

TABLE 3

U.S. passenger car production per capita collapsed by two-thirds from mid-1960s levels

	U.S. passenger car production (millions)	Passenger car production per capita
1987	7.099	.0291
1986	7.829	.0324
1985	8.185	.0342
1984	7.773	.0328
1983	6.781	.0289
1982	5.073	.0218
1980	6.376	.0280
1975	6.717	.0311
1970	6.550	.0319
1965	9.335	.0481
1960	6.703	.0371
1955	7.950	.0479

Source: Motor Vehicle Manufacturers Association.

that there is no "overcapacity" in U.S. auto production, but rather a collapse in the ability of the American labor force to purchase new cars. This conclusion is strengthened by considering changes in new car loans: New car financing has increased from the three years of two decades ago, to five years today. If the U.S. car-buying public were replacing about 12.5% of the total cars in use each year, as it was 20 years ago, new car sales would be almost 15 million units, and the Big Three would probably have to double current production.

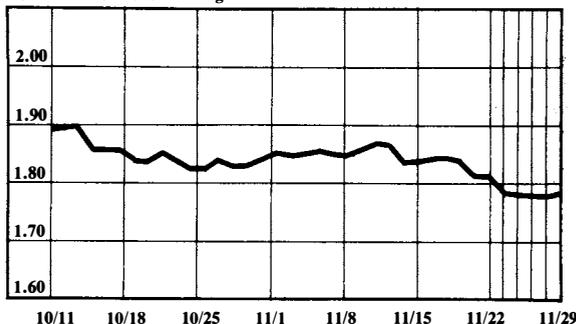
The argument that the increase in average age of cars in use reflects better built cars which last longer, does not suffice to explain this difference. On the contrary, the perception of most people is that U.S.-made cars aren't what they used to be, which explains why the more quality-conscious Japanese automakers have captured nearly a third of the U.S. new car market. Second, as an examination of **Table 3** shows, U.S. auto production per capita shows the same secular trend downward evident in almost every other per capita measure of physical economic output, signaling the collapse of the U.S. real economy.

Finally, look at what has happened to new car inventories since summer. In August, the Big Three were heavily discounting and rebating in an attempt to spur sales and reduce bloated inventories. Unsold car stocks were brought down to 59 days' sales, but at tremendous cost, with Chrysler, Ford, and GM each posting large losses on their core North American auto operations in the third quarter. And the rebates do not change the economic fundamental that the American work force is getting poorer. Inventories are now up again to a bloated 77 days' sale. Unless and until U.S. elites change their wrongheaded policies, auto retail sales will continue to reflect the reality of a breakdown crisis of the economy.

Currency Rates

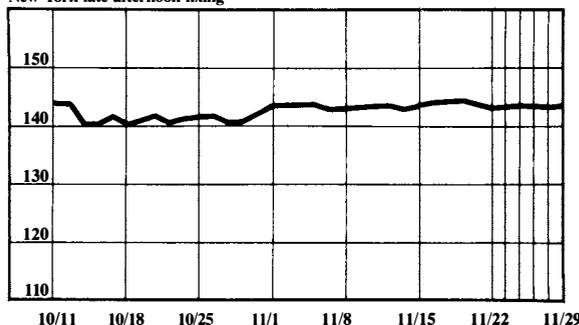
The dollar in deutschemarks

New York late afternoon fixing



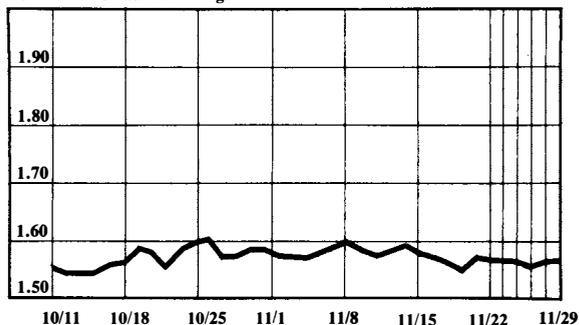
The dollar in yen

New York late afternoon fixing



The British pound in dollars

New York late afternoon fixing



The dollar in Swiss francs

New York late afternoon fixing

