TELLS THE FACTS AND NAMES THE NAMES

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California Dreaming

Michelle Comes to Merced

By Bill Hatch

Here, in Merced, CA, where some of us have been doing environmental work for 30 years, we supported Obama for historical reasons, held out vague hopes for national and international improvement, and stayed focused on our local issues.

Our most powerful opponent is the University of California, which established a new campus in Merced that became an anchor tenant for the most destructive building bubble in regional history. The boom caused Merced and adjoining cities Modesto and Stockton to rise to the top of foreclosure-rate communities in the nation. In 2005, in "high bubble," we were among the least affordable (in fact, Merced was considered the least affordable) housing market in the nation. Now, our housing is nationally ranked among the most affordable because of the volume of foreclosures. Meanwhile, Merced's official unemployment rate is over 20 per cent this month, which means that local demand for these foreclosed bargains is dropping, not rising. Who cares that $250,000 house of yesteryear is now on the market for $50,000, when nobody can qualify for a loan anymore and the speculators have already lost their money?

UC, employing its enormous prestige, credibility and flak apparatus, invented whole new forms of developer propaganda to situate that campus adjacent to seasonal pasture land (expeditiously re-labeled "waste" land), which, in fact, supports our free-range cattle industry, the only relatively sustainable form of agriculture in the San Joaquin Valley. The pastures are also home to about 20 wildlife species federally listed as either

HATCH CONTINUED ON PAGE 2

The Untold Story of Detroit's Collapse

How the U.S. Press Helped Destroy the Auto Industry

By Eamonn Fingleton

For decades, East Asian competition has played a huge and bitterly disputed role in the decline of the American car industry. Both Japan and Korea have long been accused of unfair trade and closed markets. For their part, Japanese and Korean officials have argued that their markets are open and that an incompetent and heedless Detroit doesn't make the sort of cars their consumers want.

In all the charges and countercharges, little of the remarkable truth of Detroit's trade problems has come out. To see how well – or, rather, how badly – you understand the background, try this quiz:

1. What was the Detroit companies' share of the Japanese market in 1930? (a) About 90 per cent. (b) About 20 per cent. (c) Less than 4 per cent.

2. How many models do the Detroit corporations currently make with the steering wheel on the right (the standard configuration for Japan)? (a) More than 40. (b) 12. (c) 3.

3. What was the combined share of all foreign makers – American, European, and Japanese – in the Korean car market in the last decade? (a) Less than 2 per cent. (b) Around 15 per cent. (c) More than 70 per cent.

The correct answer in each case is (a). If you flunked, don't feel bad. Just cancel your newspaper subscription.

For decades, American press coverage of global car industry competition has been abysmal. Reporters and commentators have almost never dug below the surface, and their idea of fact checking has too often consisted merely of "accurately" recycling previous observers' errors. Worse, many commentators have displayed an almost venomously elitist bias against Detroit. In short, readers of the American press have been fed a diet of factitious logic and mendacities, while key facts that give the lie to the foreign trade lobby's special pleading have been swept under the carpet.

Much of the most egregious press coverage, moreover, has emanated from writers and editors at some of the most "respected" media organizations, not least the *Wall Street Journal*, the *Economist*, the *Washington Post*, and the *New York Times*. Reuters and Associated Press have not been far behind, and even the automobile trade press has often unforgivably spun the story to Detroit's great disadvantage.

Part of the problem has been that, in thrall to a particularly toxic dose of laissez-faire fundamentalism, many top editors and commentators have been persuaded that any nation that protects its markets hurts only itself. Thus, the message for Washington policymakers has been that irrespective of whether nations like Japan and Korea reciprocate with market opening measures of their own, the American national interest is best served by maximizing the openness of the American market.

In far too many cases, commentators who take this view have also embraced an end-justifies-the-means strategy, in which they have consciously suppressed or distorted important facts the better to ensure public acquiescence in their extreme agenda. This mentality has been particularly evident in the *Wall Street Journal*'s editorial pages. Indeed, it seems to have been pioneered by the late Robert Bartley, who, as the *Journal*'s editorial page editor in the 1970s and later as edi-

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threatened or endangered and at least two state-listed endangered species. This land is also the watershed for the east side of Merced County. But, slap a few solar panels on campus buildings and, voilà, a "green" campus emerges. Meanwhile, every developer and his sister-in-law with a fistful of easy money were downtown, arguing before the council or the supervisors for a subdivision "because UC is here." Many of those subdivisions ring the city of Merced today, half-built, with foreclosed houses and empty lots, exposed wiring, curbs, unpaved streets and wind-torn realty banners.

UC Merced has been sued six times (won three, lost three), and there were those in the community who, very privately, funded all those lawsuits. Those suits, however, are by no means the sum total of local attempts to defend the California Environmental Quality Act and, on occasion, the state Public Record Act, the state Brown Act of Open Meetings, the Williamson Act, and the federal Endangered Species and Clean Water acts against the depredations of finance, insurance and real estate special interests cashing in on the establishment of UC Merced.

A strange thing happened here in mid-May, described as "magic" in a letter written to UC Merced's first graduating class that began as freshmen. The letter was written by the first UC Merced chancellor, Carol Tomlinson-Keasey, who now lives far away. The letter was read by Dr. M.R.C. Greenwood, who resigned from the provost's position at UC Davis while under investigation for conflicts of interest, one involving the Tomlinson-Keasey's hiring of Greenwood's son at UC Merced.

The "magic" was the appearance of Michelle Obama as keynote commencement speaker. So much for having vague hopes for the nation and the world while keeping focused on local issues. The explanation for how Mrs. Obama happened to be here is equally "magical": it is alleged that the graduating class achieved their goal of having the first lady address them on a 106-degree day in May by means of a massive letter-writing campaign (including 900 valentines on which the word "spirit" was spelled as "sprit"), plus appeals to politicians, contributors and friends of the Obamas like Harvard law professor Charles Ogletree, who grew up in Merced.

There was a lot of history on the speakers' stand at the commencement, including state Attorney General Jerry Brown, whom Davis served as chief of staff when Brown was governor and created the Agricultural Labor Relations Board, the first such board in the country. Chairman of the UC Board of Regents, Richard Blum, husband of senior California U.S. Senator Dianne Feinstein, evoked the phrase that originated in the Valley more than 40 years ago, "Si, se puede," usually translated as "Yes, we can," to compliment the graduating class on its "magic," and perhaps to stir others in the audience to pay for the event, which will probably run close to $1 million but was budgeted for $100,000. For the event, UC Merced unrolled acres of fresh turf and created an orchard of 20-foot redwood trees, not indigenous to the San Joaquin Valley and requiring much water to survive here, at least until their roots find the deep aquifer, an obstacle at UC Merced built on hardpan. But nothing says "California" like a redwood, so we got landscaping by propaganda.

Mrs. Obama praised the students for touching and moving her and her staff to accept the invitation to give her first commencement address as first lady.

"But I understand that this type of community-based letter writing campaign isn't unique to me. This community, this Merced community, employed the same strategy to help get the University of California to build the new campus here, in Merced. (Applause.) Every school kid in the entire county, I understand, sent a postcard to the UC Board of Regents in order to convince them to select Merced, and I just love the fact that some of the graduates sitting in this audience today participating were involved in that campaign as well, and then they used the same strategy to get me here. That is amazing. And what it demonstrates is the power of many voices coming together to make something wonderful happen. And I'm telling you, next year's graduation speaker better watch out, because Merced students know how to get what they want. (Laughter and applause.)"

Right. And every school kid in the entire county wrote every one of those postcards. We remember the day at the state Capitol when hacks working for Condit and Cardoza, acting as hall monitors, had herded up most of the third graders in the county, all clad in "UC Merced" t-shirts, outside the governor's office on the day of an important hearing, in which UC was accused of lying once again about the environmental impacts of that campus. As for many voices coming together, special interests have been able to create lobbying groups containing all the local usual suspects to go to Washington and Sacramento each year to lobby for $200 million in public funds to repair and improve infrastructure, necessary because of UC Merced. So far, UC Merced has contributed one blinking stoplight at a 3-way intersection of country roads, undergraduates who complain about the poor quality of the local mall, and a small fleet of buses that roam about town but do not pick up anyone not connected to UC Merced.

Mrs. Obama equated Merced and the San Joaquin Valley with the South Side of Chicago. She dwelt on how the University of Chicago, in Hyde Park, had not related with the South Side when she was in high school, so she had not considered going there (Princeton instead), but how she'd returned to start an outreach program at the U of C for the South Side. UC Merced is, in fact, planning to build its own Hyde Park, a "university community" between itself and the city of Merced, where the number of unoccupied, foreclosed homes grows by the week. That project is redun-

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dant, but redundancy doesn't stop UC Merced, the largest developer in the San Joaquin Valley, from committing public funds to it.

Her speech ran on in this mythical vein, and she praised a video the students sent to her, called "We Believe." They confessed their belief in hope and in change, leadership, life, etc., but, most of all, in Michelle Obama. An example of critical thinking the video was not. But Mrs. Obama loved it, and Regent Chairman Blum commanded it be played on the big screen before she spoke, and everybody was real moved by all the passion and such.

One of Mrs. Obama's themes was the future of mainly first-generation college graduates from hard-working, working-class backgrounds right here, in the San Joaquin Valley. In fact, that class probably didn't contain more than dozen or two students from the Valley; most came from LA or the Bay Area. But we were in the land of myth that day, where everybody works hard, achieves and is successful if they have the character and hope, of course.

Mrs. Obama and others made comments on student loans. We suspect that most UC Merced students qualify, due to low-income status, for grants rather than loans. It seems that UC keeps raising its fees and increasing grants. We don't know how this works, and we doubt anyone in the state legislature or at UC (outside of the student-aid division) does either. In fact, the valedictorian, accepted to med school next fall, punctured this myth later on by calling UC Merced a place where you could get a private education for a public-education price. Small classes and access to professors is at a premium in the mega-universities UC has built. The valedictorian was a well-spoken young man who probably got pretty good training in biology.

Mrs. Obama told them that they were blessed to have received an elite college education and that they must remember all the people that had helped them get through college, including friends of theirs who had kept them out of trouble in high school. She told them to remember kids "that just can't get a break," who have lost their dream or never had one. She told the students to go back home and work in their communities to help others. We have the highest respect for this kind of idealism and have lived it ourselves for decades. And we hope that the communities those students are returning to are not as hypocritical as Merced. Here, the top regional politician, Rep. Cardoza, has moved his family, including his wife, a badly needed physician, to Annapolis, MD. She works for the University of Maryland while Cardoza leads the local whine to establish a new UC medical school in Merced.

It was an inspiring speech. She mentioned a hero of hers, who had gone from the Bronx to an Ivy League college and then on to establish a large program for kids in Harlem. She mentioned the founder of Teach America. Mrs. Obama conjured up before our sweat-stung eyes the vision of a new Helping Elite, college educated into belief in their own leadership. If the Obamas had not expropriated religion as surely as Bush did, we would have fallen to our knees and asked God for deliverance from a plague of unemployable college kids, hustling grants to establish their upward mobility in our communities.

At the federal level, Mrs. Obama mentioned a new Office of Social Innovation that the president is setting up to buy off another generation of grassroots leadership.

Become a leader within the system and you, too, could become a city council member right here, in Merced, and vote for projects like the new Wal-Mart distribution center, built on a freeway interchange created for the Campus Parkway out to UC Merced, and express your leadership skills by figuring out language to persuade yourself and others that the project would not worsen air quality and would not increase asthma and respiratory illness rates for children and elders. There are hundreds of non-union jobs people might be able to live on at stake. In fact, Wal-Mart may depress wages for warehouse work throughout our region – a boon to your contributors in the business community. Or, you could express your leadership and political correctness, as was done recently on the county Planning Commission, by arguing for the legitimacy of raising fighting cocks, because it is a form of small farming. You could even get a law degree or a Ph.D. in science, stand side-by-side with UC Merced planners "to make the project better," and attempt to coerce colleagues into silence.

Mrs. Obama's rhetoric ends by demonizing anyone who doesn't play ball to "be successful," anyone insufficiently impressed by the nearest elite. There are some in the Valley who, after performing independent, elementary reasoning processes, oppose our local elite and do not join their voices in the great valley whine: "Give us more public funds! Give us more water! Abolish all laws that stand in the way of agribusiness, its lenders and landowners! Send us a UC campus to confuse our low-income youth – otherwise they might get angry again like they used to! Send us Michelle Obama to dazzle them with visions from elsewhere! Let our youth focus their vision upward instead of outward!

Or, maybe you could hitch up to an Emersonian star, work your way up in the system, hit the jackpot and become president just in time to bail out the same banks that have plundered the en-

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tire economy of your hometown. Mrs. Obama advised the graduates that success involves compromises.

One organic gardener in the region, a Nader voter, called President Obama "the greatest president since Herbert Hoover." Lou Hoover was also an intelligent woman – first woman college graduate in geology in the nation – who helped the less fortunate and was a role model for modern women of her era.

We were inspired, although Mrs. Obama wasn't speaking to us. Her speech said, college degree = leadership = social responsibility = local activism. We are very grateful to UC Merced for the superb education it provided us in environmental law, graft, political corruption, and how it indelibly illuminated the power structure of our region. We were especially encouraged by Regent Chairman Blum's mention of "Si, se puede," a term coined by Cesar Chavez, who stopped going to school after the 8th grade. Chavez, Huerta, Larry Itliong, Philip Vera Cruz, Al Green, Dave McKay and others, who lacked the UC advantage, changed our communities for the better. Several of them also made great contributions to the education of workers. There have been interesting courses offered at United Farm Worker labor halls and farm worker retirement homes through the years.

The first thing those real leaders taught us was to avoid cooptation by private or government poverty programs and to form our own organizations. Today, in the Valley, the younger generation faces the profoundly corruptive force of a public-private, win-win partnership called the UC/Great Valley Center and its "leadership" programs. UC/GVC conducts a constant surveillance operation, looking for any signs of independent mental energy in Valley youth. Once discovered, the victim is swept into the coils of "network," introduced to some real rich people who get their names in the papers, and that little bulb goes out, having realized its little dream. At the federal level, Mrs. Obama mentioned a new Office of Social Innovation that the president is setting up to buy off another generation of grassroots leadership.

The least excusable absence was Cardoza, in whose district the campus lies and who did all a politician could do to bring it to Merced. He boycotted the event, along with another Democrat and two Republican congressmen from the Valley. Cardoza's snub had a racial edge to it, something that reminded us of the Valley of our youths, when African Americans (called something else then) did not cross the tracks from South Merced after dark. That's not to say that Cardoza is a racist; but he has no respect for the extreme emotional importance to the Valley of the Obama presidency and why many of us, having lived that history, could not resist voting for Obama, even though in Merced his lawn signs cost $10 and his headquarters was in the most obscure location in history.

Michelle Obama's commencement speech was the greatest day UC Merced and the citizens of Merced may ever see outside of the day the queen of England came through on her way to Yosemite and one of her entourage collided with a car, killing the passengers. I watched the commencement downtown, on a monstrous TV monitor at the corner of Main and Canal streets. A Florida firm won the bid to supply the monitor for an event given by a university that claimed that it would link satellite campuses throughout the Valley by the latest multimedia technology. I was surrounded by the usual crowd of Mercedians, poor to middling, ethnically various, polite, interested, in fact, totally rapt. When the event was over, the overheated crowd abruptly dispersed, while two homeless guys on bicycles gleaned all the plastic and aluminum out of the overflowing trash barrels. I went down the street to the corner of Main and Martin Luther King Jr. and listened to Cynthia Huddleston and the Juke Joint Jokers belt out the fine old R&B for which this town has been famous since World War II. **CP**

Become a leader within the system and you, too, could become a city council member right here, in Merced, and vote for projects like the new Wal-Mart distribution center.

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tor in chief, never saw a piece of foreign car lobby propaganda he did not want to publish.

Bartley seems to have been an ideologue, pure and simple. But something beyond ideology has also been at work, something more reliably effective: money. Even more than the rest of the foreign trade lobby, foreign carmakers have succeeded in buying the press they want.

They have long taken care of individual journalists via fat speakers' fees and other barely disguised bribes. Meanwhile, they have established an institutional armlock on top media executives via advertising allocations.

Given their well-known ability to work together in government-led cartels, Japanese corporations in particular boast a "comparative advantage" in pressurizing media ad departments.

Of course, as press commentators have generally spun it, the Detroit story has been a simplistic morality tale of "incompetent executives," "lazy workers," and "intransigent unions." In other words, Detroit has richly deserved its fate and, in the opinion of many of the more callous observers, the sooner it is put out of its misery the better.

Pace the commentators, the real story is a complex, highly nuanced one, in which the American auto industry has often been more sinned against than sinning.

One of the most important elements of the story, the rise of the Japanese car industry, has been particularly misunderstood. Many commentators seem to accept that the Japanese people are naturally endowed with some special car-making proclivities – a comparative advantage denied to Americans (for a recent statement of this canard, see an editorial page article in the *Wall Street Journal* in May by Matthew Slaughter, a George W. Bush-era member of the Council of Economic Advisers).

To say the least, this idea hardly squares with the fact – almost never mentioned in all those "Detroit-as-basket-case" editorial page commentaries – that in the 1920s and early 1930s the Detroit corporations utterly dominated the Japanese market. As the author C.S. Chang has pointed out, by 1930 all three – GM, Ford and Chrysler

– had established major assembly operations in Japan, and they also sold many American-made cars there. The fact is that Detroit would probably have retained its lock on the Japanese market indefinitely had not the Tokyo government in the 1950s launched a Herculean effort to "target" cars as a major growth industry. There then followed a massive ramp-up of investment, as the Japanese establishment set to work with great purposefulness (and no small guile) to break America's then seemingly unassailable comparative advantage.

For two decades, the Japanese ramp-up went largely unnoticed in the United States, but finally, in combination with an earlier one by West Germany, it began to cut a swathe through the American market in the 1970s. The Japanese were helped by the oil crises of that decade, of course. More controversially, they indulged in predatory pricing to win market share. This crucially meant that the Detroit companies were starved of the adequate returns necessary to invest in new, more efficient production technologies.

By contrast and despite the claims of the elite press, the rise of the Japanese and, more recently, the Koreans has been speeded by protectionism at home. Essentially, the Americans' main competitors, particularly the Japanese and Koreans and, to a lesser extent the Germans, have been subsidized by home market consumers. They have made good use of those subsidies by investing in the latest production equipment years before Detroit could afford to.

No nation has benefited more from protectionism than Japan. In recent years, however, the fact that the Japanese car market remains as protected as ever has dropped off the American press's radar. Although Japanese officials first proclaimed the market open as far back as the 1970s, as of 2008 the combined share of all foreign makers was still just 5 per cent. This was only a fraction more than in the 1980s and the second lowest in the developed world after only Korea. Apart from BMW and Mercedes-Benz, which have been allowed token market shares on condition that they pitch their prices nice and high (so they don't spoil the game for the home team), every other foreign maker is shut out. Even Renault, which, via a stake in Nissan, ostensibly controls Japan's second largest car distribution network, has never been able to get its cars into its own showrooms Why hasn't Renault pressed harder for market access? As Renault executives have consistently ducked the question, *CounterPunch* put it to officials at the French Embassy in Tokyo – and, for good measure, asked also why the Peugeot Citroen group's cars are even less visible in Japan. The embassy never responded. Basically, the French government is powerless to influence Japanese car trade policy but would rather not say so.

Whenever the subject of Japanese protectionism comes up, press commentators allege, in a classic blame-the-victim gambit, that the Detroit companies aren't trying hard enough and their products just don't meet Japanese consumers' expectations. The fact that all but two European carmakers plus the entire Korean industry are also shut out is never mentioned.

Even more than the rest of the foreign trade lobby, foreign carmakers have succeeded in buying the press they want.

Of course, as the commentators never fail to point out, the Japanese drive on the left – and Detroit, it is alleged, makes virtually no cars with the steering wheel correctly positioned for Japan. As the author Pat Choate has pointed out, this is a classic piece of Japan lobby persiflage. Why? Because the Detroit Three have always operated large European subsidiaries, whose products are available in both left-hand-drive and right-hand-drive versions. As the European subsidiaries' models have been systematically shut out of Japan, it would hardly make sense for the Detroit Three to invest the necessary several hundred million dollars to establish production lines in their home factories to serve a Japanese "open market" that exists only in the minds of the more intellectually challenged members of the American commentariat.

The right-hand-drive argument is untenable also in a different sense. Many Japanese buyers of foreign cars – indeed, often a majority – actually prefer the steering wheel on the "wrong" side. (Why? Because it betokens a foreign and, given Japanese conditions, an expensive car. Basically, American-configured cars have snob value, particularly in the case of larger cars. But, of course, if the cars are not allowed in, they can't be bought.)

All this notwithstanding, the steering-wheel argument keeps turning up like a bad penny. It is a particular favorite of right-wing commentators and, indeed, as far as the *Wall Street Journal*'s editorial page is concerned, no discussion of global car industry competition is complete without a stern dressing down for Detroit for allegedly failing to ascertain which side of the road the Japanese drive on.

Most such admonitions come from the more naïve sort of think tank analysts or ivory tower economics professors. But the steering-wheel argument has also often been invoked by people who really do know better. For many years, one of its more notable exponents has been David Sanger, who formerly headed the *New York Times*'s bureau in Tokyo before going on to become the newspaper's chief Washington economics correspondent and, more recently, White House correspondent. He has rarely passed up an opportunity to play the steering-wheel card. (He has also repeatedly ridiculed Detroit for not investing in specially built local plants to serve the Japanese market. In reality, if Japanese officials were making a good faith effort to honor their trade agreements, it would be more cost-effective for Detroit to serve the Japanese market from existing plants in the United States and Europe. Fact: neither BMW nor Mercedes-Benz, the two foreign makers who have achieved a token foothold in the Japanese market, manufacture there. Someone should tell the *Times*'s chief trade "expert" that the purpose of trade is trade.)

Perhaps the ultimate low blow has come from the *Economist*. In a smart-aleck contribution, couched as an open letter to the then United States Trade Representative Mickey Kantor, the magazine wrote in 1995: "Dear Mickey, Ever considered the real reason why the Japanese don't buy American cars? Yes, we know about all that closed-market stuff… The real problem is that Detroit has never catered for those strange foreign markets, such as Japan and Britain, where cars are driven on the left and steered on the right. It's not easy driving a car with the steering wheel on the 'wrong' side. Just try overtaking." The writer sneeringly suggested that, rather than unfairly picking on the Japanese, Kantor would be better employed "bashing those villainous Saudi Arabians for not buying American ski-equipment." The letter was signed, "Yours helpfully, R.H. Driver."

The special significance is that the *Economist*'s editors were better placed than almost anyone to know how disingenuous the steering-wheel argument is. By virtue of their London base, after all, they should be aware that the Detroit Three's European subsidiaries make a huge range of cars suitable for Japan, yet these cars have consistently been shut out. Then there is the fact that virtually the entire European car industry corroborates the Detroit companies' allegations.

Given its eponymous expertise in the dismal science, the *Economist* also can be assumed to have understood that Kantor was not just fighting for better access for American cars in the Japanese market. His most important objective was different – to eliminate a huge source of hidden subsidies for the Big Three's Japanese competitors. This objective needed to be pursued irrespective of whether the Detroit companies ever aspired to sell a single car in Japan. In all probability, had Kantor succeeded, the Big Three would indeed have found it profitable to invest in American production lines to serve Japan (apart from anything else, blue-collar wage rates in the United States have long been lower than in Japan). But even had the Big Three never sold a car to Japan, the fact that the Japanese market had been opened to *someone* – say, the Europeans – would have restored some badly needed balance to the world trading system.

The *Economist*'s editors also understood that Kantor's efforts were as much concerned with *components* as with the vehicles that are made from such components. Until the 1980s, the United States had been a major net exporter of car components – many of them made by such erstwhile huge Big Three subsidiaries as GM's Fisher Body and Delco. However, the *Economist*'s letter made no mention of components – for the good reason that the components issue self-evidently did not fit the writer's snarky agenda. After all, irrespective of whether you drive on the right or the left, an American-made battery or carburetor will work just as well. As the *Economist* surely knew, Japan's components market was even more tightly closed than its car market and even more extensively rigged to channel excess profits to Japanese car makers. (This is a rather technical point but basically Japan's so-called "sha-ken" system of periodic government vehicle inspections strongly favors components officially blessed by the company that made the car. Essentially, the maker enjoys monopoly profits in the after-market parts business. The margins can be quite rich, given that a U.S. government survey in the 1990s discovered that some components were priced at as much as six times what a free market would dictate.)

The contemptuous tone of the "Dear Mickey" letter was particularly piquant in view of an earlier apparent conflict of interest by one of the *Economist*'s principal commentators on the world car industry, Nick Valery. In the late 1980s, Valery imported an expensive European sports car to Japan, when he moved there as the magazine's Tokyo bureau chief. Before leaving in 1992, he sold the car – a Lotus Turbo Esprit – for a profit that, according to one witness, he boasted to colleagues had substantially paid for an apartment on the American West Coast. In a telephone interview with *CounterPunch*, Valery, who is now retired and lives in Pacific Palisades on the West Side of Los Angeles, laughingly downplayed his profit and added, "I suspect I made probably $50,000." He also mentioned that he had got the idea from a British friend, the Tokyo branch chief of a foreign securities firm, who had imported a series of vintage Rolls-Royces and sold them for as much as three times what he paid. In a subsequent email exchange, Valery backed away from the $50,000 figure and provided various details that seemed to suggest the transaction had actually made a loss. He failed to respond, however, to repeated emails requesting clarification of how the various versions of the episode could be reconciled.

No nation has benefited more from protectionism than Japan. In recent years, however, the fact that the Japanese car market remains as protected as ever has dropped off the American press's radar.

In the interval between *CounterPunch*'s interview with Valery and Valery's subsequent apparent backing away from the $50,000 figure, *CounterPunch* put some written questions to John Micklethwait, the magazine's current editor in chief. *CounterPunch* asked:

1. Whether in view of the large profit Valery had apparently made, Micklethwait believed the transaction was a bona fide arm's length one?
2. Whether Micklethwait believed that the Japanese car market was substantially open at the time of the transaction?
3. Had Valery ever written for the magazine about the American or Japanese car industries after he sold the car?

Micklethwait never replied. An informed guess is that the "Dear Mickey" letter was written either by Valery or by Valery's Japan-watching associate Bill Emmott. The latter had been Valery's predecessor in Tokyo and subsequent main editor. He went on to become the magazine's editor in chief.

Micklethwait's silence notwithstanding, there appears to be a serious case to answer. Certainly, the *Economist* cannot have it both ways. For decades, it has held that Detroit's allegations of Japanese protectionism have been greatly exaggerated and that the Japanese market has been substantially open to anyone who "tried hard enough." It follows, therefore, that no one should have been able to make large arbitrage profits on personal imports. Of course, in the subsequent email exchange Valery seemed to disown the idea that he had made any profit at all. But this does not get the *Economist* off the hook. The point is that in an article, some months before he sold the car, Valery had actually written about his securities industry friend's profitable Rolls-Royce sales. If the Japanese market had really been open, it is a fair bet that no securities house chief would have had any incentive to moonlight as a used car salesman.

In reality, no one of good faith who knows the Japanese or Korean car markets has ever endorsed the official line that protectionism is a thing of the past. In Korea's case, trade barriers probably keep car prices on average nearly $2,000 higher than they otherwise would be. This represents pure profit for Korean makers, and the aggregate subsidy probably runs close to $2 billion a year. In the case of Japan, though the per-car effect is probably less, the aggregate subsidy probably runs more than $8 billion a year. Numbers on this scale deserve attention. Yet the practical effect of protectionism in raising prices in the Japanese and Korean markets has been utterly ignored by the Western press.

Many journalists seem blind to the practical details of other nations' car industry protection tactics. What sort of tactics? Speaking in Washington in 2007, Steve Biegun, a strategist for Ford, provided some eye-opening recent Korean examples:

* Ford was barred from airing advertising commercials, except between 2 a.m. and 6 a.m.

* Its showrooms' floor space was restricted by government regulation.

* Korean tax officials automatically audited anyone who bought a foreign car.

Japan has used similarly disingenuous techniques in the past, and, indeed, the tactic of hitting buyers of foreign cars with tax audits was invented in Japan.

In recent years, Japanese officials have relied largely on the manipulation of regulations on specifications to keep foreign cars out. The effect has been compounded by the extreme difficulties faced by foreigners in trying to build dealer networks. Not only are suitable sites hard to find but, contrary to all Western ideas of open markets, Japanese carmakers rule their distribution networks with an iron rod and are permitted a free rein by government officials in "discouraging" their dealers from handling rival products.

If the regulations in Japan and Korea are problematic for foreign makers, the capriciousness with which these regulations are changed is even more infuriating. A favorite gambit in Korea is so-called "pop-up" tariffs, whose level is changed depending on market conditions. At times, when foreign suppliers are not a factor, tariffs are slashed, but the moment someone tries to break in to the market, they may suddenly be doubled. The effect is to allow Korea to claim a low average tariff level for international statistical purposes while simultaneously keeping most foreign entrants into the market firmly marginalized.

The Japanese have traditionally used a similar but even more objectionable technique – the revision of standards after a foreign exporter's goods have already left port. Thus, a car exporter who has met all current Japanese regulatory requirements might find his consignment rejected at the port of entry because of a rule change, announced while his goods were on the high seas. In the past, this has necessitated entire consignments being shipped back to the exporting nation.

To be fair, Tokyo has now renounced this technique. But the fact that such a stratagem persisted into the early years of this decade surely substantiates the Detroit Three's contention that Japan is hostile territory, where their products are distinctly unwelcome.

The key thing for our purposes here is that so little of the story has been told in the English-language media. Take Biegun's disclosures about the Korean market. These were completely ignored by the American press.

It seems that the specifics of East Asian trade barriers are just not news. Yet, assurances by East Asian officials that their markets are substantially open are taken at face value.

Take, for instance, a description of Japan in 1982 by Japanese Foreign Minister Yoshio Sakurauchi as "one of the most open markets in the world." His remark was reported by both the Associated Press and United Press International. This episode had an interesting sequel in 2000, when Minoru Makihara, vice chairman of Keidanren, the semi-official voice of the Japanese business establishment, told the Tokyo foreign correspondents' club that, as recently as the late 1980s, the Japanese market had been "still closed and tightly protected." He was trying to make the point that there had been substantial liberalization in the meantime (a highly debatable point, of course), but, to anyone who had witnessed first hand how assiduously Japanese officials had presented the Japanese market as already open in the 1980s, it was a glaring gaffe. In truth, it should have been front-page news in the American press. In reality, not a single English-language media organization picked it up.

Criticizing Detroit for not trying hard enough in East Asia is one thing – but even when the press is ostensibly presenting Detroit in a favorable light, it often manages to undermine the industry. A particular problem is a phenomenon best known as the "Don't worry, be happy" story. The term refers to a periodic tendency for the press to look determinedly on the bright side and discount the industry's problems. The "Don't worry, be happy" message panders to a marked tendency by Washington policymakers to seize on any excuse to back away from tough action on opening foreign markets.

Perhaps, the ultimate excess of the "Don't worry, be happy" school came in 1994, when Paul Ingrassia and Joseph White, both Pulitzer-winning journalists at the *Wall Street Journal*, published *Comeback: The Fall and Rise of the American Automobile Industry*. Reporting that Japanese carmakers were supposedly "in retreat," Ingrassia and White proclaimed an "American success story" in which Chrysler – the same company that has ranked consistently as the weakest of the Detroit Three since the 1970s – had emerged as "the envy of the auto industry around the world." All in all, the Americans had morphed into "formidable global competitors."

The book was written in the fashionable novel-like style favored by many business journalists, a technique that, perhaps conveniently, relieves authors of the need to use their common sense, let alone perform any serious financial or economic analysis. In reality, in stringing together a few anecdotes, Ingrassia and White had overlooked the one fact that really mattered: Japan was still targeting the American automobile industry.

Even before Detroit's implosion, the *Comeback* thesis was toast. For one thing, Japan had by 2007 passed the United States in total car output – not bad for a nation with less than half America's population. Meanwhile, Toyota passed General Motors the same year. By comparison, as recently as 1989 – at the peak of the Tokyo financial boom – GM had boasted fully $220 of revenues for every $100 of Toyota's. For our purposes, the most significant thing about *Comeback* was what it didn't say : it utterly failed to address the unbalanced world trading system, thus implicitly seeming to endorse claims by both the Japanese and the Koreans that they had fully opened their markets.

One of the earliest airings of the "Don't worry, be happy" message came in the *Economist* in the late 1970s. This was a time when American policymakers were already hitting the panic button about rising car imports. Enter the *Economist* magazine with a magisterial word of reassurance. The foreign carmakers' share had probably peaked, the magazine opined, and would never again return to the record 18.5 per cent level reached in 1977. Detroit had got its act together, and imports would soon be "rolled back into the sea."

As we now know, it was not to be. Quite the contrary, the imports just kept flooding in. Thus, by late 1981, the foreigners' share had passed 20 per cent and, by the 1990s, it exceeded 30 per cent. And, as of last year, it was approaching 50 per cent.

All this is the more surprising because, as in the case of the steering-wheel canard, the *Economist*'s editors had a much better understanding of what Detroit was up against in Japanese targeting than their U.S.-based counterparts. After all, in the magazine's own backyard in the U.K., such targeting had by the late 1970s already proved repeatedly lethal to some of Britain's most vaunted manufacturers. The lessons had been particularly painful in the shipbuilding and motorbike industries. As recently as the mid-1950s, Britain's global leadership in these industries had seemed impregnable. With lightning speed, the Japanese ramped up capacity and, helped by subsidized export pricing, they took a buzz-saw to British margins. By the mid 1960s, the British were on the ropes and by the late 1970s those who had not already succumbed were at death's door.

Americans have not been trying hard enough. But the Americans in question have not been Detroit's ill-starred workers and executives.

Perhaps the most amazing thing about Detroit's press coverage over the years is the speed with which commentators have swung from one extreme to the other – portraying Detroit as knocking the socks off all competitors one minute and writing it off as a basket case the next. Though these views were irreconcilable, the key geopolitical point is that the policy implications were identical: no action by Washington was needed.

Rarely if ever have commentators offered a balanced, commonsense, middle-ground account of the geopolitics of Detroit's plight. Such an account would have pointed out that while Detroit had weaknesses, it also had strengths, and that the single most cost-effective help government could have provided was to take a much tougher line with key trade partners. In the end, the Japanese were right in one respect: Americans have not been trying hard enough. But the Americans in question have not been Detroit's ill-starred workers and executives. Rather, they have been the incurious and often conflicted pundits and reporters of an increasingly loopy American press. **CP**

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