

Remarks by L. A. Iacocca, Chairman of the Board, Chrysler Corporation, at the University of Michigan Commencement Exercises in Ann Arbor, Michigan, on April 30, 1983

Thank you, Harold and good morning, President Shapiro, faculty members, honored guests, and graduates.

Let me be the first to congratulate you. And for good reason -- Michigan is a tough and demanding school. You should be proud of what you've accomplished during the past four or five years -- especially when you consider the extraordinary times you have lived through while you were studying here.

America's landscape was dotted with gas lines when most of you arrived in Ann Arbor. Now, there are food lines. In between, you coped with sky-high inflation, a painful recession, reduced financial aid to college students, and -- most terrible of all -- a monumental lowering of your expectations for the future.

As Yogi Berra is alleged to have said, "the future ain't what it used to be." That used to be a funny one-liner. Today, it's the way many Americans feel.

It's hard to "think positive" in an age of double-digit unemployment... factories that are operating in first gear... and at half-speed, and a national economy that's gasping under the load of huge budget deficits.

Now, it's bad enough to be glum about the future when you're my age... but it's a tragedy when you're a bright-eyed college

graduate with a brand-new diploma in your hand. You've worked hard to get where you are... your family worked hard... even your teachers worked hard. And you know what? It breaks my heart that I can't say to you today that you've got the world by the tail.

I started my career in those happy days at the end of World War II (that's the war in all those old Ronald Reagan movies!) and let me tell you, we felt a lot different. Back then, it was easy for Americans to dream big. A new home cost eight thousand bucks. A new car cost eighteen-hundred. A college degree was the ticket to success.

In fact, we were so eager to get going that my college didn't even dare to slow us down with a commencement speech at graduation. Maybe Lehigh had the right idea? Now, that's really progressive! (Maybe it'll catch on!)

Well, times have changed. America's economic foundations have gotten a bit shaky. And you folks have a difficult road ahead of you. But that doesn't mean you should lower your sights, or -- worse yet -- give up on America.

Our free-enterprise economic system is still the best there is. We've still got the freedom to do what we want... to work where we want... and do it the way we want. America still has the people and the resources to be a world-beater.

The only thing we seem to be missing is the determination that once pushed America to great heights. That's where you folks come in. I want you to get damn mad about the current state of affairs. I want you to get so mad that you use your new degree and your common sense to kick America off dead-center.

A little righteous anger really brings out the best in the American personality. Our nation was born when 56 patriots got mad enough to sign the Declaration of Independence. We put a man on the moon because Sputnik made us mad at being Number Two in space. Getting mad in a constructive way is good for the soul -- and the country.

Back in 1979, the Wall Street Journal advised me to let Chrysler Corporation quote -- "die with dignity" -- unquote. After all, we were flat broke. Our plants were industrial museums. The Michigan State Fairgrounds were full of our unsold cars.

I got mad. (By the way, the Wall Street Journal usually makes me mad!) My colleagues in Highland Park got mad. Tens of thousands of Chrysler people all across America got mad. Our labor unions, our suppliers, and our lenders all got mad. We got so mad, we banded together, we talked things over, and working together, we fixed what was wrong at Chrysler.

We doubled our productivity. We rejuvenated our factories. We cut our costs. We started building the highest quality cars and trucks made in America. We offered our customers the best values in the business.

In short, we turned things around. Now, we're selling cars and making lots of money. Last month, we even sold 26 million shares of new stock and raised one-half billion in the equity market.

Sure... we needed the government's help. We took out a federally guaranteed loan (just like many of you did to pay your

tuition). But co-signing for Chrysler hasn't cost the U.S. taxpayers a nickel. Quite the contrary: the federal government is making money off the deal (millions per month) and 600,000 American workers are still paying taxes and not collecting unemployment insurance!

This story has a moral. Wonderful things can happen when Americans get mad. I think some well-directed anger can cure most of what's wrong in America today. Let me give you a few for-instances:

For starters, we should all be mad about the hosing we're getting in the field of international trade. Some of our trading partners believe that their markets are their markets... and that our markets are also their markets.

While we preach the joys of free trade, they come up with ingenious ways to discourage the sale of U.S. products in their countries... and encourage the sales of their products over here.

Consider Japan. Last year, the Japanese sold us about 20 billion dollars worth of products more than we sold them (two-thirds of which were cars). That's a hell of a trade deficit... in 1 year in one country, and of course there are four big reasons for it:

First -- The yen is undervalued against the dollar by at least 10 to 20 percent, which makes Japanese products that much cheaper than their U.S.-made equivalents.

Second -- Japanese companies enjoy a variety of tax incentives that reduce the costs of manufacturing goods for export. This gives Japanese-made products an even bigger cost advantage.

Third -- The Japanese marketplace is protected by a festival of crazy performance requirements and bureaucratic red tape that makes it all but impossible to sell many kinds of American goods to Japan. In 1982, for example, Japan shipped us about 2 million Japanese cars. We shipped them about 20,000 American-made cars in return. That's 100 to 1.

Four -- The Japanese openly protect industries that are in their national interest. In other words they target industries they want to protect (or exploit) as official government policy. The list runs from citrus fruit and beef to high-technology laser components.

Well, international economics can be complicated, but in this case it's simple: Japan has exported its unemployment to the U.S. Japan's unemployment is 2.8 percent, ours is 10.5 percent.

The short-term solution to this problem is simple: Let's replace free trade with fair trade. If they protect their markets, we should protect ours. If they encourage their local industries, we should do the same. If they play tricky games with their currency, we should take steps to equalize the exchange rate -- that's just common sense. Yesterday Mr. Volcker just stated this might be appropriate.

Longer term, the solution includes spending big money on R&D... by building modern production facilities... and by engineering state-of-the-art products. Technology is our competitive edge. And that means jobs and opportunity for many of you.

Next, business must invest for real -- in R&D and productivity improvements. When I see big U.S. companies -- who should be buying new technology -- waste billions of dollars in a frenzy of corporate takeovers, I get embarrassed, and then I get mad!

DuPont bought Conoco for seven-and-a-half billion dollars, when they could have come up with more of the innovative products they're famous for.

U.S. Steel spent four-point-three billion dollars on Marathon Oil, when they could have bought efficient steelmaking equipment that would help them compete in the world steel market.

Not to mention the Michigan whiz kid with his multi-million-dollar golden parachute who touched off the Bendix-Martin Marietta-Allied-United Technologies spectacle that gave all of big business a big black eye.

Think of all that money changing hands... (\$83 billion last year just for conglomerates) without one new job being created... without one red cent going for new production facilities or equipment.

Our nation needs millions of new jobs... and it's high time that big companies started pulling their weight. You may not believe it, but in the decade between 1972 and 1982, the total number of employees in America's 500 largest industrial companies actually declined slightly. All the new jobs, almost 10 million, came from small business and -- sadly -- government -- the real growth industry! (Now there's a high-employment turnaround story.) That's a sorry record. America's workers deserve better.

When Chrysler began its remarkable recovery, some hard-line free-enterprisers fought us every step of the way... even today they say the -- quote -- "Chrysler bailout" -- unquote -- was a mistake.

Bailout is a colorful metaphor. It conjurs up images of a leaky boat foundering in a rough sea, all because the crew made some stupid mistakes. But you know, most of the people aboard the good ship Chrysler were hard-working people, who were simply doing their best to support their families.

Would America really be better off if Chrysler folded and our unemployment rate was half a percent higher than it is today?

Would free enterprise really be served if Chrysler folded and tens of thousands more American jobs had been lost to the Japanese?

For that matter, would our free market be more competitive without the million-plus Chrysler cars and trucks that will be sold this year?

There are a couple of things I should say about the Chrysler turnaround:

1. It worked because there was equality of sacrifice. Everybody suffered. We all bled about equally!
2. We're going to pay off the government guaranteed loans starting this year -- (7 years ahead of schedule).
3. What we did will work in other places -- other companies, government institutions, even universities.

4. The Chrysler experience is an example of social democracy at its best.

The fact is, our concept of a free-enterprise system is not a fixed ideology. It can't be... our marketplace must continually evolve and adapt to meet the realities of the age we live in. And thank God it has for the Last 100 years!

A half century ago, F.D.R. (that's Franklin Delano Roosevelt, for you young ones) called for "bold, persistent experimentation" to cure the nation's economic ills. He said if something doesn't work, try something else and keep trying 'til it does. In other words, don't just stand there -- do something! (I agree.) But I would add a few words to his prescription. I say we need bold, persistent experimentation that is guided by common sense.

We've had enough computers and mathematical models. We've had enough theorists who have a knowledge of everything... and understanding of nothing. We need more people with common sense who realize that twice two is four... and that every percentage point of unemployment means that another million Americans are deprived of the dignity of a job.

- o A little common sense might help convince our government that our runaway budget deficits are pure madness. Washington is soaking up more than half of the nation's available credit. That's why consumer interest rates aren't coming down... and that's why we're recovering so slowly from the recession. If you spend \$17 billion a month

more than you take in -- you've got trouble. Try running your house budget or your business that way -- or the University of Michigan. How long would you last?

- o A little common sense might show us the wisdom of breaking down the adversarial relationships between industry and government -- and between management and labor -- in the United States. These conflicts bring aid and comfort to our economic rivals overseas. We've gotten so used to them, that we think they're an integral and inevitable part of the free-enterprise system.
- o A little common sense might help our government learn a lesson from the two disastrous energy crises we suffered. The experts call them "oil shocks." I guess that's because they zapped 200 million Americans where it hurt -- in the wallet. But today, in 1983, we still import 25 percent of our oil. And yet, we've all but abandoned alternative energy research. And -- would you believe it -- American consumers are once again buying big cars like mad!
- o A little common sense might help us find ways to level out the boom-and-bust cycles that are so destructive to a complex society like ours. Instead of forecasting when the next recession is going to arrive, let's figure out how to prevent it... or, at least, minimize its effects.

- o And, a little common sense might prompt us to set up a program to restore our basic industries that have been so damaged by sustained periods of inflation and lack of investment. We have a dandy model to follow: the Reconstruction Finance Corporation that was established by an act of Congress in 1932 (signed by Herbert Hoover, of all people.)

The RFC was empowered to make loans to financial institutions, so that they could save businesses about to go under. And that's exactly what it did. RFC loans funded hundreds of worthwhile projects, like the Pennsylvania Turnpike and the San Francisco Bay Bridge.

The old RFC injected 33 billion dollars into American's depressed economy... and earned a profit of 500 million dollars for America's taxpayers. It put a safety net under the whole free enterprise system.

A new RFC could provide capital to revitalize geriatric factories. It could help fund the expense of meeting costly government regulations, and improvements in the environment. It could help restructure corporate debts, so that some of our financially strapped basic industries can make it through the lean years.

Well, I'm a businessman and these are economic ideas. But as some of you may know, I have another job: I am chairman of a Presidential commission to restore the Statue of Liberty and Ellis Island as national monuments (since they're falling apart).

The Statue reminds me (and I hope all of you) of all the people who came to this country. First the pioneers, facing the unknown.

- o They settled a new land.
- o They built a democracy on the foundation of their ideals.
- o They built a pragmatic government that worked with private citizens to build ports, roads, canals and railroads.

Later, other waves of immigrants (and many of us here today are their descendants) first saw the Statue and nearby Ellis Island -- two symbols of the promise of American freedom and democracy.

Often the objects of hatred and ridicule, they sure paid their dues to their new country.

- o They helped women win the right to vote;
- o They helped form unions so more Americans could share in our nation's bounty;
- o They taxed themselves heavily to build public schools and great colleges such as this one so their children could look forward to an even better life.

But the great country that they built plunged into deep crisis 50 years ago. And our leaders -- like FDR -- responded. He was pragmatic -- he tried something and if it didn't work, he tried something else. He asked everyone to make sacrifices for

the country: business, farmers, bankers, workers... and everyone ultimately benefited. And while you graduates have only read about it, your parents and grandparents, many of whom are here today, can tell you about it. Just ask them.

Today we again face a future that is dangerous and unknown. And while our industrial heartland is fast becoming an industrial wasteland, I'm convinced our crisis is not really an economic one. It is a test of our spirit.

And, that's the real message of the Chrysler ordeal. We found the spirit to ask everyone to make sacrifices -- stockholders, management, employees, the union, suppliers, the banks. They agreed, and everyone benefited.

Last month, Governor Blanchard asked Doug Fraser (Head of the U.A.W.) and me to join him in a new commission on economic development and jobs creation. Maybe we can apply some of the Chrysler formula to help rescue Michigan and its institutions. To do it, we'll appeal to the spirit of the people of Michigan and ask them to join with us and with business, labor and government to work together on solutions. I hope we can succeed.

But whatever the task -- and wherever -- you, the graduates of this fine school, have especially important roles to play. Some of you have four-point averages, and some only two-point. Others are getting graduate degrees. But the important thing now is to use your diploma, your spirit, your intelligence and especially your common sense, for the common good.

Use them in your chosen field. Use them to be better citizens. Support the people who are trying to get things done,

where you study, where you work and where you live. Better yet, get off the sidelines and go to work on the problems yourself.

I started by saying it's a tragedy that some people have lowered their expectations of the future. I haven't. I hope you haven't either.

Our immigrant forebears come to America filled with hope and faith. Faith that the freedom they found here, joined with their own creativity and hard work, would build a better life and a better society.

They were ready for action, not afraid of it.

They were eager to get started, not timid and defeatist.

We're made of the same stuff! Aren't we? Well, then, let's get started.

Class of '83 -- Start your engines!

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