

GM Getting Flogged -- What's Wrong With America?

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I remember when I was a kid there was a cartoon character in Li'l Abner named "General Bullmoose". He used to be fond of saying things like, "What's good for General Bullmoose is good for the USA". General Bullmoose, of course, was a fictitious name for General Motors. In those days GM was the largest corporation in the U.S. Now our largest corporation is Exxon Mobil, a corporation whos future is based on a non-renewable resource.

GM is down 4.43 or 13% in todays trading after stunning the market by slashing first-quarter earnings estimates to a loss of \$1.50 a share and cutting its 2005 earnings outlook by more than one half. GM's profit fell 37% in the fourth quarter. Their bonds are evidently selling at or near junk interest rates. The rest of the stock market, by the way, seems to be stalled probably due to inflation worries.

In the meantime the Commerce Department recently reported that the U.S. deficit in the broadest measure of international trade soared to a record \$665.9 billion last year, 25.5 percent above the previous record set in 2003. Obviously, the world isn't exactly clamouring to buy our stuff even with the low value of the dollar.

So, what's wrong with GM? Obviously they have a problem with high labor prices. They also have a problem with health care costs. As I recall, health care for the retirees actually costs GM more than the steel that goes into their automobiles.

What else is wrong with GM? For that matter, what's wrong with America?

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