

The Honorable John D. Dingell
Address to the Detroit Economic Club

***From the Shop Floor to the House Floor:
Washington, Elections and Their Effect on Detroit***

February 9, 2004

I want to thank Nick Scheele for his kind and gracious words of introduction. I also want to thank Beth Chapell for her invitation to speak today. Beth does much for this organization, which in turn means so much to Detroit and all of Michigan, and she is a most underrated leader who does enormous good with her remarkable efforts.

My appearance here, two days after the Michigan caucuses, affords me a splendid opportunity to shed my day job as a working politician and assume the mantle of political analyst and pundit. That's a temptation difficult to resist, not least because it exempts me from responsibility for the nuisance constraints of correctness or factuality.

I can further rest easily this evening, secure in the knowledge that not only will I forget my errors, but so will my audience.

To return to my function as pundit; the prologue is easy. Senator Kerry won convincingly in all but two states of the primaries and caucuses in which he has participated. In the two he did not win, he ran credible races. He has more delegates than any other of the fine Democratic candidates. He will continue this course until the last of the primaries or until the convention, where he will be nominated as the candidate for President. The Republicans agree as they are shifting their fire to him.

While I am talking about the Republicans, ultimately President Bush will have a most difficult time with two issues – national security and his credibility. Yesterday, he was asked in a televised interview:

“And now, in the world, if you, in the future, say we must go into North Korea or we must go into Iran because they have nuclear capability, either this country or the world will say, ‘Excuse you, Mr. President, we want it now in hard, cold facts.’”

The President answered with several seconds of silence and another explanation of his decision to attack Iraq. That may not be an adequate answer.

Ultimately, I expect John Kerry to win the Democratic nomination and become the next President of the United States.

But let's also step back from Saturday's scorecard and consider the events in context.

While I would have liked to have heard more discussion about how the presidential candidates would confront the problems of the nation's manufacturing economy, the calendar and the peculiar dynamic that seems to be driving the contest for the Democratic nomination somewhat foreclosed it. I'm not overly concerned, because the road to the White House most definitely passes through Michigan and the industrial Midwest again. And campaigns – like the gallows – have a way of focusing one's mind.

In that regard, let us note that the presidential campaign has already had an important impact on Administration policies, especially in the international arena. We are preparing to hold some form of political process to confer some form of home rule on Iraq. We are requesting some form of United Nations participation in the rebuilding of Iraq. And there will be an investigation of U.S. intelligence activities and reports leading to the invasion of Iraq, with a report due after the election – a politically astute move.

That said, what is it that we have to do to see that our concerns are properly raised and addressed in November? Let me begin with a discussion of where we as a country are today.

The Bush Administration has in three short years managed some stunning achievements.

They begin with a trillion-dollar turnaround in the federal checking account. Where once was projected a \$500 billion surplus, the budget just submitted forecasts a \$521 billion deficit. To put that in simple terms: There are

roughly 290 million Americans. The trillion-dollar turnaround is like saying that each of us has gone from a positive balance of \$1700 to a position where each of us now owes \$1700.

I must confess to some amusement when I read of the shock – SHOCK – in Republican ranks when they learned that their so-called Medicare drug benefit would cost about one-third more than projected over the next decade.

Perhaps we need a parallel investigation of intelligence failures here in the United States.

The deficit is not the only record being set. The present Administration is on track to set a new record in the category of job creation. Unfortunately, the Hoover Administration holds the current record. 2.7 million manufacturing jobs have disappeared during the Bush Administration. Over the last three years, we've lost 185,000 of them here in Michigan. We're now in the midst of what is being called a "jobless recovery," which, to my unsophisticated ears, begs a question: if it is jobless, can it properly be called a recovery?

I would remind you that these feats have been achieved without Democratic assistance. While the country may be evenly divided between Democrats and Republicans, there has been an extraordinary degree of partisanship and polarization in which members of my party are excluded from House and Senate conference committees and denied the right to even offer amendments to legislation.

There is a prevailing attitude of "you're either for us, or against us." And that is fine, in its proper realm. On the Saturday before Thanksgiving, we are for Michigan and against Ohio State. But governing the country is not a game. Whether you're a Democrat or Republican, you still have to put food on the table and a roof over your head. I would further remind you that the prosperity of the previous decade was achieved in large part through a bipartisan exercise of fiscal responsibility: first, by the current President's father working with a Democratic Congress, and then by Bill Clinton working with a Republican Congress.

Does all this matter to our future? Do we need a manufacturing base or an auto industry, and do we agree with Dick Cheney that "deficits don't matter?"

As you might guess, I am of some strong opinions on these questions.

Let me read to you from a recent report:

"The production of automobiles stimulates the demand for everything from raw materials in form of coal and iron to manufactured goods in the form of robots to the purchase of services in the form of health insurance for the automobile companies' employees."

That report was issued earlier this year by the Bush Administration's Commerce Department. It's a surprisingly good analysis of the major challenges facing American industry in general, and the American auto industry in particular.

It is also an unintended indictment of Administration inactivity.

Now, I fully recognize that the future success of the American auto industry depends on the ingenuity and skill of its managers and workers. But I also recognize that federal policy – or the lack thereof -- can and does affect the auto industry's ability to compete. So let me give you just a few examples of where policy and industry interact.

First, health care and retiree costs.

Independent estimates put the 2001 health care expenditures of the Big Three at more than \$8 billion. In 2002, health costs increased almost 13 percent, or about six times the inflation rate. Those costs will probably be even higher once all of the 2003 figures are in. General Motors says its health costs are around \$1200 per vehicle, which means that there is more health care than steel in an American-made car.

This isn't just a lament of the Big Three. While foreign automakers now spend only about \$200 or \$300 per vehicle, they are looking at the same cost pressures. Even Toyota, of all companies, draws the contrast between its experience manufacturing in the U.S. and Canada, where its costs are significantly lower because of universal health care coverage.

Legacy costs and unfair trading practices have already destroyed our steel industry, which now has one or two active workers for every four or five retirees.

I was delighted that the Administration recognized the burden prescription drug costs were placing on employers with substantial retiree populations. I was somewhat less delighted that the prescription drug program they designed will rely on private insurance policies that may well turn out to be imaginary.

In past discussions of health care, we have focused on the system's failings for the individual. We have made this into a debate on how to help those neglected by the system. But now, the system is on the verge of failing the employed, the educated and in some cases even the executives – for it is the leaders of corporate America who are taking the blame for the system's steady collapse.

The employer-based health care system is slowly strangling American industry. I propose looking at universal health care not just as an issue of saving America's souls, but as one of protecting our pocketbooks. Other major industrial countries, all of which have everyone covered by a system of national health insurance, do not face the legacy cost of health care as burden in the competition with our industries. Imagine what our industry could do if freed of a series of burdens so unequally borne.

Because the auto industry survived where others failed you are the right industry, and perhaps the only remaining industry that can lead this fight for change in health care. YOU demand that Washington get past partisanship on this issue.

Detroit must be the engine that drives the change in our health care system for the good of the American economy.

Second, currency manipulation.

Japan intervened in currency markets more than 70 times within the last year to hold down the value of the yen. Lately, there has been some movement, but much of the damage in terms of lost sales and lost jobs has been done.

We've all read about the brutal incentive wars in the American auto market. Well, consider this: add up the health cost and currency disadvantages faced by American producers and you've accounted for the incentives that American producers have resorted to in order to stay competitive.

The United States today provides the premium reserve currency to the world. Foreign investors subsidize us by buying dollars and dollar-denominated assets. But how long can we continue, as we ship our economic base overseas? A Chinese financier recently warned us in clear terms. Asked if in fifty years would the dollar still be the world's reserve currency, he replied "No. It will be the Chinese currency."

The U.S. manufacturing sector, today, on its own, would be the world's fifth largest economy and is today larger than the whole Chinese economy.

A third issue is energy policy.

We seem to have a number of politicians – and I will admit, they include some who are seeking my party's presidential nomination – who want to hold Detroit responsible for our energy consumption habits.

I happen to agree that it would be a good thing, too, if our cars and trucks were more efficient. But that's not going to happen until we make fuel efficiency an issue in the market. I don't care what laws you pass – you cannot repeal the laws of supply and demand.

I understand that polls consistently show that Americans want cars and trucks to get better fuel economy ratings. When I read those polls, distributed by my friends in the environmental movement, I'm reminded of the argument over term limits: it seems that everybody wants to limit somebody else's freedom of choice.

This isn't a case of "Build it -- and they will come." In the competitive auto market, it's "Buy it – and they will follow."

Work on hybrids is promising and near real production in the immediate future. Hydrogen fuel systems are at best in the middle to far future.

In the meantime, let's try to level the field with consumer incentives and by erasing the barriers that are inhibiting the sale of the modern, clean and efficient diesel engines that are available today in Europe.

Diesel is a real opportunity for U.S. manufacturers. It has the potential to deliver clean cars meeting air pollution control laws and saving enormous amounts of liquid petroleum hydrocarbons. However it will require time for us to get where the Europeans are now. It will also require vision-engineering effort, a deal with the refiners to reduce sulfur content of diesel fuel, public education and a supportive Federal Government. All this is do-able with effort and leadership with the auto industry.

There are always the prospects of CAFÉ changes and that's a pot that I intend to watch closely and... a watched pot never boils. Now I do intend to be back in Congress as Chairman of the Energy & Commerce Committee, however I won't always be here to watch that simmering pot. That leaves you two options – you can let the pot boil over and deal with the resulting mess, which I assure you will be spectacular, or take steps now to reduce the heat. These steps should be bold, serious and visionary.

The challenge our auto industry faces is to come up with a policy which meets our concerns, that breaks our cycle of dependency on foreign oil, and does it in a way that both preserves our competitive ability and serves the broader public interest.

Let me offer a few closing observations.

We hear a lot about the outsourcing of jobs from America, and that's often considered one of the reasons we have the so-called jobless recovery. But there is one industry in this country trying its damndest not to outsource, and that's the auto industry. Go to Lansing, Wayne, Hamtramck, Jefferson Avenue, and now Dundee if you want to see where the American auto industry is putting its dollars.

That's important to the future of Michigan, but it's also important to the future of America.

Detroit has been written off many times before... after the first Arab oil embargo in 1973... when Chrysler needed a loan guarantee and when Ford was in similarly precarious straits... and there are more than a few people ready to write off Detroit once again.

I am not among them. I will do any and everything I can to make sure that the candidates for President in both parties see Detroit in the same light. I ask today that you join me.

Thank you very much.