World Trade by Leif Johnson

Taking the U.S. for a ride

'Domestic content' legislation would raise auto prices, wreck the industry, and promote trade war.

A bill in Congress sponsored by one of the leading Global 2000 enthusiasts would raise the price of autos in the United States by at least $1,500, reduce auto employment, make locating foreign assembly plants in the United States prohibitive, and possibly trigger an international trade war. Entitled highmindedly "The Fair Practices in Automotive Products Act," the bill is a shoo-in in the House; it could pass the Senate as an amendment and be stuck to the President just before election time.

The legislation (H.R.5133, S.2300) would require that above the first 100,000 units, an increasing percentage of "domestic content," i.e. parts manufactured in the United States, be contained in imported autos, beginning with the current 1983 model year. That would immediately eliminate 1.4 million of the present 1.68 million cars imported from Japan.

The Japanese of course have no "domestic content" law, no import restrictions on autos from any nation and, unlike the United States, no tariffs on imports.

Primarily because of high U.S. interest rates, U.S. manufacturers cannot compete with the Japanese. Instead of Japan's 90 hours of labor per unit, the U.S. average is 120 per car, while interest rates in the United States are at least double those in Japan. For example, long-term industrial bonds, carry a 15.0 percent rate in the United States while comparable bonds in Japan are currently 6.6 percent.

If, because of the Federal Reserve System's usury, the companies cannot reduce costs to Japanese levels, they could easily increase prices once the major source of competition were banned.

Like the steel industry, auto production would accelerate its move out of household cottage industry.”

The Ottinger bill is simultaneously a lesson in the economics of the auto industry, a case study in how the "de-industrializers" operate and a reminder how gullible the average American can be.

If 1.4 million Japanese autos were excluded from the United States, the immediate impact would be felt by the car buyer. Comparable domestically produced units cost an average of $1,500 more than Japanese imports when reliability and longevity are taken into consideration.

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