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## Trade policies good for neither GM nor America

November 29, 2018

General Motors' layoffs and production cuts are mostly due to changing customer demand, but trade protectionism and presidential threats of retaliation are not helping.

General Motors announced Monday it plans to shutter five plants in North America and lay off 14,000 workers, both white collar and from the assembly line.

This was devastating news for the GM employees affected and their families, as well as the communities where the mothballed plants are located. But no one seemed angrier about the announcement than President Donald Trump.

“Very disappointed with General Motors and their CEO, Mary Barra, for closing plants in Ohio, Michigan and Maryland. Nothing being closed in Mexico & China,” Trump tweeted Tuesday. “The U.S. saved General Motors, and this is the THANKS we get!”

As the president enters the second half of his term, he is finding that his attempt to revive 1950s America's economy with 17th century trade policy is running into the law of unintended consequences.

GM attributes its decision to cut production and its workforce mostly to changing consumer demand. Americans are shying away from sedans and buying more large pickups and SUVs.

“In October, almost 65 percent of new vehicles sold in the U.S. were trucks or SUVs. That figure was about 50 percent cars just five years ago,” reported The Associated Press.

As a result, GM is discontinuing six models: the Chevrolet Volt hybrid, the Chevrolet Cruz (once Chevrolet's best-selling car), the Chevrolet Impala, the Cadillac CT6, Cadillac XTS and the Buick LaCrosse. It will focus instead on pickups, SUVs, crossovers and, with an eye toward the future, fully-electric and self-driving vehicles.

Yet there is every indication that Trump, who campaigned on bringing the jobs back, is taking GM's business decision personally.

National Economic Council Director Larry Kudlow, who met with Barra on Monday, said Trump felt betrayed by GM, according to The AP, and reacted with “a tremendous amount of disappointment, maybe even spilling over into anger.”

“Look, we made this deal, we've worked with you along the way, we've done other things with mileage standards, for example, and other related regulations,” Kudlow said, referencing the new

U.S.-Mexico-Canada trade agreement. “We’ve done this to help you and I think his disappointment is it seems like they kind of turned their back on him.”

The reality is quite different. The new U.S.-Mexico-Canada trade agreement is little different from the old North American Free Trade Agreement except to make more strict NAFTA’s already cumbersome “rules of origin” related to autos.

Meanwhile, the president’s tariffs have cost GM \$1 billion to date, an amount the Cato Institute’s Scott Lincicome notes could pay a year’s salary for 24,000 assembly line workers.

To top it off, escalating trade tensions between the U.S. and China mean GM will build more cars in China, not fewer, in order to avoid any retaliatory tariffs on entering the world’s largest emerging market.

Trump is now considering his own retaliation, saying he is “looking at cutting all GM subsidies, including for electric cars.”

This, too, would have unintended consequences. Electric cars, for all their green-tech hype, are still powered by electricity generated mostly by coal, and the coal industry is another of those industries Trump has pledged to “bring back.”

It turns out you can’t run a market economy top-down, the way you run a business. That approach has more in common with the way the old Soviet Union ran things than the free enterprise system.