DAVID E. COLE AND
LAWRENCE T. HARBECK

THE AUTOMOBILE INDUSTRY'S FUTURE ROLE IN THE DOMESTIC AND WORLD ECONOMY*

The U.S. automotive industry is still strong and competitive, but it is beset by severe temporary problems that could have lasting effects. The industry also is changing faster than ever before, and the pace of rapid innovation is likely to continue or even accelerate in the years just ahead. Sudden changes create major problems. But it should be kept in mind that the industry has a record of solving seemingly insurmountable difficulties.

This paper, in weighing the industry's problems and future, probes probable trends in technology, industry capital requirements, the status of vehicle manufacturers and their suppliers and dealers, the impact of recent developments on labor, and the place of mass transit. It concludes with a discussion of marketing and competition.

Some of these matters were investigated in a recent Delphi Survey** of technical, marketing, and administrative decision makers in the automotive and supplier industry. The University of Michigan's Office for the Study of Automotive Transportation (OSAT), with which the coauthors are associated, participated in the design and management of this survey. Our analysis begins with a brief summary of part of the study's report:

*This paper is based on remarks by Dr. Cole at hearings of the International Finance and Economic Stablization Subcommittees of the Senate Banking Committee, June 18. 1980.

**U.S. Automotive Industry Trends for the 1980's, A Delphi Forecast, sponsored by Arthur Andersen & Co., Dec. 1979. The Delphi technique is an iterative process in which carefully selected experts work independently and anonymously to arrive at a consensus view of the future; in this case, the automotive future. If the proper individuals are selected their prediction tends to be accurate because they have made or are going to make the decisions that lead to the results they are predicting. Many factors were examined in this study, including technology and marketing.