Profit Isn't Everything: Memoirs of a Fictitious Auto Czar

As told to Ralph Gomory

When the Administration finally made up its mind to go ahead and install an Auto Czar, almost no one thought of me. When my name finally emerged from the selection process, it was a choice that gave new meaning to the term dark horse. Even when I was trotted out onto the national stage I remained just a dark blur to most people. No important person had backed me with any real enthusiasm; rather the other candidates all developed various fatal flaws and were reluctantly dropped.

How well was I qualified? Well, that depends on how you look at it. Sometimes ignorance itself can be a qualification. It has been said that the only unbiased reviewer of a book is someone who doesn't bother to read it. When it comes to knowing about cars I am proud to say that in a pinch I can shift gears manually, but that is both the beginning and end of my special auto industry knowledge. If ignorance is a qualification, as it sometimes is in Washington, I was well qualified to be Auto Czar.

But there are some things I do know. As a long time Business School Dean I do have more perspective on business in general, and a better grasp of its history, than most people do. And, curiously enough, it was that knowledge, rather than what I didn't know, that in the end caused my difficulties.

In the beginning it felt good to be a Czar. As a history buff I knew that I was, though at a great remove, inheriting the mantle of Julius Caesar. The Roman Emperors were all called "Caesars" in his honor and the title went on in various forms for more than twenty centuries. It was Russianized into the Russian Tsar and Germanized into the German Kaiser. Now I was Auto Czar, a distant descendant of Julius Caesar.

Like Caesar's Gaul, my Autoland, was divided into three parts, but in contrast to Caesar's proud boast "I came, I saw, I conquered", my fate is better described as "I came, I saw, I failed."
I Came:
As soon as I got to Washington I was briefed by several Administration officials. All the briefings were basically the same. I was to get a plan from the auto companies that would make them profitable as quickly as possible. It sounded simple and straightforward enough.

I did have some misgivings about this strictly profit oriented approach. I had been in business schools long enough to remember a different era, a time when business schools taught a sense of wider responsibility. I could even remember the "Treaty of Detroit," the 1950 deal in which labor and management agreed to split the benefit of future increases in productivity. But I also knew that these ideas had subsequently been discarded and replaced by the notion that the sole function of the corporation is to maximize profits for its shareholders.

So I accepted my assignment and got to work.

I Saw:
I met with the Auto CEO's one-by-one. At each meeting we discussed what they had to do. Not one CEO winced. Profitability before anything else was old hat to them, so they came back quickly with plans.

Despite small variations from company to company, the basic strategy was always the same. All the companies already had considerable foreign-made content in their cars. By far the quickest way to profitability was to sharply increase that foreign content. With their experience they knew exactly how to do it. All they had to do was shut down most of their U.S. plants, cut off their remaining U.S. suppliers, expand their operations in Asia and import more and more. They would be profitable in two years. Any other option would take much longer.

Even though I was not known for my political sensitivity, you can easily imagine that these plans made me pretty uncomfortable. True, I had asked the CEOs for the swiftest route to profitability, and true they had responded with just that. Nevertheless I felt in my bones that Congress would react negatively when it saw the offshoring and job losses that our profit-only oriented approach had produced.

I started to talk to people both in the Administration and in Congress to get their reaction to the plans. Listening to their reactions was, to say the least, revealing. I learned something that, in the end, made my whole experience as Czar worthwhile.

I learned that no one in authority, whether in the Administration or in Congress, had any coherent idea of what they wanted of our American corporations. Everyone who saw the plans realized that profitability alone was not giving them something they could live with, but when it came to a coherent picture of the something more they wanted, all of them, the Senators, the Representatives, together with all their advisers, just floundered around.

In our discussions all sorts of ideas were tossed about. Some wanted to require more production of the smaller, more fuel-efficient cars; unfortunately that was likely to affect profitability as it was the big cars that were profitable. Others wanted to push advanced technology, but that had great risks. Then there were proposals for lower wages and pensions to bring the unfortunate
autoworkers, the beneficiaries of the Treaty of Detroit, back down to the level of workers in poorer parts of the country. From time to time I even mentioned some of my own reservations about the profit-only approach.

During all these discussions we had the example of the Finance Industry directly before our eyes. Finance too was being rescued but since they could be expected to be profitable if they survived the present crisis, there was no requirement that they change their behavior at all. Although their single minded and highly successful pursuit of profit at any price had brought nations around the world to their economic knees, the government delivered its massive support to the financial institutions for them to use entirely as they saw fit. They did not suffer the inconvenience of having an outside Czar at all. Their situation looked awfully good to the Auto companies.

Fortunately I never had to make a decision about the CEOs' plans. As soon as it became clear that this Czar was actually thinking thoughts and talking about things that went beyond maximizing profitability, some funny things started to happen.

**I Failed:**
The conservative press now weighed in. After much searching they had found a little-known academic, a third cousin twice removed of my wife, who believes that in today's world, the U.S. needs to do more that just leave the market alone. This rather innocuous figure now emerged in the press coverage as a powerful full-blown Socialist. I was urged to publicly disown him and refused. Instead my wife and I went ahead and invited him, as we had always done before, to our big New Year's party.

Next were interviews with people who had been in the third grade with me. Some obligingly confided that I had been an odd duck then and they were not surprised that I had odd ideas now.

The negative coverage went on and on and in the end the stream of revelations was too much for my political sponsors who had been lukewarm about me anyway. It became apparent to them, as they are kindly and thoughtful people, that I needed to spend more time with my family. And by then they weren't sure a Czar was a good idea anyway.

My good fortune was that I didn't mind. It had become quite clear to me that the country's leadership was entirely at sea on an absolutely fundamental point - they had no idea what America should ask of its corporations - other than profit. Did they want corporations to provide rewarding jobs that create and sustain a middle class? Did they want corporations to provide a large and growing national output - the GDP? Did they want them to provide technical and production capabilities that support the country's military security? Did they want any of these things if there was any cost in profitability?

With no answers to these questions for either the Auto or Finance industry, they had no idea what change in behavior, if any, to ask in return for the huge cost of the rescues and to avoid the recurrence of disaster.
I was certainly no Julius Caesar, but even Julius himself would have had a hard time leading his legions to victory if everyone he talked to had an entirely different idea of where Gaul was, and what he should do if he ever got there.

But by this time I was starting to have some new thoughts of my own, so despite the embarrassment of being such a short-lived Czar, I really welcomed the chance to go home and think. I was encouraged by seeing that others were thinking along the same lines. My academic blood pulsed at the thought of doing research on this great topic and I could see in my mind's eye the title of my next book. It would be called "The Social Purpose of the Corporation."

It is almost ready now.