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Industrial Sunrise? The Chrysler Bailout, the State, and the Re-industrialization of the Canadian Automotive Sector, 1975-1986

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Abstract

After 1980 deindustrialization was the prevailing condition in the North American automotive industry—but not in Canada. Much of that difference was due to an aggressive federal intervention that demanded investment and production from foreign automakers. Using Chrysler as a case study, the paper asserts that state policies such as the 1980 bailout and the 1965 Canada-U.S. Auto Pact actually led to a re-industrialization of the Canadian sector. The paper challenges older dependency theories that assume deindustrialization, and recent work that focuses upon worker activism, as the reason that Canada's industrial heartland did not rust.

Résumé

Depuis 1980, l'industrie automobile nord-américaine est caractérisée par la désindustrialisation. Toutefois, grâce à une intervention musclée de l'État, le Canada échappe à cette tendance. En effet, l'État canadien a formulé des exigences strictes quant à l'investissement et la production des fabricants automobiles étrangers. En prenant le fabricant Chrysler comme exemple, cette étude souligne que les politiques étatiques telles que le renflouement de 1980 et le Pacte de l'automobile de 1965 ont engendré une réindustrialisation du secteur automobile canadien. De ce fait, l'étude remet en question les théories plus anciennes concernant la dépendance et les travaux plus récents qui attribuent la réindustrialisation au militantisme ouvrier.

The auto sector's centrality in the discourse surrounding North American deindustrialization is sharply portrayed in American filmmaker Michael Moore's *Roger and Me.* The film provides a stark visual representation of the widespread economic dislocation caused by the decline of North America's most important economic sector.[1] Moore's target is General Motors (GM) and its chairman, Roger Smith, but the film acts more broadly as a symbol of the decline of America's auto industry, personified by the near-death of the Chrysler Corporation in 1979–1980. Chrysler's crisis, which precipitated plant closures and thousands of job losses, and required government-backed bailouts in the United States and Canada, has become synonymous with the great wave of deindustrialization that swept North America and devastated communities and families in the poignant manner shown in *Roger and Me.*[2]

Historians and other social scientists have examined deindustrialization largely from this viewpoint, exploring the hardship faced by individuals and communities that accompanied the emergence of the Rust Belt in the 1970s and 1980s. In the United States, and to a lesser extent in Canada, this emerging deindustrialization literature has focused on responses to plant shutdowns and the impact of factory closings upon communities on both sides of the border.[3] Older, more traditional Canadian political economy views of deindustrialization, such as those by Robert Laxer and Daniel Drache, posit that Canada's branch plant manufacturing sector existed at the mercy of U.S.-based multinational corporations and invoke the language of dependency in assessing the causes of deindustrialization. In this dependent dynamic, companies were only too willing to retreat to the "home market" when their businesses were threatened, thus leaving Canadian workers exposed to the dictates of a brutal foreign corporation.[4]

Yet, as Steven High has astutely pointed out in his *Industrial Sunset: The Making of North America's Rust Belt, 1969–1984*, there is a disconnect between images of deindustrialization (assumed to have spread across North America) and the reality of industrial dislocation. This is particularly true of the auto sector in Canada. In fact, not a single car factory in Canada closed down between 1969 and 1984—the usual chronology for the first great wave of deindustrialization that swept the continent. Indeed, some new automotive plants actually opened in Canada during this period, and overall automotive employment *increased* by the mid-1980s, leading a resurgence in the manufacturing sector. The question is why. Why did the deindustrialization that swept North America in the 1970s and 1980s not tarnish Canada's industrial heartland?

High's explanation is that in the face of this great wave of disruption, Canadian workers "were able to marshal nationalist claims as rhetorical weapons against plant shutdowns and lobbying tools." As a result, "Canadian politicians were convinced to legislate advance notice of layoffs, severance pay, pension reinsurance, job placement assistance, and preferential hiring rights." In High's view, nationalistic worker agency was the key in mitigating the harshest excesses of mass layoffs and plant closings in the United States: "By literally wrapping themselves in the Canadian flag, industrial workers won important legislative victories that forced companies to soften the blow of displacement." For High, then, worker activism built on a greater sense of Canadian nationalism and community was key to saving jobs, especially after plant closure announcements.[5]

This essay approaches the question of deindustrialization from a public policy perspective, focusing on the industrial and economic development measures taken by the state to ensure a strong auto sector. It examines Canadian state action in the automotive sector in the 1970s and 1980s by utilizing the case of the Canadian government's bailout of Chrysler, and how this bailout helps to explain the resurgence of the Canadian auto sector. This approach differs from traditional Canadian political economy approaches based upon "dependency," which assume deindustrialization and fail to adequately explain why deindustrialization did not, in fact, occur.[6] At the same time, this approach also differs from High's "bottom up" view of nationalistic worker activism. High's attempt to explain why Canada and its automotive sector did not experience widespread deindustrialization in this period is not wholly satisfactory, either. Both these views address the issues of deindustrialization after the fact, focusing upon approaches that emerged in the wake of plant closings and dislocation.

Instead, this essay argues that the "visible hand" of state intervention,[7] in this instance in the case of Chrysler, provides an essential element in helping to explain why Canada largely avoided the large-scale deindustrialization that occurred in the wider North American automotive sector in the 1970s and 1980s. Between 1965 and 1984 Canadian policy makers took a strongly interventionist approach towards the auto industry, which precluded mass permanent layoffs and economic dislocation. This preventive, interventionist approach was framed by the continentalist 1965 Automotive Products Trade Agreement (Auto Pact) regime, which required minimum production and content targets as a requirement for duty-free trade within North America. However, this state interventionist approach also forcefully emerged during the Chrysler bailout negotiations in the late 1970s: Canadian governments—both Liberal and Conservative –bargained effectively with Chrysler executives and achieved investment for the Canadian auto sector and thus job protection for Canadian workers as a condition of loan guarantees to help stave off the company's bankruptcy.

The paper further makes the case that the Chrysler Corporation itself retained and expanded assembly and parts production in Canada in this difficult economic period. The terms of Chrysler's Canadian deal shifted an even greater percentage of production north of the border than what had been established under the Auto Pact regime since 1965. Yet these terms did not constitute a burden on the company. By the mid-1980s, Chrysler's operations in Canada had become central to the company's survival, and to its eventual success. Ultimately, this dynamic goes a long way in explaining the contrasting fates of Chrysler workers on either side of the Canada-U.S. border, and the emergence of a Chrysler-inspired Rust Belt in United States, while Canada's Golden Horseshoe remained untarnished.

In making the case that the Chrysler bailout represents a way by which state policy makers worked to pre-empt the emergence of a Rust Belt in Canada and ultimately strengthened the Canadian auto sector, this paper touches only briefly upon the larger bailout story, especially on the U.S. side. It does not dwell on the moves made by Chrysler President Lee Iacocca, who in some narratives is solely credited with "saving" Chrysler.[8] Nor does it focus on the important role of auto workers and unions in these events. Clearly, the United Auto Workers (UAW)—both the international union and the Canadian arm of that union—was important in the Chrysler crisis. But the actions of Canadian UAW were not the main factor in preventing the creation of a Canadian Rust Belt. The focus of this article is on the actions of Canadian state policy makers (both civil servants and politicians) in the Chrysler bailout, and how these actions played a role in preventing the deindustrialization of Canada's manufacturing heartland.

Transformations in the North American Auto Industry, and Chrysler in Crisis, 1965–1980

Between 1965 and 1975, the North American auto industry was transformed. Dramatic structural changes were ushered in by the 1965 Canada-United States Automotive Products Trade Agreement (Auto Pact), which allowed the Big Three manufacturers of GM, Ford, and Chrysler to consolidate their operations in North America. Prior to 1965, each country had operated a distinct—if interdependent—auto industry, with separate Big Three operations in both countries manufacturing and selling within that jurisdiction. In order to gain the benefits of a new, open North American market (for production, not consumption), the Auto Pact required the Big Three to meet certain requirements. On the Canadian side, the manufacturers had to achieve specific Canadian value added in their production, and to build as many cars as they sold in Canada.[9] These requirements were closely watched by the Canadian government, and the penalties for not meeting them could be millions of dollars in tariffs. Thus, in return for guaranteeing certain production targets in Canada and maintaining content requirements that ensured their dominance in the marketplace, the manufacturers were granted cross-border duty-free trade. The Auto Pact was a managed trade agreement. [10]

The impact of the Auto Pact was dramatic. No longer burdened by the short production runs and constant shutdowns required to build for a small domestic market, the Canadian facilities now maximized production by building for the entire North American continent. Chrysler was particularly adept in the new environment. Under the Auto Pact, Chrysler decided to produce the Valiant in Canada (called the Dodge Dart in the United States) for export to the United States, and by the end of 1965 over 30,000 had been exported to that country. At the same time, the company could now import previously unavailable Plymouth Belvederes and Dodge Coronets to Canada.[11] As at Chrysler, the Canadian operations of all the Big Three were completely subsumed by their corporate parents.

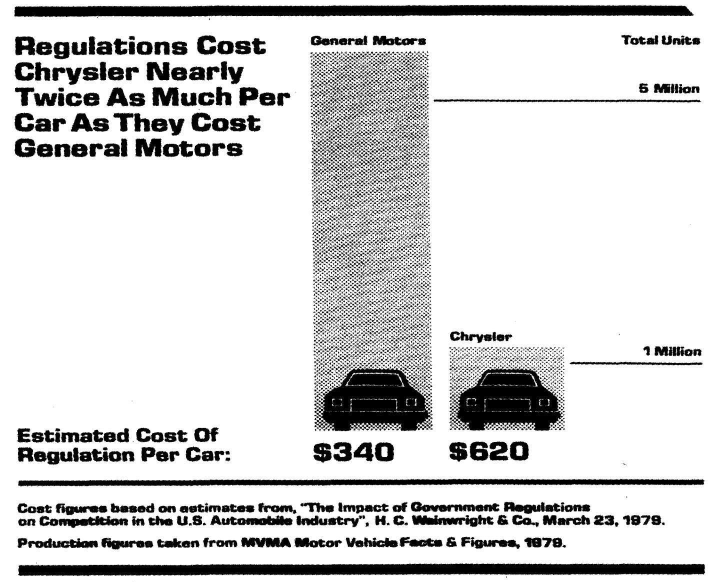
Although the Auto Pact helped to boost the sector to record heights,[12] difficulties emerged by the early 1970s. Detroit was far too dependent on large, gas-guzzling cars for profit, and had not paid enough attention to safety or fuel efficiency. The industry responded poorly to Ralph Nader's 1966 allegations that Detroit's cars were "unsafe at any speed."[13] Then, the 1973 Organization of Petroleum Exporting Countries' (OPEC) oil embargo meant that Detroit's big cars quickly became unappealing as surging oil prices put a premium on small, fuel-efficient cars. These were the very same types of cars that the Japanese had been building since the 1950s and now flooded into the North American market. Where big had once been best, now small was beautiful.[14]

Sales of U.S. cars plummeted as long lines formed at gas stations across America. In 1973, the Big Three sold a record 14.5

million cars. The following year, barely 11 million vehicles were sold, a drop-off of more than one-fifth. While American sales plunged, Japanese vehicle imports soared, from a mere 25,000 vehicles in 1965 to 620,000 in 1973. A year later, the number had reached nearly 800,000—in less than a decade, U.S. imports from Japan had increased an astonishing thirtyfold.[15] America's once unquestioned loyalty to Detroit's products was beginning to crack. Chrysler was hit particularly hard. Between 1976 and 1978, Chrysler's share of the auto and truck markets dropped from 13.3 to 10.7 per cent, and 14.8 to 12.8 per cent.[16] In an industry where even a sliver of market share represented millions in sales, this was a devastating decline.

But the real impact of the 1973 oil embargo was yet to come. American legislators sought to impose stringent fuel economy demands on the manufacturers. The 1975 *Energy Act* legislated those standards in the form of Corporate Average Fuel Economy (CAFE) regulations, which spelled out how much mileage a company's fleet of cars or trucks should achieve.[17] At the smallest of the Big Three, Chrysler officials complained bitterly that the CAFE demands fell disproportionately upon them and could prove fatal to the already troubled company. Chairman John Riccardo argued that "government regulations have hit Chrysler a lot harder than they've hit the bigger manufacturers." "Auto regulations," he complained, were "having a double whammy effect on Chrysler's per unit costs—and by virtue of our size, we're the company that's *least* able to afford the skyrocketing costs of regulations to begin with" (emphasis in original).[18] To bolster its case, the company released outside reports claiming to show that it was being unfairly punished in comparison to GM and Ford.[19] Riccardo even provided reporters with a handy graphic meant to illustrate the company's plight (figure 1).

The energy crisis, regulatory demands, and a cyclical downturn in the market[20] were instrumental in pushing Chrysler to the edge. Yet the company also faced a number of problems clearly of its own making. During a 1979 Toronto trip, new company president Lee Iacocca admitted that Chrysler had been plagued by weak management: "We've had problems not only in making decisions, but also in implementing them quickly."[21] This had damaged Chrysler's reputation for quality, well-engineered vehicles. For instance, the 1976 Volare and Aspen compacts were a disaster, prompting eight recalls within months. Critics pointed to Riccardo's decision to cull the engineering, styling, and marketing departments to trim costs, prompting one Chrysler executive to remark that the "only engineers around were working on government regulations."[22] Even the popular new Horizon and Omni subcompacts did not help: the cars were a hit, but in 1976 Chrysler decided that instead of building small engines it would buy 300,000 from Volkswagen, far too few to meet demand.[23] Then there was Chrysler's dependence on "gas guzzlers." More so than GM or Ford, Chrysler had a reputation for big cars with voracious oil appetites.[24] This reputation was so widespread that the company took out full-page ads across the United States to debunk the "myth" of Chrysler's "gas guzzlers."[25] Chrysler Canada President Robert Lander also challenged this "myth,"[26] but there was no denying that bad decisions and big cars had hurt the company.[27]



Wainright, "The Impact of Government Regulations on Competition in the US Automobile Industry," 4 May 1979

Figure 1: ***Chrysler's attempts to blame regulation addressed only part of the company's problems***

In July 1979 Riccardo went public with the depth of Chrysler's difficulties. At a dramatic Detroit press conference he admitted that Chrysler was bleeding red ink. Second-quarter losses reached an unheard of US$207 million. Chrysler owed US$4 billion, nearly 10 per cent of all U.S. corporate debt. Eighty thousand unsold vehicles worth over US$700 million sat on dealer lots.[28] Riccardo called for immediate federal assistance: a US$1 billion tax holiday, a two-year postponement to federal exhaust emission standards (worth US$600 million to the company), and concessions from the UAW. Otherwise, he warned, the company would fail.[29]

A Chrysler bankruptcy would be devastating for the economy. The U.S. Department of Transportation estimated that 400,000 workers would lose their jobs. Unemployment in Detroit would jump from 8.7 per cent to between 16 and 19 per cent. The U.S. economy as a whole would lose US$30 billion of commercial production, or 1.5 per cent of America's entire gross national product. Welfare costs would increase by US$1.5 billion a year, while US$500 million in Chrysler tax revenues would disappear. At a time when America's trade balance was already in sharp deficit, a Chrysler failure would add a further US$1.5 billion.[30] The dreary statistics made headlines across North America, focusing a grim death-watch on the company.[31]

A Chrysler failure would be just as devastating north of the border. Chrysler was Canada's seventh-largest corporation and employed nearly 14,000 workers (12,000 in Windsor), at five Ontario plants: Windsor Assembly (Cordoba and Miranda cars), Windsor Pillette Road Truck (vans), a Windsor spring plant, an Etobicoke aluminum plant, and an Ajax trim facility.[32] Thousands more were employed across the country indirectly through dealerships, parts firms, and secondary manufacturing. In 1979, Chrysler Canada boasted a market share of nearly 22 per cent and revenues of nearly $3 billion. Federal studies showed that the failure of Chrysler Canada would result in direct and indirect job losses of 35,000, an increase to the trade deficit of $623 million, and decline in the GDP of $1.5 billion.[33]

As summer turned to fall, the news from Chrysler was bleak. Third-quarter losses were reported at a staggering US$460 million, and when the final tally was reached, Chrysler's 1979 loss was the largest recorded in U.S. corporate history: US$1.2 billion. By the end of 1979, the company was teetering on the brink of bankruptcy. Lee Iacocca, the company's charismatic new president, echoed his predecessor and warned that without some sort of federal aid, Chrysler would most certainly fail. Chrysler's impending demise was potentially the largest default in U.S. corporate history, and for many the company's crisis represented the end of American postwar economic hegemony, and the deindustrialization of North America.

Canadian State Responses to the Chrysler Crisis, 1979–1981

State intervention between host countries and multinational enterprises (MNEs) is an important issue in international political economy.[34] The relationship between the state and foreign corporations has been characterized by both conflict and cooperation, particularly so in the strategic automotive industry. In some instances of state–automotive MNE interaction, scholars have recognized that the multi-faceted state has agency and works to achieve outcomes that benefit various stakeholders, be they workers or local companies. In other instances, the state acts on behalf of multinational capital, which can be to the detriment of local actors. Clearly, MNEs and states both exercise power and are also constrained by existing political, social, and economic structures and historical factors.[35] As one leading scholar of the relationship between the state and MNEs has argued, these interactions "reflect a kaleidoscope of power relationships" that emerge from the complex triangular diplomacy among home states, host states, and MNEs.[36]

In addressing state–MNE relations and the question of Canada and the Chrysler bailout, these relationships were indeed complex. For the Canadian governments, their main goals were to maintain employment and to protect the Canadian taxpayer from unnecessary exposure that might result from their efforts to maintain employment, if Chrysler failed—a distinct possibility. At the same time, both the federal and Ontario governments recognized that Chrysler itself was dealing with the U.S. government in attempting to improve its own position by gaining assistance. Chrysler officials recognized, too, that they were bargaining with two different sets of governments. While the company was willing to accept some restrictions on its ability to run its affairs (both in the United States and in Canada), it sought to limit the constraints government placed upon it as the price of aid. Similarly, the Canadian governments were also constrained: they were bargaining with a foreign corporation that was continentally integrated, yet run from Detroit.

In turn, this continental integration provided both challenges and opportunities. Chrysler Canada's integration with its parent firm meant that the company's failure in the United States would inevitably lead to the Canadian subsidiary's demise, and at the same time precluded the idea of Chrysler Canada being bought out or separated from its parent firm. All of these considerations were influenced by the automotive regime that governed the auto industry: the 1965 Auto Pact required Chrysler to maintain content and output levels in Canada, and acted as a production floor for the company. The Auto Pact had also governed the rules affecting both the governments' and Chrysler's bargaining positions within the North American auto sector, as well.[37] In short, both governments and Chrysler faced constraints within the context of the bailout negotiations and the broader auto trade and politics of Canada and North America. As the story of the U.S. government's role in saving Chrysler has been told in detail elsewhere,[38] this section will focus largely on the Canadian story, including the role of the Ontario government.

In Ottawa, the minority government of Progressive Conservative Joe Clark had in May 1979 defeated Pierre Trudeau, ending sixteen years of Liberal rule. The Clark government was ideologically less interested in wholesale state intervention in the economy than the previous Liberal government had been.[39] The Progressive Conservatives took a pragmatic approach toward the Chrysler crisis, one predicated upon Canadian willingness to accept some form of assistance, and the fact that Chrysler was slow in approaching the government. In the months after Riccardo's initial July 1979 announcement of Chrysler's precarious position, the company made little movement to include Canadian assistance in the recovery plan being slowly developed south of the border.[40]

Finally, in August 1979 Canadian Chrysler officials visited Ottawa to begin discussions about assistance. The Canadians had stated that they would consider assistance only if the US$1.5 billion recovery plan of loan guarantees proposed by Iacocca and the company was accepted by Congress. Publicly, both government and company officials were unwilling to divulge the details of the talks. But the government was determined to show that this was not a form of corporate welfare: it was not, according to Industry Minister Robert de Cotret "a bailout plan" but an effort to find "financial help" for the company. De Cotret had stated unequivocally that Canadian assistance was a non-starter if the company did not secure guarantees from the U.S. government, provoking a sharp rebuke from Liberal industry critic and Windsor-MP Herb .[41]

Privately, the government continued to hold discussions with Chrysler Canada representatives. In an early November meeting with company executives, de Cotret hinted strongly that if the company converted Windsor's engine plant to fuel-efficient engines, and built a new Quebec truck plant, assistance would be forthcoming. The government might consider the Department of Regional Economic Expansion (DREE) for funding. While incentives of up to $500 million were the likely ceiling, the finance department argued that $150 million in loan guarantees was more reasonable. They considered this figure proportionate, given the U.S. proposal for US$1.5 billion in loan guarantees. But the government wanted to see a "leaner package" and sent Chrysler back to the drawing board.[42]

In late November 1979, Chrysler presented their revised plan to the Clark government. The "Chrysler Canadian Product Proposal" called for a new van at the Pillette Road Plant and conversion of the Windsor engine plant to build a V-6 engine. In return for Chrysler investments of $1.047 billion, the government was to give a $200 million grant, $25 million for training, and to guarantee loans of $491 million, or a total government package worth $716 million. Chrysler suggested that failure to accept the plan would result in Chrysler products being "manufactured in other locations," the closure of the Windsor Engine Plant, and that the Pillette Road Plant would become "a marginal operation." These threats were accompanied by an unsubtle suggestion that "the Canadian government indicate, at the earliest possible date, that it is supportive of this proposal."[43]

Although federal officials met again with Chrysler in early December 1979, government ministers repeated their position that nothing could be announced until matters were settled in the United States.[44] Even a November 1979 meeting between Clark and President Carter did not elicit further steps. Canadian officials reiterated their wish to see the company's proposal to the U.S. government before committing to any response, and Clark reiterated publicly that he would not raise questions about Chrysler with the president. De Cotret also stated unequivocally that he "would not bring this to cabinet before we know what the final decision is in the US."[45]

With the Canadian government's announcement that no steps would be taken until Chrysler's survival had been addressed in the U.S. Congress, attention shifted southward. After months in which the Carter administration remained relatively mute on the issue, the company received a boost when U.S. Treasury Secretary William Miller announced his support for the loan guarantees in November 1979. Miller, who was originally cool towards any deal (as head of Textron he had criticized the Nixon administration's 1971 guarantees for Lockheed), recommended loan guarantees totalling US$1.5 billion. In return, the company was required to raise US$1.5 billion from private sources, sell assets, and provide a four-year survival plan.[46]

In December 1979 Iacocca again went to Ottawa to discuss the company's situation with de Cotret. Even with Chrysler in the capital, and with the impending U.S. package announcement, federal politicians refused to show their hand until the Americans had made a deal with the company. After meeting with Iacocca, Conservative Cabinet minister Michael Wilson stated, "We do not want to make a decision relating to any degree of support we might provide for Chrysler Canada until the decision in the United States has been made." The next day, Clark reiterated the Canadian position: no discussions until the United States had made a deal.[47]

Of course, the opportunity would disappear if Chrysler did not get its deal from the U.S. government, and the Congress was wavering. Bleeding cash and losing customers, on 17 December Iacocca proposed a new plan and desperately pleaded with American lawmakers: if they did not pass the Chrysler bill immediately, the company faced destitution. Chrysler was against the wall, and there was no question in Iacocca's mind that if the company did not find some new funds, it was all over for the tenth-largest U.S. company. U.S. Vice-president Walter Mondale concurred. On behalf of the Carter administration, in mid-December 1979 he urged Congress to vote on the bailout legislation.[48] The situation was so bleak that the Ontario government officials thought it "prudent" to begin preparing contingency plans in the event of a Chrysler failure.[49]

In Ottawa, de Cotret was still awaiting news of Congressional acceptance of the parent corporation's aid package before taking any steps. The industry minister had not yet broached the idea of aid to his Cabinet colleagues. Nor had he initiated discussions with the Ontario government—a necessary partner for any assistance package for Chrysler.[50] But on 13 December 1979, the minority Conservative government fell on a budget motion. Although the Conservatives continued to discuss terms with Chrysler, Chrysler representatives could not be sure that government policy would not change after the 18 February 1980 election.

Chrysler's fate became an election issue. Liberal Herb Gray made his party's intentions clear during the campaign: if the Liberals won, there would be aid to Chrysler, though the nature of the government's assistance would depend on what Chrysler was promising in return. Gray had complained about de Cotret's dithering on the issue, and now he took the opportunity to provide an unambiguous statement of the Liberals' position on the matter. For their part, the Conservatives remained committed to negotiations.[51]

As the Carter administration haggled over the final aspects of the bailout bill, Chrysler faced its darkest days. In January 1980, Chrysler closed its famous Dodge "Main" plant in Hamtramck, Michigan, the symbolic heart of Walter Chrysler's company. Within weeks the company announced its spectacular 1979 US$1.2 billion loss. In Windsor, 5,000 of 12,000 workers were on indefinite layoff. To avoid running out of money, the company simply stopped paying suppliers. At that moment, simply by calling in a loan or asking for payment the smallest bank or parts supplier could have toppled one of the largest industrial enterprises in the world.[52]

Finally, to the immense relief of over 100,000 Chrysler workers on both sides of the border, on 7 January 1980, President Carter signed the Chrysler Loan Guarantee Act into law. The plan provided US$1.5 billion in loan guarantees, but required the company to secure another US$1.43 billion in private financing and mandated US$462.5 million in concessions from the company's employees.[53] The company also sought exemptions from clean air standards that would allow them to meet the new requirements two years later than originally expected.[54]

The deal was also contingent upon the cooperation of the Canadian government—but which Canadian government would that be? On 18 February, the Liberals under Pierre Trudeau won a majority and were returned to power. After their victory, the Liberals reaffirmed their commitment to Chrysler.[55] In March Chrysler Canada pitched a new plan. Under the revised proposal, instead of grants of $225 million and loan guarantees of $491 million, Chrysler now sought $150 million and loan guarantees of $400 million.[56] They saw this as "a substantial effort on the part of Chrysler to improve employment and reduce the support originally requested from the government." But federal officials remained wary of anything more than a proportionate share of the U.S. package. Reasonable support was considered $400 million in guarantees, split 60/40 between Ottawa and Ontario, or $240 million in federal guarantees—far from what Chrysler was asking.[57] Nonetheless, the government was committed to providing support. The Ontario government also expressed its commitment to a package that included job targets.[58]

In April 1980, Chrysler President Don Lander made his "final" offer to federal officials. Investment totalling $997 million would be used to produce a new "minivan" ($426 million) and a new front-wheel drive car ($246 million), along with other operations ($325 million). But the conversion of the Windsor engine facility and a second shift at the Pillette Road truck plant were dropped from the proposal. The government was being asked for $100 million in grants and $300 million in loan guarantees. This figure was still disproportionately large in comparison to the US$1.5 billion request made by Chrysler to the U.S. government. Canada, representing less than a tenth of Chrysler's car market, was being asked to guarantee nearly a quarter of the loans. While federal officials considered this share of the risk "rich," they also noted that the loan guarantees were not expected until 1984, protecting taxpayers from an early Chrysler failure. In contrast, the U.S. loan guarantees were immediately applicable.[59]

In response to the Chrysler proposals, Gray took a government assistance plan to the federal Cabinet. Gray submitted two options, both centred upon loan guarantees. One was a $200 million loan guarantee based on the 9 April proposal that would result in $1 billion in investments. The second was a $285 million loan guarantee package based on the 31 March proposal that would result in $1.4 billion in investment. Neither option included grants, and both expected loan guarantees to come from Ontario as well. In either scenario, the government expected Chrysler commitments for employment targets, a new product with research and development support, and the promise of future consideration for other investments. Significantly, both options were much less than Chrysler officials had asked for in either operating plan. The government was committed to seeing a proportional response, one without grants, with guaranteed minimum investment levels, and with expectation of acceptable employment levels for the Canadian operations.[60]

Like their federal counterparts, Ontario policy makers were keen to seek the best deal possible, one that would guarantee further Chrysler investment and jobs, yet protect the taxpayers from the risk of a Chrysler failure. Premier William Davis expressed his concern over the state of Chrysler and the thousands of Ontario workers who would undoubtedly be adversely affected by the closure of the giant company. A key goal for Ontario was "to tie any financial incentive programs to a commitment for more jobs in Canada."[61] In early May 1980, with rumours rampant about a deal, Ontario Minister of Industry and Tourism Larry Grossman revealed that the negotiations hinged on jobs: "The situation surrounding the job guarantees which is, as I have indicated from the start, the prime concern of this government and one of the prime reasons for the delay, is simply that the job guarantees have not been arrived at which are satisfactory to us, and I believe the federal government, in order to permit a deal to be struck at this time."[62]

While the latest proposals were being considered by Cabinet, Gray and Chrysler continued negotiations. Publicly, Gray stated that the entire package hinged on guaranteeing employment levels. Grossman seconded this position, saying that until the issue of job guarantees was squared away, there was "little point" in dealing with any other outstanding issues.[63] In the Commons, Gray defended the government against accusations from the NDP that he had bargained away Canadian jobs: "I am determined, and the government is determined, that this matter will not come to an end in the absence of a fair deal for our country and for Canadian workers." While "the NDP seem ready to cave into the Chrysler Corporation," Gray maintained, "we are not."[64]

The tough Canadian negotiations almost scuttled the entire Chrysler deal. According to Grossman, at one point Ontario's representatives, along with their federal counterparts and the Chrysler people, "were there, while they negotiated, for 16 or 17 hours out of 24."[65] Gray cancelled a planned announcement at the last moment in an effort to exact further guarantees from the company.[66] In Washington, anxious legislators awaited the outcome of the Canadian negotiations and deferred a final decision on the loan guarantee package until they heard from Ottawa. "We need that piece of the puzzle," warned U.S. Treasury Secretary Miller, as the whole bailout enterprise was "down to really waiting for the Chrysler Canada negotiations." Without the Canadian segment of aid, the entire package was on hold.[67]

Finally, after weeks of bargaining, Gray made the official announcement of the government's agreement with the company on 10 May 1980. In return for $200 million in loan guarantees, the company promised to invest $1 billion in its Canadian facilities over the next five years. The loan guarantees themselves were not to be drawn until 1982, thus insulating the government from risk in the early stages of the Chrysler recovery. Publicly, Gray stated that the $200 million figure had been achieved from an "extensive period" of negotiation, and he assured the House that the original figure requested had been much higher.[68] Canadian negotiators had been largely successful in achieving loan guarantees that were proportional with the U.S. contribution.

Most importantly, they had also ensured that the number of Chrysler workers at Windsor would increase over the life of the government commitment, and that unemployment levels would not rise. The key condition of the deal was that Chrysler's Canadian employment would return to its "historic levels." As a result, Gray announced that Chrysler's Canadian employment was targeted to reach 9,100 in 1981, and increase over the next three years to 10,100 (1982), 11,300 (1983), and 15,900 (1984). Under the plan, Chrysler's Canadian employment figures were not expected to drop below 15,900 for 1984, 1985, and 1986. Understanding that there might be factors that could alter these targets (the company was still in dire financial straits), Gray stated that in return for the loan guarantees, Chrysler had agreed that if the company did not meet these targets, Canadian employment would never be lower than 11 per cent of the U.S. employment for the 1982–1986 period, and not lower than 9 per cent of U.S. employment for 1980–1981.[69] The Canadian government had succeeded in guaranteeing minimum employment levels from a foreign corporation.

Moreover, the loan guarantees were tied to two main products. The first was the T-115 "van wagon," which Chrysler Canada would have the exclusive product mandate for until the loans were repaid in full. This was a particular coup for the government, as it was expected that the new product, a front-wheel drive six-passenger minivan, would generate significant sales. While approximately $400 million was earmarked for the existing Windsor Van plant to build the minivan, another $250 million would be invested to update Windsor's car plant for the forthcoming K-Car. Like the minivan, this was a low-priced gas-saving front-wheel drive that was expected to generate big sales for a fuel-conscious public. The rest of the $1 billion was marked for improving existing facilities such as the Etobicoke aluminum casting plant. Just as importantly, Gray revealed that one of the conditions of the deal was that "none of the facilities of Chrysler Canada can be closed without obtaining the approval of the minister," and that the Canadian government have the right to appoint a member of Chrysler Canada's board of governors.[70]

The Ontario government's contribution was considerably less than that of the federal government, yet symbolically important. Critics of the Auto Pact, and the auto industry in general, had often pointed to the lack of automotive research and development in Canada. As part of the overall Canadian package, the Ontario government pledged $10 million towards the creation by Chrysler of a $20 million automotive research and development centre in Windsor by 1982, employing 150 research and engineering staff. This was an important step for the Canadian industry, was seen as a "breakthrough," and reflected the Ontario government's willingness to leverage more than just jobs out of Chrysler.[71]

On the face of it, it looked as though the Canadian and Ontario governments had cut themselves a deal. For a minimum outlay, the company had promised to invest $1 billion dollars in Canada and to maintain and even boost Canadian employment levels. The Canadian government had only promised loan guarantees, which would cost taxpayers nothing if Chrysler recovered. The Ontario government's $10 million research investment was also secure: if the company failed, the facilities and equipment would become the property of the province. Of course, the governments still ran the risk that the company would fall. Nonetheless, with the Canadian aspects of the total Chrysler bailout package in place, the company had commitments to keep it going for the moment, if not for the immediate future. In May 1980 Treasury Secretary Miller asked officials at the Canadian embassy in Washington to convey his appreciation for the Canadian government's cooperation, and particularly expressed his admiration for Gray's "energetic effort" in helping to put together the final package.[72]

Chrysler and Canadian Reindustrialization, 1982–1988

The Chrysler bailout had an impact on the company results, its workers, and the changing North American operations of the corporation. In the first instance, the near-death of Chrysler and the bailout allowed the company to make the necessary investments, update its plant and facilities, and rebuild its workforce. Although these steps were painful, and the Chrysler situation represented a general downsizing of the Big Three in the North American marketplace, they did ensure the company's survival and its eventual recovery.

With the loan guarantees in place, Chrysler began its restructuring. In 1981, following the closure of the St. Louis, Missouri, "B" van plant, all Chrysler van production was centralized at the Pillette Road plant. In 1983, Chrysler invested $321 million on plants and equipment. This included the seventeen-week shutdown of the car line at the Windsor Assembly plant, which began entirely new production of the Dodge Caravan and Plymouth Voyager minivans. It was one of the fastest and most successful plant conversions in Canadian industrial history. By 1986, the company had invested $666 million in its Canadian operations, boosting capacity, employment, and output significantly.[73]

These operational moves had a number of implications. The first major impact was upon the company's production mix. Chrysler's product decisions to move to front-wheel drive cars such as the economic K-Car, and to develop the minivan were pivotal in triggering the Chrysler turnaround. These two vehicles doubled the company's production from just over 900,000 vehicles in 1980 to 1.8 million in 1984, boosting Chrysler's market share in North America substantially (see table 1) by two full percentage points.

Most important was the Canadian government's insistence that the new "van-wagon," which soon became known as the Chrysler minivan, be built in Canada. Further, the government's requirement that Canada have an exclusive product mandate for the minivan until the Chrysler's loans were paid off ensured that its

Table 1: Chrysler North American production, 1973–1987

Year	Canada	US	Chrysler	Cdn. %
1973	356,015	1,893,932	2,249,947	15.82
1974	339,777	1,538,670,	1,878,447	18.08
1975	386,614	1,222,596	1,609,210	24.02
1976	329,604	1,775,251	2,104,855	15.66
1977	332,068	1,710,360	2,042,428	16.25
1978	255,500	1,614,348	1,869,848	13.66
1979	184,493	1,224,386	1,408,879	13.09
1980	125,190	778,771	903,307	13.85
1981	154,556	849,741	1,004,297	15.38
1982	245,915	722,902	968,817	25.38
1983	246,610	1,051,846	1,298,456	18.99
1984	363,712	1,463,423	1,827,135	19.90
1985	389,661	1,480,066	1,869,727	20.08
1986	409,789	1,450,148	1,859,937	22.03
1987	386,114	1,439,751	1,795,865	21.50

Compiled from *Ward's Automotive Annual Reports* (various years)

success meant even more production for Canada. Following the commencement of minivan production in 1984, one Canadian official visiting Chrysler's facilities in Windsor—called the "crown jewel" of Chrysler's North American plants by the Canadian company's president[74]—could not help but be "stunned" at the company's turnaround: "It's a hell of a lot more fun visiting the New Chrysler with K-Cars, T-115's [minivans], and profits than it was seeing the last of the V-8's and the need for loan guarantees. I did not think it could be done, but I saw living proof in the T-115 plant."[75] By 1984 the company was producing vehicles "flat out," 92 per cent of which were exported to the United States.[76] The minivan's influence spilled over into the Canadian parts sector, as well, as Chrysler purchased nearly $800 million in parts in 1983—also keeping the company in compliance with Auto Pact Canadian content requirements. In 1987, just four years after the launch of the vehicle, Chrysler's Windsor workers had produced an astounding one million minivans. [77]

The turnaround was indeed dramatic and pointed to Chrysler Canada's increasingly central place in the company's North American operations following the bailout. This was a second major impact. Just as important as building key vehicles such as the minivan, Chrysler's Canadian factories turned out a much bigger share of the company's total North American output. The federal demands for investment dollars and product guarantees ensured that Canada became the heart of Chrysler's operations after 1982, and built far more vehicles than Canadians purchased or had previously manufactured . Between 1976 and 1981, Canada's share of Chrysler's continental production averaged 14.64 per cent. Between 1982 and 1987, this proportion jumped to an astounding 21.31 per cent. In the wake of Chrysler's near-death, Canada boosted its production to over one-fifth of all the cars the company built in North America (see table 1).[78] Although the Auto Pact required a 1:1 ratio of production to sales in order for the company to maintain its duty-free status, Chrysler's Canadian facilities produced far more than their share of North American output. This went well beyond the 1:1 ratio, and illustrated the company's willingness to shift more of its production to Canada.[79]

In the wake of the bailout and the demands made by the federal government, Chrysler's Canadian production was pivotal in the company's recovery. Yet Chrysler's reindustrialization led a further strengthening in the Canadian auto sector, as well. Canada's Big Three plants were already producing in excess of the country's North American consumption because of the Auto Pact by the late 1970s. But the boost in Chrysler production exacerbated this trend. With the Chrysler moves, the northward shift in production, which had slowly been building since the advent of the Auto Pact in 1965, greatly accelerated after 1982 (table 2). This shift illustrates the diverging fortunes of auto workers on either side of the U.S.-Canadian border. The willingness of the Big Three to assemble a seemingly ever-increasing proportion of their vehicles in Canada helps to explain why Canada's auto-producing heartland remained (and even gained), while Michigan, Ohio, and other U.S. auto jurisdictions faced the brunt of production cutbacks.

A third significant impact was upon Canadian auto workers, particularly in Windsor. The production boom led by Chrysler meant that Windsor, home to the greatest concentration and largest number of auto workers, did not suffer the same fate as similar auto-dependent communities, especially in places such as Michigan. Of the nearly 14,000 Canadian Chrysler employees, 12,000 of them worked in Windsor. If Canada was to experience deindustrialization as it occurred in the United States, it would happen in Windsor. Initially, the prognosis was not good. The city was in the early throes of a bleak decline. In the winter of 1980, Chrysler left thousands of unsold vehicles to rust on the grounds of the Windsor Raceway. In 1981, with temporary layoffs decimating the auto industry in general, and Chrysler in particular, Windsor's unemployment level reached 12 per cent, nearly twice the national rate.[80]

But the Chrysler Canadian reinvestment guarantees and minimum employment targets helped to reverse unemployment in the city. By 1986, federal politicians were claiming that Windsor's unemployment rate had actually declined to 5 per cent.[81] Though the true figures were higher, it was certain that unemployment had dramatically decreased, especially in the auto sector. By March 1987, Windsor's unemployment rate had declined to 8.2 per cent. A year later, the city's unemployment rate fluctuated between 6 and 8 percent.[82] Clearly, Windsor was bouncing back and did not face the debilitating effects faced by Michigan auto-towns such as Flint, and so poignantly portrayed by Michael Moore.

Employment at Chrysler played an important role in this jobs reversal. By January 1984, the company had hired back all of its

Table 2: North American production, 1973–1989

Year	US total	Canadian total	N. Am. total	Cdn. %
1973	12,662,919	1,589,499	14,537,986	12.55
1974	9,983,934	1,563,850	11,898,731	15.66
1975	8,965,413	1,442,076	10,764,113	16.08
1976	11,485,536	1,646,824	13,457,339	14.33
1977	12,699,086	1,764,987	14,744,886	13.89
1978	12,895,286	1,818,378	15,097,791	14.10
1979	11,475,737	1,629,855	13,550,018	14.20
1980	8,010,563	1,369,697	9,870,176	17.09
1981	7,940,781	1,280,499	9,818,398	16.12
1982	6,985,313	1,235,668	8,693,618	17.68
1983	9,225,698	1,502,325	11,013,508	16.28
1984	10,939,058	1,835,074	13,132,135	16.77
1985	11,653,956	1,934,110	14,046,746	16.59
1986	11,335,241	1,854,418	13,530,711	16.35
1987	10,925,605	1,635,151	12,956,014	14.96
1988	11,237,947	1,976,896	13,727,619	17.59
1989	10,875,574	1,965,480	13,482,329	18.07

DesRosiers Automotive Consultants, Yearbook 2000 (Richmond Hill, ON: DesRosiers), 114

employees on indefinite layoff, and with the addition of a second shift at the Windsor Assembly Plant had actually hired 574 new employees as well. This hiring reflected a steady employment improvement between 1981 and 1986, although Chrysler did not reach the yearly figures promised by Herb Gray in his May 1980 agreement with the company. For those years, average Chrysler Canada employment was close to 12,000 workers, below the company's employment levels in the immediate pre-crisis period, yet higher than the company's employment for 1970–1976.[83] But Chrysler more than achieved the minimum percentage targets agreed to by the government and the company. Chrysler Canada's workforce increased as a percentage of the U.S. parent's workforce, as expected under the agreement, and reached one-sixth of the company's total by 1983. It levelled off thereafter, but Chrysler Canada's share of the company's total workforce remained disproportionately large for the rest of the decade (table 3).

The sheer number of *new* auto workers in the whole automotive sector was even more startling in the post-bailout period. From 1975 to 1979, the total employment in the automotive industry was just over 116,000 workers, with just over 49,000, on average, in the assembly sector. Between 1980 and 1982, the worst part of the automotive downturn, the general recession and the height of Chrysler's difficulties, employment declined severely and averaged 103,000, with 43,000 in assembly. But between

Table 3: Chrysler employment, 1980–1986

Year	Chrysler US employment	Chrysler Canadian employment	Canadian employment as a % of US
1980	133,811	13,600*	10.08
1981	92,596	10,920	11.79
1982	87,825	11,176	12.72
1983	74,700	12,028	16.10
1984	81,478	12,448	15.27
1985	100,435	12,356	12.30
1986	107,850	12,093	11.21

* approximate

Source: Fortune Annual Survey of Companies (various years); Chrysler Canada Ltd., Annual Reports (various years). This table does not include 1987, which marks the amalgamation of AMC into Chrysler. That year, Canadian employment at the company reached 15,677.

1983 and 1987, the Canadian auto sector not only regained all the employees it had shed at the height of Chrysler's difficulties, but added a substantial number of new workers. In the four years after 1983, the average number of workers in the sector was 129,000, with 48,800 in assembly (table 4). Good news announcements were the norm, and by virtually every measure, the Canadian auto sector had been strengthened in the wake of the Chrysler crisis.

Counter-intuitively, automotive employment figures—far from being a leading cause of the Rust Belt's emergence, as in the United States—were actually leading Canada out of recession. In 1980, one-third of all of Windsor's unemployed were in the auto sector. But the Chrysler turnaround was soon felt throughout the industry. In 1982, automotive unemployment had risen from 6.4 per cent of the industry's labour force to 15.3 per cent. But by 1984, auto employment had actually surpassed its 1978 level. By 1986, automotive unemployment was even lower than that of the rest of the manufacturing sector—6.5 to 8.8 per cent.[84] Far from hurting manufacturing in Canada, the automotive sector—led by Chrysler—had helped to soften the general malaise in overall industry.

The stunning advance of automotive employment in Canada contrasted sharply with the situation in the United States. There, the number of auto employees dropped from over one million in 1978 to just over 700,000 by 1982. Overall, the blue-collar workforce in America's automotive factories shrank by 22 per cent in this period. Michigan automotive cities such as Flint and Detroit were devastated by the job losses and never fully recovered. As one analyst who studied the cross-border industry remarked, "Canada's industry has outperformed its American counterpart, expanding its share of production and employment beyond the levels reached in 1978."[85]

Far from emerging as a part of the North American Rust Belt, Chrysler's Canadian resurgence had led to the rebuilding of Canada's automotive heartland. In this period, General Motors and Ford also followed Chrysler's lead, and sourced more and

Table 4: Automotive employment in Canada, 1974–87 (1000s)

Year	Vehicle assembly (SIC 323)	Trucks and trailers (SIC 324)	Auto parts (SIC 325)	Auto fabric and accessories (SIC 188)	Total
1975	43.4	14.4	41.2	4.8	103.8
1976	46.6	14.0	46.2	5.6	112.4
1977	50.6	12.6	48.6	6.5	118.3
1978	52.3	13.6	52.1	6.9	124.9
1979	52.6	14.8	49.8	6.6	123.8
1980	43.9	12.9	41.0	6.3	104.1
1981	43.4	12.1	44.7	7.2	107.4
1982	42.7	8.6	41.1	6.3	98.7
1983	44.4	11.5	55.2	4.5	115.6
1984	49.5	12.5	56.9	4.9	123.8
1985	50.4	13.5	60.3	5.1	129.3
1986	49.9	14.1	63.6	5.1	132.7
1987	50.2	17.8	70.6	7.6	146.2

Source: Industry, Science and Technology Canada, Report on the Canadian Automotive Industry (Ottawa: 1989).

more of their North American production in their Canadian plants. More than any other factor, this explains the diverging fortunes of auto workers on either side of the border: in meeting not only the production and content floors mandated by the Auto Pact, and the Chrysler product mandates and employment targets bargained by the Canadian government, Canadian policy makers had secured Canadian employment and production in the wider North American industry. This had been achieved largely by the Big Three's willingness to shift significant assembly north to their Canadian plants. By the late 1980s and early 1990s, the Big Three's Canadian facilities accounted for one-fifth of total North American production, and the Canadian parts sector experienced tremendous growth.[86] In a period when the U.S. automotive industry declined and the American sector lost thousands of jobs, observers marvelled at "Canada's New Economic Clout."[87] In bailing out Chrysler, the Canadian state had helped to create a booming auto sector.

Conclusion: The State, Chrysler, and Canada's Re-industrializing Heartland

In July 1981—just two years after Chairman John Riccordo's fateful admission of Chrysler's dire financial straits—Lee Iacocca announced that the company had turned a profit for the second quarter. Although it was a meagre US$11.6 million (given the company's over US$3 billion 1979–1981 losses), it was enough to prompt some headlines to proclaim that Chrysler was Iacocca's "Little Miracle."[88] These profits were followed by a virtual tidal wave, and in 1983 Chrysler was able to pay off its federally guaranteed loans, seven years ahead of schedule.[89] The turnaround was equally dramatic north of the border. In 1982, Chrysler Canada was the only Canadian Big Three company to record a profit, and the K-Car was the best-selling car in Canada. By the mid-1980s Chrysler was no longer on the brink of bankruptcy. In 1987 it purchased the American Motors Corporation, and its Canadian subsidiary also took control of American Motors (Canada) and its operations, which included plants in Brampton and Bramalea. In 1998, the Chrysler Corporation was purchased by Daimler-Benz of Germany. Nearly two decades after the Chrysler bailout, the company had secured its future, albeit as part of a larger multinational.

Along with the state's interventionist measures, there are many reasons that help to explain Chrysler's turnaround and its impact upon its Canadian operations. After suffering such a decline in the 1978–1983 period, the industry experienced the benefits of a resurgence in consumer confidence, which, while not inevitable, was expected in the highly cyclical auto sector. This confidence was boosted by a more general economic turnaround that saw a decline in record-high interest rates, which benefited car sales significantly. Chrysler's new products were also appealing to consumers; Canada doubly benefited by producing those successful models such as the minivan in Windsor.[90] Trade policies also helped fuel the Chrysler and Big Three rebound: the 1981 "voluntary" export restraints imposed by U.S. President Reagan upon Japan provided some relief for domestic car makers. Canada followed suit in 1983 by "encouraging" the Japanese to lessen their exports and build plants in Canada.[91] Thus, many reasons help to explain Chrysler's rebound, and also to explain the increasingly important role of the Big Three Canadian operations in their North American production.[92]

Yet the role of the state in Chrysler's resurgence remains perhaps the key factor in explaining the turnaroud. The Canadian Chrysler bailout reflects the complex dynamics and particular historical circumstances that surround government-MNE bargaining. Most obviously, the state and its main actors, politicians, and civil servants, sought to achieve outcomes most beneficial to their stakeholders and to their own position. In the case of both the Progressive Conservative and Liberal federal governments, and the Ontario Progressive Conservative government, this included maintaining employment in Windsor and Ontario. This was a particularly sensitive issue for Liberal Herb Gray, who was minister of industry during the 1980–1981 Chrysler negotiations, and who was a long-time member of Parliament from Windsor. Along with Gray, Liberal Cabinet ministers Eugene Whelan and Mark McGuigan also hailed from Windsor-area ridings.[93] Voters in Windsor and southern Ontario expected some form of government intervention or action from Gray and his colleagues to mitigate the job losses faced by Chrysler workers. Thus, a Chrysler failure would be catastrophic for the community, and would have political consequences that political actors—both Liberal and Progressive Conservative—hoped to avoid. These actions reflected a long-standing imperative by governments to play a role in the Canadian economy.[94] Canadian politicians did not need to be "convinced" to act to protect worker interests. For Windsor's Herb Gray, bargaining hard was a way to protect jobs in his hometown and, of course, to secure political support. But it was more than part of a political calculus: it simply made good public policy sense. "My mandate is based on jobs," Gray stated flatly to newspaper reporters at the height of the Chrysler negotiations.[95] He meant it.

Most importantly, state actions in the case of Chrysler must be framed within the context of the 1965 Canada-U.S. Auto Pact. This agreement had created a dynamic in which the state played a fundamental role in the management of the Canadian auto industry—one that remained interventionist and designed to ensure that this industrial policy resulted in jobs and investment for Canadians. As such, the Canadian state's Chrysler intervention was well in keeping with the federal government's approach in the auto sector. By the mid-1970s, governments in Canada had become accustomed to achieving a say in automotive investment under the auspices of the Auto Pact. Indeed, it can be argued that Chrysler's Canadian re-industrialization began even before the bailout crisis and reflected the Canadian state's ongoing direct involvement in the auto sector through the Auto Pact. In 1972 Chrysler Canada Ltd. informed the government that the company would miss by a significant margin its Auto Pact ratio requirements to produce as many trucks as it sold in Canada. The company was liable for millions of dollars in duties. As a result, the government offered Chrysler a choice: either pay the duties, or build a new plant in Canada. The company chose to build a new plant, which would also help in the future in meeting its Auto Pact requirements. In 1976, the company opened the new Pilllette Road Truck Assembly Plant, which remained a significant element in Chrysler's Canadian production for nearly three decades.[96]

At the same time, this competitive dynamic between the government and the Big Three over the direction of the industry was not always so one-sided. When it came to new investment, the auto companies could shift investment across national or local borders, just as easily as they transported their products. A key, unexpected advantage for the Big Three producers under the Auto Pact regime after 1965 was their newfound ability to demand a host of incentives and benefits from local governments in return for promising capital investments: as competition between subnational jurisdictions became fierce for new investment dollars, the manufacturers reaped the benefits of bidding wars that their borderless continental leverage allowed them. Where a state like Michigan could once expect a birthright to the lion's share of new investment, it now fought against other states and provinces for any scraps from these newly transformed continental multinationals.[97] For example, in 1978 the federal and Ontario governments provided $68 million to Ford as an incentive to locate a modern new casting plant in Windsor in the face of fierce competition for the plant from a number of U.S. states.[98] This type of investment was decried as corporate welfare, which allowed a foreign multinational to hold Canadian taxpayers hostage.

Similarly, in the case of the Chrysler bailout, the state's demands were not entirely acceded to. Chrysler did not meet every expectation that it had agreed to with the federal or provincial governments. The company asked for more money after the initial negotiation. It ended engine production in Windsor in 1980, and had to shift 350 jobs to the van plant. Instead of building the popular K-Car in Canada, it made an agreement to build a diesel engine plant, which it ultimately reneged upon. Chrysler even received a duty remission of approximately $250 million for 1981 and 1982, as the company did not meet the production-to-consumption ratio requirements stipulated by the Auto Pact (it did not build cars in Canada in this period). And on more than one occasion it sought to change the terms of its loan guarantee agreement with the Canadian government.[99] Clearly, while Chrysler initially came to the negotiations seeking aid, the company continuously sought to improve its position, even after it had struck an agreement with the federal and Ontario governments for assistance.

Yet on balance, government intervention in the case of Chrysler was highly successful. Without the loan guarantees, it is likely that Chrysler would have collapsed. The conditions exacted by the government in return for the loan guarantees—particularly the product mandates and minimum worker levels—were essential in boosting the company's fortunes in Canada, and helping to stave off the emergence of a Rust Belt in Canada's industrial heartland of southern Ontario. Moreover, in a period during which the government was willing to intervene in the economy on a massive scale, the Chrysler intervention remains conservative by comparison, and the benefits significant. In the 1970s, the federal government bailout out companies such as Massey Ferguson and Dome Petroleum created Crown corporations such as Petro-Canada, and purchased outright firms in the aeronautics industry such as de Havilland and Canadair.[100] Comparably, the Canadian governments' commitments to Chrysler did not result in any financial outlays by the federal government, and only took the form of loan guarantees, which were quickly paid back by Chrysler.

Ultimately, Canada's role in the Chrysler bailout helped to prevent the deindustrialization of southern Ontario. The Canadian governments' Chrysler response was framed by the Auto Pact regime and reflected a long-standing willingness to intervene in the auto sector to protect jobs and investment. It was also framed by a more liberal Canadian attitude towards state intervention in the economy, which initially contrasted with that found in the United States, though eventually political parties on both side of the Canada-U.S. border all agreed to a bailout.[101] Finally, the Canadian governments' willingness to utilize their position within the triangular diplomacy among the home government, the host government, and Chrysler allowed them to achieve the best possible outcome, given the circumstances. Instead of signalling the emergence of a Canadian Rust Belt, the Chrysler bailout, and the public policies pursued by Canadian state actors during this incident, marked the beginnings of an industrial sunrise in Canada's strategic auto sector.

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Notes

1. For a scholarly look at the challenges faced by Flint, see Steven P Dandaneau, *A Town Abandoned: Flint, Michigan, Confronts Deindustrialization* (Albany: State University of New York Press, 1996).

2. Steve High writes, "By 1979, the automobile, the symbol of the American Dream, mass production and conspicuous consumption, had come to symbolize what was wrong with the old industrial heartland . . . Crisis in the auto industry and the near-bankruptcy of the Chrysler Corporation in 1979 were also projected onto the image of the Motor City itself." Steven High, *Industrial Sunset: The Making of North America's Rust Belt, 1969–1984* (Toronto: University of Toronto Press, 2003), 25. For a view of Chrysler plant closures, see Jeremy Main, "Anatomy of an Auto-Plant Rescue," *Fortune*, 4 April 1983.

3. Examples of deindustrialization historiography that focus on workers and community responses include Kathryn Marie Dudley, *The End of the Line: Lost Jobs, New Lives in Postindustrial America* (Chicago: University of Chicago Press, 1994); High, *Industrial Sunset*; Steve Mellon, *After the Smoke Clears: Struggling to Get By in Rustbelt America* (Pittsburgh: University of Pittsburgh Press, 2002); and David Sobel and Susan Meurer, *Working at Inglis: The Life and Death of a Canadian Factory* (Toronto: Lorimer, 1994). Some early deindustrialization work on the United States focused more upon industrial policy than community responses. For example, see Robert B. Reich and John D. Donahue, *New Deals: The Chrysler Revival and the American System* (New York: Times Books, 1986); Mike Podgursky, "A National Industrial Policy," *Labor Studies Journal* 9, no. 2 (1984): 231–236. A significant early book that looked at both community responses and industrial policy more broadly is Barry Bluestone and Bennett Harrison, *The Deindustrialization of America: Plant Closings, Community Abandonment and the Dismantling of Basic Industry* (New York: Basic Books, 1982).

4. For these views, see, in particular: Daniel Drache, *The Deindustrialization of Canada and Its Implications for Labour* (Ottawa: Canadian Centre for Policy Alternatives, 1989); James Laxer, *(Canada) Ltd.: The Political Economy of Dependency* (Toronto: McClelland and Stewart, 1973).

5. High, *Industrial Sunset*, 11–12, 194. Although he notes that 300,000 auto workers lost their jobs in North America in 1978–82, High does not focus on the auto industry in *Industrial Sunset.*

6. Sociologist Michael Del Balso convincingly argues that Canada did not, in fact, deindustrialize in the postwar period, and if anything, "Canada's manufacturing base has generally grown" (ii). See his "Is Canada: De-Industrializing? The Industrial Restructuring of the Manufacturing Sector, 1961–1995" (PhD diss., McGill University, 1997).

7. On the state as the "visible hand" in Canadian economic development, see Bliss, "Canada in the Age of the Visible Hand," in *In Pursuit of the Public Good: Essays in Honour of Allan J. McEachen*, ed. Tom Kent (Montreal, Kingston: McGill-Queen's University Press) 1997, 21–34. In this context, the term refers to state intervention, as opposed to managerial capitalism, as expounded by business historian Alfred D. Chandler in *The Visible Hand: The Managerial Revolution in American Business* (Boston: Belknap, 1977).

8. See, for instance, Michael Moritz and Barrett Seaman, *Going for Broke: Lee Iacocca's Battle to Save Chrysler* (New York: Anchor/Doubleday, 1983). Other views of the Chrysler bailout include Steve Jefferys, *Management and Managed: Fifty Years of Crisis at Chrysler* (New York: Cambridge University Press, 1986); Reginald Stuart, *Bailout: America's Billion Dollar Gamble on the "New" Chrysler Corporation* (South Bend, IN: And Books, 1980).

9. The yearly Canadian value-added requirement was approximately $600 million. There were also side agreements between the manufacturers and the Canadian government requiring the companies to spend $260 million on their Canadian operations between 1965 and 1968, and to annually boost their Canadian spending by 60 per cent of any growth in the Canadian market. The Auto Pact was overturned by the World Trade Organization in 2001.

10. See Dimitry Anastakis, *Auto Pact: Creating a Borderless North American Auto Industry, 1960–1971* (Toronto: University of Toronto Press, 2005), chap. 5, "Managing the Borderless North American Auto Industry, 1965–8."

11. Carl Begie, *The Canada-US Automotive Agreement* (Montreal: Canadian-American Committee, 1970) 64; Ralph Cowan, "Effects of the United States-Canadian Automotive Agreement on Canada's Manufacturing, Trade and Price Posture" (PhD diss., University of Michigan, 1972), 32.

13. John Rae, *The American Automobile Industry* (Boston: Twayne, 1984).

14. For a spirited view of the U.S.-Japan auto battles, see David Halberstam, *The Reckoning* (New York: Morrow, 1986).

15. MVMA, *Motor Vehicle Facts and Figures.*

16. Chrysler Corporation, "Analysis of Chrysler Corporation's Situation and Proposal for Government Assistance, September 15, 1979," file "Chrysler Corporation," box 713, William Milliken Papers, Bentley Historical Library, University of Michigan (hereafter BHL).

17. See Rae, *The American Automobile Industry*, and Halberstam, *The Reckoning*, on the impact of CAFE regulations.

18. "Statement by John Riccardo, Chairman of the Board, Chrysler Corporation," 31 July 1979, file "Bailout," box 11, UAW-Chrysler Collection, Walter Reuther Library, Detroit, MI (hereafter WRL). Riccardo had complained about government regulations to a Canadian audience in a 15 November 1973 speech to the Empire Club. "The Promise of Progress in Government–Industry Relations," *The Empire Club of Canada Speeches, 1973–4* (Toronto: Empire Club of Toronto, 1974), 106–116.

19. See for example, H. C. Wainright & Co., "The Impact of Government Regulations on Competition in the US Automobile Industry," 4 May 1979, and "Extraordinary Costs from Disproportionate Burden Faced on Smaller Automobile Companies by Government Regulation," 23 June 1979, file 51-9, box 51, D. Fraser (UAW president) Papers, WRL.

20. The North American economy was in recession during this period, one marked by very high interest rates that further hurt auto sales and auto financing.

21. Richard Conrad, "Surging Sales Iacocca's target," *Toronto Star*, 13 March 1979.

22. Moritz and Seaman, *Going for Broke*, 13; Irwin Ross, "Chrysler on the Brink," *Fortune*, 9 February 1980, 39; Harry Anderson, "Can Chrysler Be Saved?" *Newsweek*, 13 August 1979, 58.

23. Anderson, "Can Chrysler Be Saved?" 55.

24. The *New Republic*'s Stephen Chapman wrote, "In the early 1970s, when GM and Ford were beginning to go after the subcompact market with the Vega and Pinto, Chrysler decided to stick with big cars, traditionally the most profitable segment of the market. In fact Chrysler introduced a restyled line of full-sized cars practically on the eve of the embargo, and in the recession that followed suffered crippling losses." "On the Hill: Welfare Chrysler," 4 and 11 August 1979, 19.

25. See, for example, "Does Chrysler Want to Stay in the Business Just to Build America's Gas Guzzlers?" *Newsweek*, 13 August 1979.

26. James Daw, "Chrysler Keeps Blanket on Aid Hunt," *Toronto Star*, 7 September 1979.

27. Chrysler was also burdened by the overseas expansion of Riccardo's predecessor, Lynn Townsend, costing millions by the late 1970s. See Charles Hyde, *Riding the Roller Coaster: A History of the Chrysler Corporation* (Detroit: Wayne State University Press, 2003), 197–200, 230; Moritz and Seaman, *Going for Broke*, 163–166; Stephen Young and Neil Hood, *Chrysler U.K.: A Corporation in Transition* (New York: Praeger, 1977).

28. Anderson, "Can Chrysler Be Saved?" 52.
29. "Statement by John Riccardo, Chairman of the Board, Chrysler Corporation," 31 July 1979, file "Bailout," box 11, UAW-Chrysler Collection, WRL.
30. Chrysler Corporation, "Analysis of Chrysler Corporation's Situation and Proposal for Government Assistance, September 15, 1979," 29, file "Chrysler Corporation," box 713, William Milliken Papers, BHL.
31. "400,000 Jobs Tied to Chrysler's Survival," *Toronto Star*, 12 September 1979.
32. For background material on Chrysler Canada, see James Mays's series of articles in *Canadian Classics*, December 2000, January–July 2001.
33. "The Future of Chrysler Canada: Macroeconomic and Sectoral Effects," Economic Development Division, Department of Finance, 29 January 1980, part 5, file 8705-04-02, vol. 5959, RG 19, Library and Archives Canada (hereafter LAC).
34. Classic treatments of U.S. multinationals include Raymond Vernon, *Sovereignty at Bay: The Multinational Spread of US Enterprises* (New York: Basic Books, 1971); and Mira Wilkins, The *Maturing of Multinational Enterprise: American Business Abroad from 1914 to 1970* (Boston: Harvard University Press, 1974).
35. For examples of automotive MNE–state interaction, see Helen Shapiro, *Engines of Growth: The State and Transnational Auto Companies in Brazil* (Cambridge, MA: Harvard University Press, 1994); and Douglas C. Bennett and Kenneth E. Sharpe, *Transnational Corporations versus the State: The Political Economy of the Mexican Auto Industry,* (Princeton, NJ: Princeton University Press, 1985).
36. Isabel Studer-Noguez, *Ford and the Global Strategies of Multinationals* (New York: Routledge, 2002), 2.
37. For a good view of the dynamic between auto makers and governments in North America, see Kenneth Thomas, *Capital beyond Borders: States and Firms in the Auto Industry, 1960–94* (New York: McMillan, 1997).
38. See, for instance, Paul Ingrassia and Joseph B. Whilte, *Comeback: The Fall and Rise of the American Automobile Industry* (New York: Simon and Schuster, 1994); Hyde, *Riding the Roller Coaster*; Stuart, *Bailout*.
39. The federal Liberals had intervened strongly in the economy, for example creating Petro-Canada in 1975, which Clark had pledged to sell.
40. Anthony Whittingham, "A Giant's Fragile Kingdom," *Maclean's*, 20 August 1979.
41. "Chrysler Asks Aid to Save 15,000 Jobs," *Toronto Star*, 11 August 1979; "Chrysler Asks Help from Ottawa," *Toronto Star*, 25 August 1979; James Daw, "Washington Must Move First on Chrysler, de Cotret Says," *Toronto Star*, 26 November 1979.
42. "Chrysler Consultations," G. L. Reuber to the minister, 9 November 1979, part 18, file 8705-02, vol. 5958, RG 19, LAC; W. R. Hines to R. K. Joyce, 16 November 1979, part 18, file 8705-02, vol. 5958, RG 19 LAC; "Ottawa Still Ponders Chrysler Canadian Aid," *Toronto Star*, 2 November 1979.
43. "Chrysler Canadian Product Proposal," 29 November 1979, file "Chrysler-1979," box DM, Acc. 22206, RG 9-2, Archives of Ontario (hereafter AO).
44. Canada, *House of Commons Debates* (hereafter *Debates*) (4 December 1979), pp. 1983–4 (Mr. R. de Cotret, MP).
45. "Automotive Industry Issues," 19 October 1979, part 3, file 8705-03, vol. 5959, RG 19, LAC; *Debates*, 6 November 1979, p. 994 (Mr. R. de Cotret, MP); James Daw, "Washington Must Move First to Aid Chrysler, de Cotret Says," *Toronto Star*, 26 November 1979.
46. According to James Blanchard, he was "sandbagged" by Secretary Miller and the administration, who did not provide support for the bill until the last moment. Jennifer Holmes, "How Chrysler Went to Washington and Blanchard Went to Bat," *Detroit Magazine* (*Detroit Free Press*), 25 May 1980, 16; James Daw, "US Treasury Recommends Chrysler Loan Guarantee," *Toronto Star*, 1 December 1979; Tom Nicholson, "Chrysler's Big Boost," *Newsweek*, 12 November 1979, 86.
47. *Debates,* 4 December 1979, p. 1983 (Mr. Wilson, MP); 5 December 1979, p. 2031 (Mr. Clark, prime minister).
48. "Chrysler Corporation's 1980–85 Operating Plan, December 17, 1979," part 5, file 8705-04-02, vol. 5959, RG 19, LAC; "Help Us before It's Too Late Chrysler's Iacocca Pleads," *Toronto Star*, 17 December 1979; "Will the Bailout Leak?" *Newsweek*, 31 December 1979.
49. "Chrysler Corporation Contingency Planning," Industry Sector Policy Branch, 19 December 1979, file "Chrysler-1979," box DM, Acc. 22206, RG 9-2, AO.
50. "Chrysler Canada," W. R. Hines to R. K. Joyce, 20 December 1979, part 18, file 8705-02, vol. 5958, RG 19, LAC.
51. James Daw, "Conditional Aid to Chrysler Urged by Gray," *Toronto Star*, 18 December 1979.
52. "Chrysler's $1.1 Billion Loss Biggest Ever in US," *Toronto Star*, 8 February 1980; Irwin Ross, "Chrysler on the Brink," *Fortune*, 9 February 1981.
53. Chrysler Corporation, "Status of Chrysler Corporation Negotiations to Complete the Requirements of the Loan Guarantee Act," 1 April 1980, file "Bailout," box 11, UAW-Chrysler Collection, WRL.
54. "Extraordinary Costs from Disproportionate Burden Faced on Smaller Automobile Companies by Government Regulation," 23 June 1979, Chrysler, Howard Paster to Douglas Fraser, file 51-9, box 51, D. Fraser Papers, WRL.
55. "Chrysler Aid Guaranteed, MacGuigan Promises," *Toronto Star*, 8 March 1980.
56. "Chrysler Canada Ltd. 1980–85 Operating and Financing Plan: Revised Government Assistance Request, March 31, 1980," part 7, file 8705-04-02, vol. 5959, RG 19, LAC.
57. "Discussion Paper, Assistance to Chrysler Canada Ltd.," 9 March 1980, part 6, file 8705-04-02, vol. 5959, RG 19, LAC. The plan dropped the front-wheel drive car and promised to invest $962 million, as opposed to the previous figure of $1.047 billion.
58. Ontario Industry Minister Grossman stated that "any net layout of taxpayers' dollars, be it by way of loan or grant, is absolutely tied to the maintenance of jobs—if anything, increase of jobs." Ontario, Legislative Assembly, *Debates and Proceedings* hereafter *Ontario Debates*) (24 March 1980), p. 146 (Larry Grossman, MLA). "Chrysler Aid 'Weeks' Away Gray Says," and "Chrysler Aid Guaranteed, MacGuigan Promises," *Toronto Star*, 7 and 8 March 1980.
59. "Chrysler Canada Ltd. 1980–85 Operating and Financing Plan: Trimmed Down Operating and Financial Alternative, April 9, 1980," "Chrysler," A. S. Rubinoff to Ian A. Stewart, 10 April 1980, part 7, file 8705-04-2, vol. 5959, RG 19, LAC; "Chrysler Canada," J. D. Girvin to L. R. Wilson, 10 April 1980, file "Chrysler-1979," box DM, Acc. 22206, RG 9-2, AO.
60. "Assistance to Chrysler Canada Ltd.," Minister of Industry to Cabinet Committee on Economic Development, 15 April 1980, part 7, file 8795-04-02, vol. 5959, RG 19, LAC.
61. "Program to Assist the Ontario Automotive Industry," Cabinet Submission, April 1980, file "Policy Committee," box 5, Acc. 22206, RG 9-2, AO.
62. *Ontario Debates* (2 May 1980), p. 1394 (Larry Grossman, MLA).
63. "Progress Seen in Negotiations on Chrysler Aid," *Globe and Mail*, 3 May 1980.
64. *Debates* (1 May 1980), p. 599 (Herb Gray, MP).
65. *Ontario Debates* (2 May 1980), p. 1394 (Larry Grossman, MLA).
66. "Cabinet Delays Making Chrysler Decision on Aid," *Globe and Mail*, 9 May 1980.
67. Richard Conrad, "Chrysler Aid Hinges on Job Guarantees Herb Gray States," *Toronto Star*, 2 May 1980; "Next Move up to Chrysler," *Toronto Star*, 3 May 1980.
68. "Chrysler," A. S. Rubinoff to Ian A. Stewart, 10 April 1980, part 7, file 8705-04-2, vol. 5959, RG 19, LAC.

69. *Debates* (13 May 1980), pp. 1018–9 (Herb Gray, MP). Gray announced the package on 10 May publicly, and on 13 May in the Commons. "Chrysler Deal Pays Off by 1984 with More Jobs," *Toronto Star*, 12 May, 1980; Mary Kate Rowan and Jane Jankovic, "Chrysler Rescued with $1.7 Billion in Loans, Grants," *Globe and Mail*, 12 May 1980; John Hay, "Chrysler Gets the Big Boost," *Maclean's*, 19 May 1980.

70. *Debates* (13 May 1980), p. 1019 (Herb Gray, MP).

71. *Ontario Debates* (12 May 1980), pp. 1761–2 (Mr. Grossman, MPP). The Research and Development Centre did eventually open, but not until 1996.

72. "Assistance to Chrysler," Canadian Embassy Washington to Ottawa, 13 May 1980, part 7, file 8705-04-02, vol. 5959, RG 19, LAC.

73. Chrysler Canada Ltd., *Annual Reports*, 1983–1986. In the summer of 1982, the company announced the reopening of its Windsor engine plant, backed by loan guarantees totalling US$105 million, from both the federal and Ontario governments. However, the plant was scrapped in December 1982. "A Chrysler Reopening in Canada," *New York Times*, 13 August 1982. Ian Austen, "Chrysler Imperils the Bailout Deal," *Maclean's*, 10 January 1983.

74. M. J. Closs, in *The North American Automobile Industry: Shaping a Dynamic Global Posture*, ed. Ralph Cowan (Windsor: University of Windsor, 1983), 8.

75. Ian A. J. Henderson (Ministry of Finance) to R. F. Kilborn (Chrysler Canada), 10 July 1984, file 3015-15-C558, vol. 5853, RG 19, LAC.

76. "Corporate Finance Division: Chrysler Canada Interview Notes, July 5, 1984," file 3015-15-C558, vol. 5853, RG 19, LAC.

77. Chrysler Canada Ltd., *Annual Report*, 1983, 1988.

78. This was prior to the Chrysler's purchase of American Motors Corporation (AMC)'s Brampton plant in 1987.

80. Andrew Heiz, Sébastien LaRochelle-Côté, Michael Bordt, and Sudip Das, *Labour Markets, Business Activity and Population Growth and Mobility in Canadian CMAs* (Ottawa: Statistics Canada, 2005), 24.

81. "Gray Greets Wilson with Other Figures," *Windsor Star*, 24 October 1986.

82. "Labour Force Survey Estimates, by Census Metropolitan Area," table 282-0090, Statistics Canada, http://cansim2.statcan.ca/cgi-win/cns-mcgi.exe?Lang=E&RootDir=CII/&ResultTemplate=CII/CII___&Array_Pick=1&ArrayId=2820090 (accessed 5 January 2007).

84. Michael Côté, "The Canadian Auto Industry, 1978–1986," *Labour Perspectives* (August 1989): 14.

85. Ibid., 16.

86. "North American Vehicle Production Summary, 1960–1999," *DesRosiers Automotive Yearbook 2000* (Richmond Hill, ON: DesRosiers, 2001), 112.

87. Andrew H. Malcolm, "Canada's New Economic Clout," *New York Times Magazine*, 17 February 1985.

88. Tom Nicholson and James C. Jones, "Iacocca's 'Little Miracle,'" *Newsweek*, 3 August 1981, 64.

89. Hyde, *Riding the Roller Coaster*, 255.

90. As one Chrysler executive explained, the differences between employment levels in Canada and the US were "'simply luck of the draw' in terms of product mix. The two assembly plants in Canada were producing vehicles which the market wanted. Thus, even in a 'sea of problems,' the Canadian operation was 'flat out' and employment levels were much higher than those in the US." "Corporate Finance Division: Chrysler Canada Interview Notes, July 5, 1984," file 3015,-15-C558, vol. 5853, RG 19, LAC.

91. In 1983, Minister of Industry Lumley instigated a car-by-car inspection of Japanese imports at the Port of Vancouver, which effectively brought to a halt Japanese sales in Canada. The next year, the federal government's Automotive Strategy for Canada recommended requiring Canadian content in foreign cars. In response to these actions, in the early 1980s the Japanese began to build automotive plants in Canada. Japanese Automotive Manufacturers' Association of Canada, *A Short History of the Japanese Automotive Industry in Canada* (Toronto: JAMA Canada, 2005).

92. While the acceleration of Canadian production was no doubt partially a "product luck of the draw" such as the minivan, there is no question that Big Three managers understood the value of sourcing more of their assembly in Canada. With a depreciating dollar in decline since 1976, lower health care costs owning to the universal system in Canada, and the Canadian plants' better production and quality results (Canadian plants have consistently placed well in the industry's J. D. Power annual results for productivity), it made sense to build a larger share of the company's output in Canada, and also helps to explain why Windsor bounced back far better than U.S. auto locales such as Flint.

93. Ontario Deputy Minister of Industry Wilson saw that the influence of these Liberal Cabinet ministers was key in ensuring that the issue was a priority for the government, and helping to secure the package. Author's interview with L. R. Wilson, 27 June 2006. The author also conducted confidential interviews with Jean de Grandpre (Chrysler board member, 1978–1994), and Dennis DesRosiers, DesRosiers Automotive Consultants, and a former Ontario government official.

94. See also Michael M. Atkinson and William D. Coleman, *The State, Business and Industrial Change in Canada* (Toronto: University of Toronto Press, 1989).

95. Richard Conrad, "Chrysler Aid Hinges on Job Guarantees Herb Gray States," *Toronto Star*, 2 May 1980.

96. "Secret: Production to Sales Ratios, Specified Commercial Vehicles," box 241, file 8705-08-15, vol. 5959, RG 19, LAC. Bill Shields, "New Plant for Chrysler," *Windsor Star*, 13 December 1973; "Auto Pact–Industrial Policy," *Recognizing Pillette: Its History, Its Pride, Its Determination, Its People* (Windsor, ON: Local 444, n.d.).

97. An excellent analysis of this dynamic is Thomas, *Capital beyond Borders*.

98. Rick Heliechuk and Joe Hall, "New Ford Plant Means 7,800 Jobs," *Toronto Star*, 4 August 1978; *Ontario Debates* (10 April 1980), p. 619 (Mr. Grossman, MPP).

99. *Debates* (18 January 1983), p. 21945 (Mr. Gray, MP). The May 1980 agreement was supplemented by a February 1981 memorandum of understanding, and another change in the agreement in January 1983.

100. These moves also lend credence to the notion of nationalization in the auto sector, which was perhaps prevented only by the fact that Chrysler Canada Ltd. was so closely connected to its parent. Bob Hepburn, "Ottawa Bails Out Dome," *Toronto Star*, 26 June 1982.

101. In the United States, Carter administration Treasury Secretary Miller initially rejected any federal assistance, while in the Congress, Senator William Proxmire (D-Wisconsin) argued against the bailout. James Blanchard (D-Michigan) needed all of his political skills to shepherd the agreement through Congress. In Canada, in contrast, both the Liberals and Progressive Conservatives were committed to some form of bailout at the outset. On Blanchard, see Holmes, "How Chrysler Went to Washington and Blanchard Went to Bat."