

Senator BUSH. In 19 when?

Mr. ADAMS. 1909.

Senator BUSH. Yes.

Mr. ADAMS. This is Henry Ford the first. In those days the traditional wisdom regarded the automobile as a passing fancy, a craze. The traditional wisdom including the Wall Street brokers said, "You will never sell many more automobiles than 12,000 no matter what you do about price."

But Henry Ford was an industrial radical. He disagreed with the traditional wisdom, and as we all know he turned out to be right and the smart money boys turned out to be wrong.

What was the Henry Ford philosophy, and this ties into the question that you raised with Professor Lanzillotti? Ford's theory was very simple: to cut prices and take a lower unit profit on a larger volume. Each price cut would bring new groups of consumers into the market.

With increased volume would come substantial reductions in unit fixed costs, and the possibility of realizing the economies of mass production.

Each successive expansion of output would make possible new price reductions which, in turn, would attract new customers, and initiate a new phase of the expansion cycle.

As Ford put it himself "Every time I reduce the charge for our car by \$1 I get a thousand new buyers."

Senator BUSH. Isn't that something like what they did in 1957, 1958, 1959, and 1960 here?

Mr. ADAMS. What the automobile industry did?

Senator BUSH. Yes.

Mr. ADAMS. No. Quite to the contrary, Senator.

Senator BUSH. Will you point up the difference?

Mr. ADAMS. Well, the difference is simply this: By 1957 the American automobile industry had become an insensitive oligopoly.

The oligopolists thought they could continue playing this game of turning out larger and larger cars at higher and higher prices to a captive American market.

Now, of course, Senator Bush, your statement on the Senate floor was prophetic. You could see what was coming, but the great executives in charge of our automobile industry couldn't see the danger signs, and eventually they priced themselves out of the domestic market, and they priced themselves out of the international market.

Now, as far as the companies' self-interest was concerned, the pain was minimized, in part, by the fact that they could export production to their foreign plants. But as far as our economy was concerned, the American economy was concerned, this was a painful experience.

Now, you say, "Should the companies be discouraged from investing in the Common Market?"

What I submit to you very respectfully is the thought that we are making it profitable for them to export investment dollars and jobs incidentally—

Senator BUSH. Yes.

Mr. ADAMS (continuing). Rather than American-made goods by affording them a tax haven overseas.

You know that the profits that General Motors makes at its operational plants in Germany are not taxed until they are repatriated.