

Where's the Outrage?
December 2005*

So, like, what happened? What's going on? We are being told that the American economy is doing great. For the 3rd quarter the Gross Domestic Product has increased to 3.8%. Economy gurus are smiling. Final sales, another economic indicator, were down to 4.4%, which is still very good. So, in a "booming" economy, why is GM laying off 30,000 workers? On one hand, economists are doing a happy dance. On the other hand, there is not much comment these layoffs. And what have they said about Ford's announcement that it is closing eight assembly and parts plants in the US?

The automakers blame lower profit margins. Ford has lost about \$1.4 billion so far this year. GM has lost about \$4 billion. (How do you lose \$4 billion? I understand losing a couple of thousand, but \$4 billion in only nine months? Isn't that incompetence?) It is true that raw materials are costing more. Manufacturers are dealing with ever increasing healthcare costs (\$5.6 billion in healthcare costs for GM this year alone. This is about \$1500 per car in healthcare costs alone). So maybe the problems in the auto industry do make sense.

I can tell you that I'm not an economist, but when was the last time that you bought a GM or Ford car that you truly thought was better than a German or Japanese import? The Hummer is the only "new" American car that has been successful in recent years. (I will not get into the huge number problems that I have with the Hummer. Let's just say that it is pretty good

at running over things in its way, but it is not that nimble at avoiding obstacles.) It has taken Cadillac over twenty years to make a car that was not declared dead off the assembly line.

Cadillac has finally made a group of cars that handle well and have some acceleration. The gas mileage is still poor on these vehicles, but it is a start. Unfortunately, it is too little to late.

Ford's new car line up is not any better.

Despite all this, Americans are buying cars. Unfortunately they are not buying American cars. What are the ten best overall value cars for 2005 as rated by Intellichoice (respected independent auto industry watchdog)? Well, there are a couple of Honda models, three different models of the Lexus, two Toyotas, two Volkswagens, and a lone American car--Chrysler 300. Is this what we have become?

Interestingly, when you look at a list of the best selling vehicles in the US, you don't see cars, you see trucks, SUVs, and company fleet cars (these are cars normal purchased by companies for their sales force or cars purchased by Hertz, Avis, etc.) The best selling vehicles in the US, in order of sales are: Ford F series (truck), Chevy Silverado (truck), Dodge Ram (truck), Toyota Camry, Honda Accord, Ford Explorer (SUV), Honda Civic, Ford Taurus (company fleet car), Chevy Impala (company fleet car), and Dodge Caravan (SUV). That's the American top ten.

We have become the land of SUV's and trucks. Automakers have run away from putting time and effort into building traditional cars, or cars that guzzle less gas, and are safer for the environment. Trucks and SUV's have the profit margins. Again, Detroit dominated the field and sat back. They racked in profits and slowly but surely foreign competition began to take over like that ivy climbing on your house. Japan started with the small trucks. Detroit did not

pay attention. But now, we have the Toyota Tundra. It is a full sized truck that has Detroit running for cover. Lexus, BMW, and Mercedes have SUV's that are sweeet. Hell, Porsche is making a SUV. They are sweeter than anything that Detroit has produced.

Let's look at this trend in the context of world history. One hundred years ago, the British ruled the world. They had the best navy. The best industry. They had the highest standard of living. They were the best country. They sat on success and were too stubborn to change. Are we the British of 100 years ago?

We have to get up and compete. We have to look at old problems in new ways. Everyone has to change, or we are going to be left behind. Here is where our leaders have failed us--again. Has anyone heard a push from the White House or Congress that we need to do better? Or perhaps that we need and must be better educated in order to compete in the global market. I know that I haven't heard it. We need to be educated. Not just educated a little, but educated a lot. We simply need to learn more about everything in general and computers, engineering and mathematics in specific. This is how we regain our competitive groove in world industry. The assembly line workers who are being laid off today must be retrained using low interest loans and grants so that they can be more than a Wal-Mart greeter. The garment workers who have been laid off over the past –ten to fifteen years must be retrained to work computers or become engineers, or they will be pushing brooms at Mickey D's. Don't misunderstand me. There is nothing wrong with working at Wal-Mart or McDonald's if that is the best that you can do. If on the other hand you can be retrained and you aspire to be more then the government should help you reach your potential. Over the past twenty years we have lost our industry advantage. We were the best and the brightest. The world is now just as smart as we are. This is

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the new reality. Period. This is globalization. If we do not think of a new product or device, folks in Australia, Japan, Canada, India, England, Germany or China will. Or they already have. The educated, the specialized, and those willing to improvise, adapt and overcome will win in this changing market. Those who stand around in total bewilderment because the market has changed (or put another way – stand around crying because someone has moved your cheese) will be the losers.

Detroit must build, not the new BMW 3-series, but something better. Only then will the auto industry stop hemorrhaging money. (All labor contracts must be rethought. Everyone must benefit from the new market. Not just labor and not just management or we, as Americans, are sunk.)

Finally, I can not leave the subject of education without returning to my old friend – No Child Left Behind (dripping with sarcasm.) America has a huge education problem. No Child Left Behind is not fixing the problem. We have to have more people highly educated or we will fail. More high school graduates. More good teachers. More community colleges. More state universities. We have to do better or we will be left behind.

Recent News:

- Tax cuts were not the answer four years ago and they are not the answer now. The house just passed a tax cut bill. After four years of tax cuts, we have the worst economic recovery since WW I, or so says the Economic Policy Institute). I'm not buying all of the fancy numbers that many economists are throwing around. There is only one number that I'm looking at, and that is personal income. Personal income has dropped over the

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last four years and still has not reached year 2000 levels. Why should we care if ExxonMobil, Microsoft, and Dell are making money, if none of that money is passed down to the workers?

- 19% of full-time workers have no health benefits. It does not make any sense to be a full-time employee and still have to apply for Welfare. That's not a living wage. That's a slave wage.
- If Tulane University is laying off a 1/3 of its doctors and professors and the city of New Orleans is laying off a large part of its work force, how is New Orleans going to re-build? Where is all of the money that the president promised? Why is it taking so long to get the resources that New Orleans needs?

* with writing and editing assistance by **Catherine Ross, PhD**.