 11, on the day after a West Berlin court sentenced ten neo-Nazis to

prison terms on a charge of forming a secret chapter of the Nazi Party, arsonists set fire to the home and business of a Jewish restaurant owner—another in an escalating series of violent acts by neo-Nazis.

Daubing the walls with anti-semitic signs and warning "Jews get out," neo-Nazis poured gasoline into the building and torched it.

There were no injuries but the two-story house was completely gutted. The owner, Gunter Alon, and his family were away on vacation and the restaurant was closed.

Judge Wolfgang Heuller of a Berlin district court said in sentencing the 10 neo-Nazis that he wanted to "set a signal for all to see to make sure that the Nazi gas chamber party can never raise its head."

The Nazi Party has been barred since 1945 and stringent Allied laws still in force in West Berlin make it a crime to commit neo-Nazi acts or organize party groups. Judge Heuller sentenced the main defendant to three years in prison and two others to 14-18 months. The remaining seven defendants received suspended terms and fines ranging up to \$500.

The number of neo-Nazi offenses and activities in the city has nearly tripled, to almost 300, according to Manfred Kittlaus, the West Berlin police inspector in charge of politically motivated crimes.