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Note on the Decline of the "Big Three" U.S. Auto Producers

GM, Ford, and Chrysler, the "Big Three" of the U.S. automotive industry, dominated automobile output in the 1950s. Globally, 80% of automobiles were manufactured in the United States.[1] Domestically, the Big Three had no competitors.[2] The U.S. car industry produced more automobiles than any other nation in the world, and their employees enjoyed high standards of living.

But this success was transient. Sixty years later, foreign nameplates had more than half the sales in the U.S. market.[3] Each of the Big Three was in crisis and GM and Chrysler filed for bankruptcy in 2009. This note explores the Big Three's decline over the last half a century.

1950-1970: The Era of Global Dominance

In the 1950s and 1960s, the "Big Three" automakers in United States (GM, Ford, and Chrysler) dominated the global automobile market. In 1955, four of every five cars in the world were made in the U.S., half of this by GM, with Ford about half of GM's size.[4] Within the United States, the Big Three held the entirety of the automobile market.[5]

GM employed 500,000 workers and produced four million cars annually, which were exported to countries around the world. By contrast, Toyota manufactured only 23,000 automobiles, with sales almost exclusively in Japan. Germany's Volkswagen was only a little larger than Opel, GM's German subsidiary. It was widely reported that GM's largest competitive worry was an anti-trust action by the U.S. government.

These firms, all headquartered in southeast Michigan, dominated the global auto industry and created tremendous wealth. Jobs in auto factories were among the highest paid in the country. The Detroit area had the highest median income, and the highest rate of home ownership of any major U.S. city. In Flint, another large town based on automobile production, GM employed 100,000 workers. In the post-World War II decades, Americans from around the country poured into Michigan looking for good work.[6]

Labor relations were highly structured. Most workers were represented by industrial unions, and negotiations were governed by the Wagner Act, implemented in 1935. The Wagner Act promoted the freedom to bargain collectively for wages and working conditions. This act responded to the mechanistic work procedures championed by Frederick Winslow Taylor, who believed that one maximized efficiency by

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