

Bail Out or Build Anew

by Dan Jacoby

As speculation continues over whether, and how, the Bush administration will choose to tap the TARP for \$14 billion to bail out two enormous, domestic-owned automobile manufacturers, little discussion is given to whether there is a better way. While people debate the wisdom of keeping alive companies that have made many terrible business decisions in the past, nobody is debating whether to switch from automobiles to some other form of transportation. We should.

Our blindness to transportation systems other than automobiles is nothing new, and is the result of decades of propaganda, as well as monopolist and other crooked business practices, in the auto industry and related businesses.

As early as the 1930s, General Motors conspired with companies such as tire-manufacturer Firestone, Standard Oil of California, and others to replace the streetcars that provided cheap, clean and reliable transportation in our cities with buses. The result of the "Great American streetcar scandal" was that the companies were fined the gargantuan sum of \$5,000, and top executives were forced to fork over an entire dollar each, while auto sales boomed.

By the mid-1950s, General Motors' decades of lobbying resulted in the creation of the Interstate Highway system, paid for in large part by federal funding. Much of the federal funding was allocated from the Department of Defense; the original bill was known as the "National Interstate and Defense Highways Act". President Eisenhower, an enthusiastic supporter of this highway system, was inspired by his participation in the 1919 "Transcontinental Motor Convoy," which was put together by the Lincoln Highway Association (LHA).

The LHA was conceived by automobile and auto parts manufacturers in 1911, primarily Carl Fischer, who manufactured headlights and created the Indianapolis Speedway racetrack. Their first project was the creation of the privately-funded "Lincoln Highway," the nation's first transcontinental road system. The Lincoln Highway wasn't particularly good, and when Lt. Col. (later President) Eisenhower took part, he began to believe in the need for a road system that could be used for troop transport.

As a result of the Interstate Highway System, auto sales boomed again, while intra- and inter-city rail systems suffered.

Now we are paying an enormous price for General Motors' business decisions and lobbying efforts, and the work done by other auto parts manufacturers. The Arab oil embargo of 1973, the kidnapping of Americans in the Middle East throughout the 1980s, the Gulf War of 1991, the 9/11 attacks, our current occupation of Iraq, and all the death, destruction and economic disasters that resulted could all have been avoided if only we had ignored what General Motors wanted.

Perhaps it's time we learned from our past mistakes.

I'm not suggesting we simply allow General Motors to go bankrupt. That conglomerate is far from the arrogant monopolist and crooked schemer that it was sixty years ago. I am suggesting that we require, as the price for being propped up, that General Motors dramatically alter what it does. We need to get out of our cars and trucks and into something that is cleaner, better for national security, and, properly handled, cheaper. We need to get on the train. America is desperately overdue for an integrated, high-speed, fully-electrified, nationwide, combined passenger and freight rail system.

Currently, all freight rail in the country is diesel-powered. Diesel-powered locomotives are dirty, noisy, and limited in power. By contrast, electric-powered freight rail systems could be far cleaner, much quieter, and significantly more powerful. Longer trains could move faster, create less pollution and noise, and deliver far more goods, at a far lower price, than the current system.

In addition, a ramped-up electric-powered freight rail system would take hundreds of thousands of long-haul trucks off the road. This would reduce demand for oil by tens (or hundreds) of millions of barrels per year, dramatically lowering our dependence on foreign oil.

Moreover, the increased demand for electricity would not only require the building of new power plants, wind and water turbines, solar power stations, transmission lines and all the parts and accessories associated with electricity generation, but would also create the domestic manufacturing and construction jobs that could power our economy.

It may not be possible for GM to change what it does, even if it were to get billions of dollars from the federal government to make the change. GM has made locomotives and rail cars in the past, but the divisions it created for that purpose have been spun off. On the other hand, they've done it before, so perhaps they can do it again. Certainly they are large enough to create new divisions, especially if they want to shut down one or two current divisions as they recently closed down Oldsmobile.

On still another hand, there are many, many U.S.-based companies that manufacture locomotives and locomotive parts. These companies would have to hire hundreds of thousands of Americans, and could take up the slack should GM or Chrysler fail. Perhaps, instead of bailing out GM and Chrysler, the government should invest in these other companies so that they can expand to meet the new demand as we build a nationwide rail system.

A compromise plan would have the government help domestic-owned car manufacturers through the current economic crisis in order to ease the shock of bankruptcy, while simultaneously moving away from subsidizing road travel in favor of rail. But we must do it properly. We must make sure that the car manufacturers don't simply buy out the smaller rail industry suppliers. That means strengthened antitrust laws and requirements that government contracts in the rail industry be spread around.

We should take as our model the work done by then-Senator Harry Truman. His "Truman Committee" (officially the U.S. Senate Special Committee to Investigate the National Defense Program) was established in 1941, and not only rooted out waste and fraud but also ensured that many lucrative contracts would be awarded to smaller companies. It saved billions of dollars. A similar investigating committee could help ensure that we build the vast rail system with help from dozens, or hundreds, of small businesses, and at a far lower cost.

This won't happen overnight. Construction of a high-speed, national rail system, with all its components, will take years, perhaps decades, to complete. But we have an opportunity to begin the process right now. There is a demand for the federal government to create jobs, much as it did under the WPA. The recent spike in oil prices, and its effects on our economy, proved the need to reduce dramatically what George W. Bush called our addiction to oil. The largest national security issue of the past 35 years, relations with Middle Eastern countries and organizations, is based on our dependence on oil, and is in desperate need of change.

All of these problems can be addressed, both in the short and long term, by the creation of a national rail system. We won't finish the job any time soon, but we should start now.

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