I am pleased to engage in a dialogue on employment in the automobile industry, especially on the 50th anniversary of the sit-down strike at the Fisher Body plant in Flint, Michigan. Too often in the academic journals there has been a refusal to debate the fundamental questions surrounding labor unions and their practices.

In my interested opinion, my article (Reynolds, 1986b) withstands criticism (Cohen and Fulton, 1987) quite well, although I want to amend the correlation between the General Motors pay premium and automobile industry employment. The article was not an attack on the United Automobile Workers or on General Motors Corporation, but a plain vanilla application of supply-and-demand analysis to the automobile industry and the Saturn agreement. The language of warfare is misleading in commercial matters. No one is assaulting the UAW or UAW-organized firms; instead, the marketplace for automobiles and automobile labor has become a more diversified place than the UAW had become accustomed to. Donald Ephlin, vice-president of the UAW's General Motors Department, put the main UAW response to all this inconvenient competition succinctly: “We need help in Washington quickly” (Automotive News, December 22, 1986, p. 26).

1. The Net Impact of the Saturn Agreement on Jobs

No one doubts that spending $X billion on a new factory in Michigan or Spring Hill, Tennessee, plus billions more on payroll and supplies each year raises employment directly and indirectly in the favored location. But we must study the general consequences of a change in conditions. The larger issue is the long-run impact of the Saturn-UAW agreement on employee choice in labor representation and on the operation of successful non-UAW automobile plants in the United States. These indirect effects are negative.

If there were any doubts about my thesis on the location of Saturn, UAW President Owen Bieber has erased them. According to the Monthly Labor Review (October 1986, p. 25), at the 1986 UAW convention Bieber “pleaded with the delegates not to tie the hands of the executive board by abrogating the [Saturn-UAW] agreement and thereby create another unorganized auto plant. The Saturn experiment was a conduit through which the UAW would get its foot in the door of a
right-to-work area and then branch out to organize the nearby Nissan factory in Smyrna, TN, and the proposed Toyota plant in Georgetown, KY." Bieber's words suggest that the UAW would find it nearly impossible to organize employees at Saturn without a pre-hire agreement.

Cohen's and Fulton's belief that Saturn will be an entry-level small car is out of date. Predictably enough, a scaled-down $2 billion Saturn complex with 3,000 jobs will produce an up-scale compact like the Honda Accord slotted somewhere in the Pontiac-Oldsmobile-Buick range (Road & Track, January 1987, p. 102; Car & Driver, January 1987, p. 26). Financial losses and market pressures no longer allow GM to indulge in expensive unionization projects like the original Saturn. As I wrote earlier: "Profitable production of small cars on these terms is impossible. . . . There are reasons to be skeptical that the GM scheme will work. . . . Saturn goes only half-way in solving GM's labor cost problems" (Reynolds, 1986b, pp. 117, 120).

2. UAW Ideology

Nineteen eighty-seven is a collective bargaining year in the automobile industry, so headlines carry UAW rhetoric and strike threats. While not identical, the new UAW spirit of cooperation resembles the old.

Soothing words from a Ford manager are easy to find. Managers are necessarily concerned with harmony and productivity. In any business enterprise the opposite characteristics are anathema: conflict, discoordination, and inefficiency. A 1986 UAW strike over outsourcing at Delco Electronics Cooperation idled 20 GM plants and managers responded: "We still have some work to do" on the just-in-time inventory system; "We're serious about partnership"; American companies should put the traditional adversarial relationship aside; "We must find ways to reach out to each other" (Automotive News, December 8, 1986, p. 24). As Lee Iaccoca (1984, p. 312) summed it up: "The mere threat of a work stoppage was the most frightening thing we could imagine."

Union words continue to be unsoothing: "GM is trying to see what they can get away with"; "You can only kick people for so long"; the atmosphere of teamwork has been poisoned by recent GM moves; the UAW is "turning up the heat on GM executives on performance and bonuses"; the UAW seeks to make outsourcing a strikeable issue; and the Canadian Auto Workers [CAW] are "undercutting us" (Automotive News, January 5, 1987, p. E9, and December 22, 1986, p. 26).

3. Was Chrysler a Case of Government Charity?

Charity (alms-giving) may be the wrong word because most Chrysler investors, managers, UAW members, and suppliers are not poor. Put more precisely, the federal government intervened in the financial markets through loan guarantees. Chrysler Chairman Lee Iaccoca (1984, pp. 192-256) repeatedly said that "I don't know any other way we could have survived."