

SHORTER MITT: LET THE AUTO RETIREES STARVE!!!

Boy. Mitt Romney let loose one festival of stupid on the NYT op-ed page today. He writes an entire op-ed making prescriptions for the auto industry. But in the whole op-ed, there are just two suggestions that aren't already being implemented: The first suggestion? Find some way to renege on the pension promises the auto companies have made to retirees:

Furthermore, retiree benefits must be reduced so that the total burden per auto for domestic makers is not higher than that of foreign producers.

Unlike that recommendation, his second recommendation is very sound.

The need for collaboration will mean accepting sanity in salaries and perks. At American Motors, my dad cut his pay and that of his executive team, he bought stock in the company, and he went out to factories to talk to workers directly. Get rid of the planes, the executive dining rooms – all the symbols that breed resentment among the hundreds of thousands who will also be sacrificing to keep the companies afloat.

Chrysler's Nardelli may make \$1 million a year, GM's Rick Wagoner makes \$2.2 million a year, and Ford's Mulally makes \$2 million a year, plus truckloads of bonuses. I absolutely agree these guys should take a pay cut (and all but Mulally said yesterday they'd be willing to take them—Nardelli said he'd be willing to follow Lee Iacocca's \$1/year example). But it is more likely that these guys will take pay cuts in case of a bridge than in bankruptcy. (Also, some

of them have put real limits on executive compensation and benefits already.)

Aside from these two suggestions, though, breaking a promise to our seniors and cutting the pay of top executives, every suggestion he makes is something that at least one of the Big Two and a Half are already doing.

Mitt predictably starts—after spending a long paragraph talking about how his Daddy turned an auto company around—by calling for new labor agreements.

new labor agreements to align pay and benefits to match those of workers at competitors

Which is, of course, what the UAW negotiated. Last year. While wages and benefits haven't yet been entirely equalized, they will be, probably by 2010.

Mitt's next idea is to get rid of management—recruit new guys from unrelated industries.

Second, management as is must go. New faces should be recruited from unrelated industries – from companies widely respected for excellence in marketing, innovation, creativity and labor relations.

I wonder whether Mitt told Mulally—recruited two years ago from the unrelated Boeing company—and Nardelli—recruited just last year from Home Depot and GE—that he considers them real auto industry insiders? That leaves Rick Wagoner as the sole auto industry insider of the three. Mitt? You want to fire Wagoner, be my guest. Though that's going to be just as easy to do as a condition of a bridge as it would be in bankruptcy.

Though you might want to think twice about firing Wagoner, since he's doing precisely what Mitt wants—investing in long-term products.

Investments must be made for the future. No more focus on quarterly earnings or the kind of short-term stock appreciation that means quick riches for executives with options. Manage with an eye on cash flow, balance sheets and long-term appreciation. Invest in truly competitive products and innovative technologies – especially fuel-saving designs – that may not arrive for years.

Of course, as Jonathan Cohn persuasively argues, the Big Two and a Half are much **more** likely to be forced to focus on short-term profitability in bankruptcy than if they're working through a bridge with strings attached. So if you want long-term vision, you're better off advocating a bridge, not bankruptcy.

Finally, after advocating for renegotiating union contracts and pension guarantees, Mitt then insists you shouldn't renegotiate contracts with dealers.

Just as important to the future of American carmakers is the sales force. When sales are down, you don't want to lose the only people who can get them to grow. So don't fire the best dealers, and don't crush them with new financial or performance demands they can't meet.

The American manufacturers have way more dealers right now than their sales can support; those excess dealers are one significant cause of price-cutting that eats at profit margins and destroys brands. Furthermore, our country will not be able to move toward electrical cars without changing the profit calculations of the dealers. There will be no automobile turnaround without renegotiating dealer contracts. Sure, renegotiating these contracts might be easier under bankruptcy (if bankruptcy were viable, which it's not), but that's the one thing that Mitt doesn't want to do.

In short, Mitt offers one good idea (cuts in executive salaries), one horrible idea (renege on pension promises to retirees), and refuses to do one more thing that needs to happen to turn around the auto industry.

I don't know whether he's just this dumb, this unaware of what has been going on in the auto industry for the last half decade. Or whether he just wanted to get on the NYT op-ed page so he could call for cutting union wages.

But I don't understand how this festival of stupidity is going to help him run for President in 2012.