Ford or GM: two models for auto

The U.S. auto industry has throughout the twentieth century represented some of the best tendencies in the U.S. economy and some of the worst. The best are exemplified by Henry Ford, Sr.'s commitment to develop new technologies to totally transform society, and the worst by the industry's historic adaptation to "market forces" and its efforts to simply sell bigger and fancier cars on mountains of consumer credit. These two tendencies can be seen distinctly in the methods developed in the first decade of this century alternately by Henry Ford and his "market force" competitors at General Motors.

When in 1908 Henry Ford began producing the famous Model T, he was acting on an understanding that new inventions like the automobile and new production processes like the moving assembly line were the means to transform the economy and develop labor power. They would advance the capacity of an expanding workforce to assimilate and contribute to new scientific breakthroughs and advances in technology. The Model T was designed as a well-made, low-priced utility car, aimed especially at the farm market. The Model T was used on the farm and used to bring the farm population to the city. *It played a crucial role in the urbanization of the United States.*

Ford's approach was entirely distinct from the philosophy that prevailed at the corporate offices of his main competitor, General Motors, where the emphasis from the start was always on *marketing*.

By the mid-1920s, GM had pioneered such egregious features of the modern auto industry as the annual model, auto dealerships, and the trade-in system, its own consumer credit company (the General Motors Assistance Company — GMAC), and "modern" economic forecasting methods on which the whole operation was based. Illustrative of the priorities and approach at GM, in 1926 the company brought in a team of designers from Hollywood to head a new "Styling Section" and turn market manipulation into a high art.

A production revolution

While GM was concentrating on marketing, Ford was pouring investment into improved production methods, the policy which had led to the production of the Model T in 1908. Ford was able to continually bring down the price of his autos and tractors and bring them within reach of more and more of the population through improved techniques of mass production, which greatly enhanced the productivity of the auto work force.

"For most purposes a man with a machine is better than a man without a machine," Ford wrote in his autobiography *My Life and Work* in 1922. "By the ordering of design of product and of manufacturing process we are able to provide that kind of machine which most multiplies the power of the hand, and therefore we give to that man a larger role of service, which means he is entitled to a larger share of comfort."

When it was first developed by Ford, the moving assembly line represented just such an advance in the manufacturing process which allowed for the rapid expansion of output and new capital investment, and acted as the mediation of the further transformation of the U.S. economy.

Later this process was lost sight of, and the moving assembly line became reified and increasingly the focus of "productivity drives" by the industry. Efforts to raise productivity were made not through the introduction of new technology but through hideous speed up, typified by GM's Lordstown "experiment" in the early 1970s.

In January 1914 Henry Ford introduced another major innovation in the auto industry: he lowered the working day to eight hours and raised the average daily wage to five dollars, which was twice the normal daily wage for auto workers at the time. "The payment of high wages fortunately contributes to the low costs," Ford wrote, "because the men become steadily more efficient on account of being relieved of outside worries. The payment of five dollars a day for an eight hour day was one of the finest cost-cutting moves we ever made, and the six-day wage is cheaper than the five."

Right after World War I, Ford invested heavily in the construction of what he considered the greatest development in the history of the company — the River Rouge plant on the outskirts of Detroit. The plant was situated on the River Rouge and could be directly accessed by both steamship and railroad, which greatly reduced transportation costs. The huge plant utilized economies of scale and was designed as a fully-integrated operation. The steel, glass, and other materials that went into Ford cars and tractors were produced at the complex, and waste by-products from one industrial process were utilized in others. Ford was especially proud of the fact that the steampowered industrial complex was fired almost exclusively with what would otherwise have been polluting waste products, such as the gas by-products of the coke ovens.

Ford had expected the River Rouge plant to sharply lower his production costs — which it would have done under conditions of a continuously expanding world economy and demand for U.S. goods of all types. However, the completion of River Rouge coincided with the onset of a prolonged depression in the U.S. farm sector and the sabotage of overall U.S. export capability, which was ensured by the system of debt reparations imposed by the Versailles Treaty. Thus by 1926 Ford Motor Co. was in serious financial shape, especially in view of the $40 million in capital investments recently made.

Auto industry historians like Alfred D. Chandler wrongly attribute the 1920s financial crisis and decisive turning point in the history of Ford Motor Co. to Henry Ford's stubborn adherence to the "old ways." But the financial crisis at Ford Motor stemmed from the profound political crisis of the period— the absence of an effective humanist leadership armed with policies to avert worldwide depression and war and to foster global industrial development. Despite the important achievements to his credit, from the standpoint of self-conscious understanding of scientific political economy, Ford represented an attenuation of the tradition of Alexander Hamilton and Henry Carey. He was thus susceptible to escalating operations against him — he was attacked as a "Communist" for wanting to expand trade relations with the Soviet Union, profiled on anti-Semitism by British agents in the U.S., and set up for confrontations with labor by "right hand men" like Harry Bennet. And he came under increasing pressure to adapt to the General Motors model. The major assault on the company, however, came following World War II, when the Harvard Business School-U.S. Air Force "whiz kids" invaded Ford Motor, including Robert McNamara.

The GM model: "making money, not just making cars"

From its inception in 1908 General Motors was geared to the "reality" of "market forces." In that year William C. Durant put together his own Buick Co. with Cadillac and Oldsmobile to form the General Motors Company, and soon purchased ten automobile, three truck-manufacturing and ten parts-and-accessories companies through the issue of GM stock.

Within two years of GM's formation, a slight business recession and drop off in demand for autos caught Durant in an overextended financial position and nearly put him out of business. Durant was forced to borrow $12.75 million from a syndicate of bankers led by Lee, Higgenson & Co. of Boston and J. & W. Seligman & Co. of New York, and relinquish control of his company. However, by 1915 Durant had maneuvered back into the driver's seat and maintained control of the company with the financial help of the du Pont family and J. P. Morgan and Co. During the 1920 credit crunch, however, he ran into severe personal financial difficulties and was unseated by the Morgan bankers. J. P. Morgan and Co. and the du Ponts remained the dominant interests in General Motors for many years.

What concerns us here are the policies forged at General Motors, because they set the trends for not just the auto industry but for the entire U.S. economy.

Alfred P. Sloan, who had been trained in engineering management techniques at the Massachusetts Institute of Technology and took over from Durant in 1920, recollected in his autobiography *My Years With General Motors*: "The primary object of the corporation was to make money, not just to make cars." Sloan himself was responsible for the idea of the annual model. He brought in the team of Hollywood designers to profile consumer tastes and move in on Ford Motor's market share at the point in the early 1920s when the market began "levelling off." The annual model and proliferation of unwanted "special features" were also the means for concealing constantly escalating prices for cheaper cars.

As early as 1919, John J. Raskob, GM's treasurer and long-time financial advisor to Pierre du Pont, created GMAC to finance purchases of GM cars by both consumers and dealerships, at a point when national income was headed for a nosedive. The complementary marketing "discovery" of the trade-in — whereby used cars are traded in as a down payment on new cars — allowed the automakers to unload their new model cars every year, and put the onus on the dealer to make up his loss through sales of used cars. Hence the genesis of the despised used car salesman.

Another one of Alfred Sloan's innovations as head of GM was to institute decentralized management, as opposed to Ford's centralized direction of his company. This system of management, which was widely adopted throughout the U.S. economy, evolved into the "profit center" concept. This induces different divisions of a corporation to compete with each other and extract maximum productivity from management and workers alike.

The extreme expression of this tendency was realized in GMAD — General Motors Assembly Division, founded in 1965, and especially at the GMAD unit located at Lordstown. The assembly line at Lordstown and the assembly line as conceived by Henry Ford, Sr., are worlds apart. At Lordstown, drugs, "sensitivity sessions," and every variety of industrial brainwashing are administered to assembly line workers, in cooperation with leadership elements of the United Auto Workers, to induce speed up. This is the compensation for the fact that the whole auto industry has made no major gains in real productivity since the days of its originator, Henry Ford, Sr.

—Lydia Dittler