Expanding Empire Chapter 3: How Big 3 auto makers expanded, while over 300 others died

written by Struggle - La Lucha
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Editor's note: The book "Expanding Empire" was written in 1968. The figures for the auto industry are from that time. The economic patterns pointed to in this chapter have continued to this day. Chrysler, referred to in the text as the weakest of the Big Three, has been taken over by the much bigger Daimler-Benz corporation of Germany. Chrysler couldn't expand fast enough, so as a separate company it "died."

Senator Chauncey Depew's 1904 speech at the Republican National Convention, stripped of its chauvinist cockiness and demagogic appeal to labor, really does present the classical dilemma of modern capitalist production. It's a dilemma that seems—but only seems—to have been overcome in modern times. Actually the dilemma has now expressed itself in warfare rather than economic competition.

The U.S. is exporting bullets and napalm to Asia because it cannot export all the commodities it wants and needs to. The bullets and bombs are meant to blast the way open to the continued export of capital goods at a continually expanding rate.

To show that this isn't just a literary analogy, to show that the compulsion to "expand or die" is a very real and concrete one, let's take the case of an auto manufacturer at the turn of the century.

If a highly skilled and inventive machinist in those days worked on producing an automobile, he or she might have done so with a year's labor, producing an extremely crude version of today's glittering chariots. Deciding that perhaps a thousand such automobiles could be sold, the manufacturer would borrow a couple million dollars and buy a great deal more machinery.

But then, if after a year or two, only 500 people were to buy the automobiles in a given year—perhaps because another manufacturer was now making the contraptions more cheaply—the machinist-now-capitalist would feel that the machinery was not of much use. Now, however, the manufacturer cannot go back to the earlier situation, because the banks and other backers are owed a great deal of money.

Also, the character of the machinery has changed. The functions have been divided up, with one whole plant department producing fenders, another one engines, steering wheels and so on. The manufacturer could only go back to the earlier methods by junking millions of dollars worth of equipment—and also by raising considerably the price of the product, which people had become accustomed to buying much more cheaply, relative to its quality, than before.

What to do? The rising manufacturer may fail, that is, “die”—while a still bigger producer of automobiles takes over the market and, if the failed manufacturer is lucky, buys the second-hand machinery. This happened literally hundreds of times in the early auto industry.

Or the manufacturer could get a still bigger loan for still more efficient and bigger machinery. And then either produce cars more cheaply or sell better ones for the same price as the previous ones and thus get a lot more customers.

Only now, it has to be an awful lot more customers.

Sales of 1,000 autos are no longer enough to pay the “overhead.” Sales have to expand to keep up with the expansion of the necessary equipment. The manufacturer sells more, borrows more, builds more, and expands rather than dies.

Has to sell abroad

At a certain point in this process, the internal market in the United States is no longer enough, or rather, there aren't enough people with money to buy. And so the manufacturer has to sell abroad. If this can't be done, the manufacturer is up against somewhat the same problem that was faced when only 1,000 units had to be sold to stay in business.

The manufacturer "solves" the problem by not only selling abroad, but even building factories in dozens of foreign countries in order to beat the foreign tariffs, exploit lower-paid foreign labor, and keep the profits out of the hands of the U.S. government.

In the meantime, however, most of the competition have "died" and by the 1960s only three major auto-making companies remain with a couple of minor auto and truck manufacturers.

"It cost me $34 million," remarked Henry J. Kaiser somewhat ruefully a few years ago, "to find out that I was too poor to get into the automobile manufacturing business." The automobile manufacturers, like all other manufacturers in the United States, must expand or die.

Simple and clear as this proposition is, very few businesspeople will admit it in words although every single one of them demonstrates it in deeds.

The compelling logic of the proposition has nothing at all to do with the personal goodness or badness of these capitalists, nothing to do with their desire to be generous or ungenerous to their employees. Just as the laws of competition compel them to try to keep wages below a certain maximum and get a certain minimum of work from their laborers, so the forces of the market and the capitalist system of production compel them to expand into foreign countries.

It doesn't matter whether they love the people of the foreign country where they expand or whether they hate them. And it doesn't matter whether they believed in isolationism or interventionism when they began this process. They are red-hot interventionists before they finish.

Because they have to expand or die.

The conscious desire to plunder the oppressed peoples abroad is not usually absent, of course, but the point is that even if the auto producers were most sensitive to the needs, sentiments, culture of the foreign countries concerned, they would still plunder them to avoid "dying."

And the capitalist has a special way of plundering the colonial or "undeveloped" countries.

Later, has to export capital goods

The automaker cannot sell passenger cars to any great extent in Egypt, Ghana, Algeria, etc. But those countries badly need bulldozers, trucks, power shovels, locomotives—all of which General Motors happens to manufacture. But it seems that they just don't have the money to buy them. Lo and behold, another American capitalist does have the money and is willing to buy the items and put them to work—with low-paid colonial workers doing the work, of course.

And in return for this service, the U.S. buyer gains the profits of colonial exploitation, the auto company again expands, and the mines and plantations of foreign countries yield their wealth up to the U.S. capitalist.

This process is called the export of capital goods, and was seldom mentioned as such even in the relatively frank revelations of the imperialists at the turn of the century. It creates an economic colonialism and can tie the colonial country even more tightly to the country of the exploiting corporations than royal edicts, the reign of "Colonel

Blimps,” or any of the other old-fashioned habiliments of empire.

This absolutely cannot be done effectively, however, without the intercession of the big banks. These banks not only rule through loans, financing, etc., to the colonial or semi-colonial country. By their domination of the industrial corporations at home, they penetrate ever more deeply into the countries where “investment” takes place.

At a certain stage in the development of each big automobile company, the big banks take over the real ownership and to a very great extent the management, just as they do every other big business in the country. Nowadays, the banks don’t just take over corporations. They start them in the first place.

General Motors, U.S. Steel, Bethlehem Steel, General Dynamics are outstanding examples of bank-initiated corporations.

Since the end of World War II, a most important feature of the export of capital—running neck and neck with and sometimes outstripping even the oil and mining industries—is the export of whole factories and the still further exploitation of the labor of the recipient countries.

During the year 1957, the Ford Motor Co., for example, produced and sold 2,211,773 cars and trucks in the United States. It produced and sold 383,066 in factories outside the U.S. and Canada.

In 1966, there were roughly 30 percent more Ford cars and trucks sold in the United States than in 1957—3,003,862.

But in foreign countries (excluding Canada) in the same year there was more than a 200 percent increase—to 1,167,473.

This increase in Ford overseas production was mainly due to the opening of new plants in Britain, Germany and Latin America and enlargements in Australia during the period. By 1968, Ford had 25.8 percent of the British auto market. Chrysler, GM and Ford are all in Britain and have far more than 50 percent of the market among them.

Ford of Australia had 15 percent of that country's market in 1964 and 18.5 percent in 1965. Ford built a plant in the Philippines in 1967, as did Chrysler and GM earlier. The point, let us repeat, is not how much Ford dominates foreign countries, but how dependent it has become on this domination for its profits.

Even more dramatic than the dependency of Ford upon the foreign market in cars and trucks made in Ford plants abroad are the facts about tractor production.

Small tractors are usually farm tools. Larger ones are generally used in construction and other heavy-duty work.

In 1966, U.S. Ford produced and sold 38,620 tractors; Ford Overseas produced and sold 79,768.

The story of GM varies in some of the details. Big as it is, it is relatively smaller abroad than is Ford.

Whereas GM produced and sold 5.5 million cars and trucks in the U.S. and Canada in 1966, its total sales from overseas plants were "only" 1.16 million.

Its first big overseas acquisition was Vauxhall Motors of Britain in 1925 and the Opel Automobile Works in Germany in 1929. Britain and Germany were torn apart again and millions killed in World War II, but Vauxhall and Opel are doing just fine.

Chrysler makes a great leap sideward

Chrysler, weakest of the Big Three, is striving mightily to save itself at home by catching up abroad. It wasn't until 1958 that Chrysler acquired Simca

Automobiles—the third-largest French producer—for $147 million. And it was still later that it got Rootes of Britain for $75 million, and established British Dodge.

"Until the latter half of the 1950s," says a 1965 report to stockholders, "the Corporation was principally an exporter [of autos and auto products rather than capital—V.C.] rather than an overseas manufacturer."

Now, however, Chrysler makes cars in Argentina, Australia, Britain, France, Greece, Mexico, the Netherlands, the Philippines, South Africa, Spain, Turkey and Venezuela, as well as the United States.

Twenty years ago, not only Chrysler's foreign empire, but also much of Ford's and GM's didn't exist either.

Ford went into Canada, the biggest U.S. colony, as early as 1904—just one year after the Ford Motor Co. was founded. But its first overseas basic plants were not erected until 1924 in South Africa and 1925 in Australia, while GM acquired Britain's Vauxhall the latter year. The Canadian plants exported cars to the British Commonwealth countries—at reduced customs—for years. But those days are gone. Now, and especially since World War II, whole plants are exported.

The automobile business presents only the most dramatic aspect of the story—as oil presents the most outrageous in the plundering of the colonial countries' irreplaceable natural resources as well as the super-exploitation of the people's labor. Auto and oil alone probably account for 40 percent of the whole foreign investment. But the story goes on and on.

On the one hand, it means more and more domination of other countries by the U.S. corporations. On the other hand it means a greater and greater dependency of U.S. capital upon the continuation of this domination.

This was accented almost humorously on Dec. 17, 1967, by none other than David

Rockefeller, president of the almost all-powerful Chase Manhattan bank, speaking on NBC-TV, which his bank controls.

In a rare interview, he was asked about the British opposition to the growing U.S. financial takeover. The questioner referred to the fact that even the British Parliament had discussed the question with some alarm—particularly the U.S. control of the British auto industry.

Rockefeller, who had been all sweetness and light about "our urban problems," etc., suddenly blurted out that the answer to Britain's and other foreign countries' problems was "not less U.S. foreign investment, but more." And this, moreover, in the face of the U.S. government program to try to cut down on foreign investment until the balance of payments—and the gold supply—are under control again.

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