Corporate Strategy by Leif Johnson

Is this a "bail-out?"

Saving Chrysler is a gesture Carter designed for the 1980 elections. But the contents of the package were designed by Benito Mussolini...

After fierce bargaining into the early hours of Dec. 21, Congress passed a purported financial rescue package for the ailing Chrysler Corporation, which Wall Street sources predict will serve as a model for the reorganization of U.S. industry under depression conditions. Included in the \$3.5 billion financial aid package—the largest in history—are \$1.5 billion in federal loan guarantees and a patchwork of concessions from the automaker's suppliers, dealers, bankers, and workers.

Chrysler's key bank creditors, led by Manufacturers Hanover Trust, have since leaked to the press the possibility that they may not come forward with the \$500 million in unguaranteed short-term "interim" financing Chrysler needs over the next three months to survive. And it is not at all clear that United Auto Worker union president and Chrysler board member Doug Fraser will be able to swing his union behind the \$462.5 million in new wage and benefit concessions that are written into the legislation.

In short, full-scale bankruptcy proceeding could go into effect for the nation's number three automaker before the end of the month. "No one on the Street has any Chrysler stock anymore, and we would really prefer to see the corporation liquidated now, rather than become a 'bottomless hole' like British Leyland," one industry analyst commented.

The only "rescue" package that Wall Street appears willing to support is one which extracts maximum wage concessions from Chrysler's workforce and imposes severe rationalization on the company's overall operations.

"The situation is analogous to the New York City crisis," one source stated. "The banks like the union will hold out for as long as possible to get the best deal for themselves... Neither side has any choice in the matter. Labor has no choice, just as it had no choice in New York City. And what are the creditors going to do—repossess unsold cars?"

The bedrock of the \$3.5 billion aid package which Chrysler won on paper last month are the plans to reduce the corporation's employment costs and strip down its capacity. House and Senate conferees settled on \$462.5 million as the amount of wage and benefit concessions that Chrysler workers must give up from their recently negotiated three-year contract—a contract which already fell short of the general industry pact by \$203 million.

Like New York City, Chrysler's basic assets, its plant and equipment, will be drawn and quartered as part of the bargain. Chrysler management is now considering selling the company's 15 percent share in the French automaker Peugeot-Citroen to raise cash to meet its January bills. Chrysler is also negotiating the sale of its 75 percent interest in Chrysler Credit Australia, Ltd. to an Australian subsidiary of the Barclays group, the British banking empire which is simultaneously making big inroads into the U.S. consumer credit business in the South.

According to one well-placed investment banker, unless there is a spectacular recovery of the U.S. economy by 1981, then Chrysler will soon be on the edge of bankruptcy again.

Then, this source predicted, the little talked about "sore point" of Chrysler's financial problems will emerge: its enormous unfunded pension liability. Not only will there be no one to pay Chrysler's retired workers their pensions, but Congress will start raising a fuss about the fact that many of the major U.S. corporations, especially the "employment intensive ones," haven't adequately funded their pension liabilities.

A full-scale Congressional investigation into the unfunded pension liabilities of U.S. corporations would set the stage for one, two, many Chryslers and a government-banker reorganization of U.S. industry reminiscent of the New Deal's national recovery plan—which in turn was modeled on Mussolini's economic policy. It is more likely that such an investigation would be launched by someone like Sen. Jake Javits, who has been the leading "pension reform" activist in the Congress for a decade, and has worked closely with Lazard Freres, which manages his own funds, on placing corporate and union funds under the control of Lazards and other "professional" pension fund managers.