

“Settling the Social Security financing shortfall and dealing with the President’s tax and spending package certainly cannot be isolated.

“Those are the political and economic relationships we will be assessing as we listen to the President’s State of the Union message tomorrow. I can’t remember when a Congress has ever faced a more dreadful, or more potent challenge.”

**Lee A. Iacocca:
If that’s not a depression...**

Lee A. Iacocca was Chairman of the Board of Chrysler Corporation when he addressed The Economic Club of Chicago on October 21, 1982, on unfair trade and American determination.



“When I came to Chrysler in 1979, all the sins of labor, all the sins of management and all the sins of a profligate government had pushed Chrysler right to the wall. I saw the Michigan state fairground jammed with thousands of unsold

Chryslers, Dodges and Plymouths. I saw decrepit plants literally falling apart. And worst of all, I saw cars coming off the assembly line with loose doors, chipped paint and crooked moldings.

“We had a choice at Chrysler. We could hang it up and let the company go under, or we could try to save the company, and with it, 600,000 jobs, and just maybe the American way of doing business, with honesty, pride and good old-fashioned hard work. It wasn’t easy.

“First we cut our white collar work force in half. Where we had 40,000 people working, we now have 21,000 producing a broader range of cars and trucks than ever before, and about an equal number. Now that’s productivity!

“Second, we closed or consolidated 20 obsolete and outmoded plants. And we modernized the remaining plants to make them among the most efficient and productive in the industry.

“Third, both union and non-union workers made salary and benefit sacrifices that saved us \$1.2 billion in wages and benefits.

“Fourth, we reduced fixed costs by \$2 billion on an annual basis.

“Finally, we completed an arrangement to retire our U.S. bank debt, which amounted to \$1.3 billion.

“The results of those changes are now a matter of record. As of today, we have no bank debt in the United States. Zero. We cut our break-even point to half the level of three years ago. We’ve accumulated a lot of cash, the most we have had on hand in the history of the company. But we did that by selling off our tank business and tightening up our inventories and receivables. Not a dime of that came from any profit, yet! That cash cushion is enough to pay bills for only three and a half weeks. And we need every bit of it to ride out this depression that doesn’t seem to want to stop. It’s also an insurance policy for the workers’ pensions and for their health care programs.

“Against all odds, against the highest unemployment since the Depression, against the highest interest rates in over a hundred years, against a falling gross national product, against the lowest rates of new car sales in a quarter of a century, we have delivered on our commitment to restore Chrysler as a strong competitor in the automotive marketplace. We have rebuilt the company and we are ready to go.

“Unfortunately, the economy is not.

“And it hasn’t been since that ‘day of infamy,’ October 6, 1979, the day Paul Volcker decided to let the interest rate float. Interest rates, which hadn’t been over 12 percent in 100 years, shot up

to over 20 percent. And the economy came to a grinding halt. President Reagan tried to save the situation with a tax cut on business. But as I have said for two years now, the Achilles heel of that program was the fact that productive capacity was too low. Nobody is going to expand his plant when its operating at only 48 or 68 percent of capacity like steel and auto plants are today. The fact is, capital spending plans by the nation's largest manufacturers fell by 22 percent in the second quarter of this year. The tax cut didn't stimulate a thing.

"But what's worse, a whole new cult has been born out there, a cult devoted to making money on money. That greedy group puts their money into short-term markets or goes around gobbling up other companies. That doesn't produce any jobs. In 1981 alone, U.S. companies spent \$82 billion eating each other up. Corporations that should know better, and have more concern for workers and consumers, are squandering valuable resources on corporate takeovers.

"U.S. Steel used up \$3 billion of borrowing power and \$1.3 billion of their own cash to buy Marathon Oil. Why didn't they put that money into oxygen process plants where it's so desperately needed? That way they could compete with the Japanese, who are underselling them by 20 percent on the world market. They could fire up some tremendously under-utilized capacity and put their people back to work.

"I buy American steel for my cars. And I have to pay the higher price which squeezes my profits or gets passed on to the consumer. When U.S. Steel goes out and buys an oil company, we all feel like we've been had. A lot of companies seem motivated by sheer greed. Dupont spent \$7.5 billion to take over Conoco. In the process, it tripled its debt to \$4 billion. Dupont is paying \$600 million a year to service that debt. And none of that money produced one new job!

"But the worst one is right in my back yard. Bendix, Allied, United Technologies and Martin-

Marietta borrowed \$5.6 billion to fund their corporate cannibalism. And they didn't create one new job in the process. Somebody should have put a tent over that circus...

"We are in a downward spiral with each part of the economy pulling the others down. The little consumer looks at the unemployment figures, the worst since 1934, and he's afraid he'll be the next to lose his job...The little banker looks at the rate of bank failures, the worst in over 30 years, and he's afraid his bank may collapse. (And so are the people whose deposits are in it.) That's another whole group filled with fear and afraid to buy.

"There's a lot of fear out there because there's a lot of uncertainty out there, uncertainty about future interest rates, uncertainty about world currencies, and uncertainty about our economic policy. That's why people are driving their cars until they fall apart, two thirds of the cars purchased in 1970 are still being used. People are avoiding new purchases of any of the things that keep this economy going. Housing foreclosures are the highest they've been since records have been kept.

"If that's not a depression, I don't know what is."