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## Analysts: Big 3 woes imperil U.S. economy

**Alisa Priddle / The Detroit News**

Auto manufacturers and related businesses employ as many as 3.1 million workers across the United States, a broad network of jobs that loom large for federal officials considering taking steps to bolster domestic carmakers whose plummeting sales have created a cash crisis that threatens the very concept of the Big Three.

Every direct job at an automaker in the United States creates five more jobs, said Sean McAlinden, chief economist and vice president for research for the Center for Automotive Research in Ann Arbor. Two of the five are related to suppliers or dealers; the other three are spinoff jobs at businesses where auto industry workers spend their paychecks.

The next closest industry to autos is high-tech, where each job creates a total of four, including spinoffs, he said. By contrast, one Wall Street position creates a total of about 2.5 jobs, yet Congress expedited aid to the financial services sector this year.

"The cost benefit to the economy (of helping automakers) is better than any individual buyout offered on Wall Street," McAlinden said.

No other industry in America has as broad and significant an impact -- even with the restructuring by Detroit's Big Three automakers in recent years that has closed factories and cost tens of thousands of jobs, McAlinden said.

That's why Michigan politicians, union leaders, auto executives and governors from five other states are lobbying for federal aid for the industry, saying the help is necessary to prevent huge job losses from a bankruptcy or collapse of one or more of Detroit's automakers.

### **Officials lobbying for aid**

They're lobbying to get a piece of the U.S. Treasury Department's \$700 billion fund to help salvage the economy, or other aid, as well as accelerate and possibly expand the \$25 billion loan program approved to help automakers modernize their factories to build more fuel-efficient models.

Declining auto sales have contributed to the nation's economic downturn, but that hasn't diminished the industry's importance, said Charles Chesbrough, senior economist for CSM Worldwide in Northville, an automotive market research firm.

"We won't see a turnaround in the economy as a whole," he said, "until we see improvement in the auto industry."

The importance of the auto sector will be underscored this week when the Center for Automotive Research plans to release a new analysis of the impact on the economy if operations cease at any of the Big Three. McAlinden said the resulting drop in tax income and other losses over three years would far exceed the amount being sought in government aid. When the jobs tied to everything from buying a car to washing it and refining the gas that fuels it are added to the total, more than 14 million U.S. workers -- about 1 in 10 -- can draw a line from their job back to an auto factory or office worker, according to CAR.

### **355K workers at carmakers**

In a letter to Treasury Secretary Henry Paulson and Federal Reserve Chairman Ben Bernanke, Gov. Jennifer Granholm and five other governors said automakers in the United States directly employ about 355,000 workers.

The nation has 783,100 people who make parts for automakers, either for installation at the factory or for sale in the aftermarket, which includes accessories and repair parts, said Debbie Maranger Menk, project manager for CAR. They work in all 50 states, including nine in Alaska and 145,000 in Michigan, she said.

Each of those supplier jobs has its own substantial trickle-down effect. Another 1.97 million workers produce the steel, rubber and other materials needed to make the parts, or provide engineering, distribution and other support services -- bringing the total to 2.76 million employees with jobs tied to suppliers. The spinoff effect spills into stores and restaurants relying on the income of those workers.

"There are 1.7 million people who owe their jobs to the fact the 2.7 million have jobs," Menk said, equaling 4.4 million just on the supplier side. Factoring in some overlap in the retail spinoff from each supplier and automaker job, she estimates total employment in the auto industry at a minimum of 5 million jobs.

She describes CAR's figures, which are based on a study from earlier this year that used 2006 data, the most recent available, as conservative. They are significantly lower than figures used by East Lansing-based Anderson Economic Group. Senior consultant Ilhan Geckil said Anderson estimated the number of jobs provided by automakers, suppliers, dealers and aftermarket companies, and the resulting spinoff jobs amounted to 8.7 million as of 2006.

### **Big 3's clout slips**

Admittedly, the auto sector has lost some clout. Sales are down 13 percent so far this year, following year-end declines of 3.6 percent in 2006 and 2.9 percent in 2007.

After years of contributing about 5 percent of the country's gross domestic product, or GDP, the figure dropped to 2.9 percent at the end of 2007 and is trending around 2.5 percent now of the \$14.5 trillion total, said Dana Johnson, chief economist for Comerica Bank in Dallas. Johnson paints a dramatically different picture of the value of the auto industry nationwide, saying the sector accounts for less than 1 percent of jobs and that the adage of "what's good

for GM is good for the country," is no longer the case.

It is good for Michigan and select states, he said, but not the U.S. as a whole.

Autos are a key sector within manufacturing, but Johnson said manufacturing accounts for about 10 percent of U.S. jobs compared with 30 percent decades ago.

"I don't believe the auto sector deserves special consideration," Johnson said. Bailing out financial institutions was necessary to prevent "terrible contagion effects that could collapse the economy," Johnson said. "That should be the standard. To argue national prosperity depends on them (automakers) operating, to me, is much more of a stretch."

#### **'Black eye on the economy'**

It's not to those who have seen the Big Three eliminate more than 100,000 jobs in the past three years.

Allowing an automaker to go under would wipe out portions of the supply chain, dragging down healthy foreign automakers, as well, that would have to scramble to find other suppliers to provide their parts. Automakers also buy \$15 billion a year in advertising, not counting the huge amount dealers spend.

Automakers spend more on research and development than any other industry except the government, about \$18.5 billion a year, McAlinden said, with 85 percent of that done in Michigan.

Both presidential candidates have energy policies and tax incentives for fuel-saving research that cannot be achieved without a healthy and robust auto industry, CSM's Chesbrough said. "The auto sector is key to where the country needs to go in the future to reduce oil dependence," he said.

If GM or Chrysler were to go under, "it would be one more black eye on the economy" for the nation.

*Detroit News Staff Writer Robert Snell contributed to this report.*

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