

# Making Smarter Cars Instead of Stupid Decisions

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When the Big Three CEOs recently descended on Washington in their fancy corporate jets with inflated egos and high hopes for a juicy piece of the government's \$8.6 trillion corporate welfare pie, they were sent home hungry to do their homework and to write an essay about how they plan to spend bailout funds.

Undoubtedly, the executives will travel business class when they come back this week; they will each have a business plan in hand, and Congress *will* give them \$25 billion of taxpayer funds to gamble with. Equally without doubt, the money will be wasted, they will not learn from their mistakes, and they will be back again, and again, and again.

The Big Three have a track record of making really stupid decisions. Manufacturers have recklessly spent thousands of dollars per vehicle on advertising to convince drivers that they really want big gas-guzzling cars and trucks instead of the smaller fuel-efficient vehicles they really need. The car companies have foolishly peddled financing and leasing deals far beyond the financial means of their buyers, and they have vigorously opposed realistic fuel economy standards.

Overall, new car sales are down 32 percent this year and October was the worst sales month since World War II. Ford lost \$3.3 billion and General Motors lost \$4.2 billion in the third quarter, and they are quickly burning through their cash reserves. Chrysler has not reported its most recent losses, but its sales are down 31 percent and its estimated losses were \$1.28 billion in the first half of 2008.

With sales grinding to a halt and their credit ratings plummeting, the Big Three cannot borrow sufficient funds in the credit markets to survive. Like drunks on a freeway, they are racing down the fast lane without a seat belt, holding a bottle in one hand and flipping off the public with the other, daring everyone else to stop them before they crash.

The auto companies have corporate partners, manufacturing facilities and distributors in all other developed nations. Their business dealings are so entangled with foreign economies that their failure would have worldwide repercussions.

Bankruptcy would likely force a liquidation of assets rather than a judicially-supervised reorganization and would, at best, result in the destruction of the automobile unions and employees' retirement and healthcare benefit plans. However, every American worker and taxpayer would pay the price.

Elimination of the American automobile industry would send shock waves through the economy, causing the failure of thousands of automobile parts suppliers and car dealerships. Auto parts supply companies are among the top industrial employers in 19

states, and one out of every ten jobs in America is supported, in one way or another, by the automobile industry. It is estimated that the failure of General Motors alone could result in the loss of more than 15 million jobs.

Failure of the Big Three would only benefit foreign corporations who would swoop in to buy up the surplus manufacturing capacity, such as computerized robots, at bargain basement prices, and the balance of payments deficit would soar beyond calculation in the absence of domestic competition.

President-elect Obama opposes a “blank check” for the industry and says that “we should help the auto industry, but what we should expect is that ... any help that we provide is designed to assure a long-term, sustainable auto industry and not just kicking the can down the road.”

The Democratic majority in Congress appears ready to provide a \$25 billion Emergency Bridge Loan to the auto makers by either tapping into the Wall Street Bailout funds or by redirecting money already approved for retooling old factories to produce more fuel-efficient vehicles. Companies receiving loans would have to give an equity stake to the government and would be charged 5% interest for the first five years and 9% thereafter. Companies could not pay dividends to common stockholders and would have to agree to a \$250,000 annual pay cap for executives.

If the Emergency Bridge Loan is the best Congress can come up, the can *will* just be “kicked down the road” – but not very far. General Motors burned \$6.9 billion, Ford burned \$7.7 billion, and Chrysler burned \$3 billion in just the third quarter of 2008. Simple arithmetic tells us that \$25 billion will not even get them as far as July 2009 before the Big Three CEOs will return with their extortionary threats against the economy and still without a clue.

The American automobile industry can be saved; however salvation requires America’s elected representatives, including its new president, to get off their knees and to begin to think outside of the box. The industry has to be forced to make smarter cars instead of stupid decisions for its own good and for the benefit of everyone.

#### Phase One – Nationalization

As of the closing bell at the NYSE on Friday, November 28, the market capitalization (share price times number of outstanding shares) value of Ford was \$6.43 billion; General Motors was only worth \$3.2 billion and Chrysler was essentially worthless. In other words, the Big Three can be purchased *entirely* for less than half of what they are trying to borrow.

If the American people are going to invest \$25 billion in the Big Three, shouldn’t they get something more than an “equity stake?” Why not take the whole shebang and save some money at the same time?

Instead of making one of the most wrongheaded and stupid decisions in the history of financing, shouldn’t Congress simply nationalize the automobile industry for the benefit of the American public? Anything less is a fraud on the taxpayers executed by those in a position of trust.

There is precedent for the nationalization of an entire industry. As America's railroads began to fail, Congress created Amtrak in 1971 as a quasi-governmental corporation to nationalize rail passenger service. Although it has never been profitable, Amtrak continues to provide rail passenger service under conditions where it would not be available otherwise.

When the bankrupt Penn Central Railroad threatened in 1973 to end all operations unless it was provided with government aid, Congress ultimately nationalized Penn Central and a number of other freight lines into the Consolidated Rail Corporation. The story of "Conrail" has an even happier ending than Amtrak, in that it ultimately became profitable and was re-privatized in 1987.

Nationalization could force the Big Three to produce safer, more practical and more fuel efficient vehicles that could compete with foreign imports. Bankruptcy could be avoided, the union rights of workers could be protected, and employees' health and retirement plans could be salvaged.

Each of the nationalized corporations could have its own board of directors and officers; however, policy for the entire industry should be developed by a National Board of Trustees. The right to appoint trustees, directors and officers could be shared by Congress and the president.

#### Phase Two - Standardization

Conversion to the production of energy efficient vehicles cannot be accomplished immediately; however, there are some steps that could be quickly taken by a National Board of Trustees to restore consumer faith in American products and to provide financing liquidity for dealers and consumers.

The General Motors Acceptance Corporation, Ford Motor Credit Company and Chrysler Financial should be consolidated into a single entity initially capitalized by the government to make low interest purchase money loans to consumers and dealers. The creation and securitization of auto loans should be strictly regulated and audited to ensure solvency as well as profits.

The consolidated automobile credit company should also underwrite a 10-year comprehensive bumper to bumper warranty on every vehicle sold by American manufacturers.

The Board of Trustees should impose manufacturing standardization of vehicles and accessories wherever possible to improve safety and to reduce costs. Patents on new technology should be held by the Board and licensed to American automobile corporations without cost.

All vehicles should be manufactured around several standard "safety-cage" designs to ensure survivability in most accidents. There is no reason why race car drivers are able to walk away from 250 mph collisions and the members of the motoring public are disabled and die in low-speed accidents.

There could be common designs for two-, four-, and six-seat passenger and commercial vehicles and trucks, and individual companies should be encouraged to innovate in exterior

design, interiors and accessories.

Currently, each manufacturer of all-electric and hybrid vehicles has to independently design and manufacture the large batteries that provide electric power to drive trains. These batteries are expensive to design and produce and can pose environmental disposal hazards at the end of their lifetimes.

Although Toyota has sold a million Prius hybrids, it is reportedly still losing money on each one because of the initial (almost \$5,000) cost of the battery pack. Toyota provides an eight-year, 100,000 mile warranty on the batteries, and each of the 38 modules can be replaced individually at a cost of \$138. Toyota offers a \$200 bounty to ensure that all batteries are returned to the company, and it recycles every part of the battery, including the precious metals, plastic, plates, steel case and wiring.

State-of-the-art electric power batteries are currently using nickel metal hydride technology and are designed to last for the lifetime of the cars. Research is now focused on the next generation of lithium ion batteries to reduce costs and to increase battery power. Rechargeable lithium ion batteries may pose even less of an environmental hazard than current technology.

The production of a set of standardized, interchangeable batteries for the different basic automobile designs would allow manufacturing savings for all vehicles. For example, two-passenger cars would not require the same battery power as four- and six-passenger vehicles. Moreover, the batteries should be designed for easy replacement by service stations allowing the swapping of recharged batteries in all-electric vehicles to extend their range of travel.

Moreover, the outdated automobile lead-acid battery should be replaced entirely with a standard, less environmentally threatening modern battery for all vehicles. America is currently dumping 40,000 metric tons of lead in its landfills every year.

Finally, the Board of Trustees should endorse national tailpipe emission standards supportive of the needs of the most polluted states. In December 2007, the Bush administration's Environmental Protection Agency denied California's request to set higher emission standards than that required by the federal government. Every state should be fully supported in its effort to improve its own air quality.

### Phase Three - Future Transportation

President-elect Obama has called on the country to build "wind farms and solar panels, fuel-efficient cars and the alternative energy technologies that can free us from our dependence on foreign oil and keep our economy competitive in the years ahead." He has said, "We'll put people back to work rebuilding our crumbling roads and bridges, modernizing schools that are failing our children and building wind farms and solar panels, fuel-efficient cars and the alternative energy technologies that can free us from our dependence on foreign oil and keep our economy competitive in the years ahead."

This all sounds good, but how does Obama plan to make all of this happen? By 2025, the U.S. will have to import three-quarters of its expected thirty million barrels per day of consumption. Two of every three barrels of oil used in the U.S. is burned by cars and trucks

and that basic fact must be the central focus of any American transportation policy.

The final phase of forcing the American automobile industry to meet future transportation needs should oversee the improvement of the Interstate Highway System and most major streets and highways in America to provide a constant source of electromagnetic energy sufficient to power a standard automobile anywhere in America at no cost to the operator.

The technology exists to design triple-hybrid cars to operate primarily on electromagnetic energy supplied by a mutual inductance interface embedded under the surface of all highways and freeways. In addition, they can be equipped with small fuel efficient internal combustion engines to supplement rechargeable batteries for trips on local streets and byways.

Americans should be able to travel for free throughout the United States as a matter of national privilege. Workers could get to their jobs without having to slave an hour each day just to pay for getting there. Everyone would have more money to spend on vacations, and would be able to tour the country, see the grand sights, and visit with friends and relatives along the way.

Space-based solar technology can provide an inexhaustible, safe, pollution free supply of energy and is a far more logical solution than petroleum, ethanol or nuclear-fueled hydrogen systems. Satellites in orbit around the Earth and/or collectors on the moon's surface can be engineered to convert the sun's radiant energy into electricity 24 hours a day, which can be safely transmitted by microwave beams to receiving antennas on Earth.

Space solar power is not a new idea. NASA and the Department of Energy have been studying the issue for the past 30 years and have found it to be technically feasible. However, given the domination of the Bush administration by the oil industry, no research and development has been done on space solar power since 2001.

If America initially dedicated space solar power to energize its national highways, the U.S. could begin to restrict the use of its remaining fossil fuels to the manufacturing of synthetic materials and purposes other than energy. Ultimately, the entire national economy could be powered by space solar power and other renewable sources of energy, such as surface solar and wind power systems.

Although there are substantial costs associated with the development of space solar power, it makes far more sense to spend the space exploration budget on developing an efficient and reliable power supply for the future, than upon stupid and ineffective missile defense systems. On the other hand, the development of space solar power would solve one of the last major stumbling blocks to space exploration - reducing the cost of moving material from Earth to orbit.

With funding for the space shuttle ending in 2012 and for the space station in 2017, America must decide upon a realistic policy for space exploration, or else it will be left in the dust by other nations, such as Japan, China, and the European Union, who are rapidly developing futuristic space projects.

The first nation that captures and effectively makes use of space solar energy to provide low-cost transportation will dominate the world economy for generations to come and will become a much healthier and far more secure society.

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