SPOTLIGHT ON DETROIT

by Don MacDonald

Worth waiting for is Ford's Fairlane 4-door hardtop, which should be generally available shortly after the 1st of the year. Top is lower than on '55 models. Mechanical specifications are same as other Fords

The '56 T-Bird retains every styling feature that made it so popular (16,000 units sold) last year, plus a dash of Continental with its new outside-mounted spare. Dual exhaust outlets have moved down into the bumper tips and ventilation is better with flipper windows and air doors in the front fenders. Grille and instrument panel remain unchanged. Top engine is a 312-cubic-inch, 225-horsepower one with 9.1 to 1 compression ratio. It is available only with Fordomatic; overdrive-equipped Birds have a mandatory 8.4 to 1, and if you want a 3-speed transmission, you have to take a smaller (292-cubic-inch) engine. It would seem as tho Ford is deliberately discouraging the racing of Thunderbirds, which may be just as well. In spite of various racing successes, they aren't designed for this purpose, as Ford has always pointed out

SIXTY PER CENT of you who bought new cars this year bought them on credit. You are clearly in the majority, and your faith in your own and your country's future has created a new way of life. You are staking an average of $62.31 per month for the next 25 of them that your income will at least stay the same if not grow, and at the end of that time you will be the sole owner of an empty coupon book and a still serviceable automobile.

ACCORDING TO STATISTICS, your thoughts will have turned to trade-in a few months before the bank (or finance company) has entirely relinquished its equity. Altho the paper work is somewhat more complicated, a salesman worth his salt can show you that anytime after the first 9 months or so, your standard brand car will make the down payment on a new one in a similar price class, and there will be enough left over to pay off Simon Legree.

CONSUMER CREDIT of course involves many more things besides cars. Your biggest debt is probably owed on your house, and regular installment payments range on down to include the $2.50 per week on that set of encyclopedias. Nevertheless, autos on time (new and used) account for 5 per cent of "disposable" income in the United States today. This is up 2 percentage points from the pre-war level, and worries the Federal Reserve Board enough for it to encourage loud official alarums and scarums.

IS THIS WRONG? Government bureaucrats, immersed in figures that are obsolescent by the time they are tabulated, seem to think so. At any rate, they see no harm in sponsoring current newspaper headlines calculated to frighten you into slowing down. This much is a relatively honest warning, based on past experience from civil servants who are about as political as an algebraic equation. On the sidelines, stirring the soup, are the real politicians temporarily out of office.

SALES MANAGERS and bankers that we have interviewed don't seem to be worried. To paraphrase Harlow Curtice, no recession is in their vision. One president of a leading company with whom we talked but who prefers to remain anonymous says: "You can't base current thinking on the pre-war economy." What he left unsaid is that a new (or maybe old) and little-understood force is at work on the economy of the United States today The national income during a recession (if any) of tomorrow could exceed the prosperity of today. Bureaucratic statistics haven't caught up with the fact that our capitalistic system is very dynamic in nature. It appears, for our lifetimes at least, to be moving forward with the exuberance of an arithmetical progression.

NEITHER MONEY LENDERS nor sales managers have to worry as far ahead as our lifetimes. Therefore the 1st is anxious to make it convenient to buy the other's product. This does not mean that rules of good business will ever be thrown aside. Between presstime and December 22 neither the national nor probably your income will change perceptibly. If you buy a new Ford on that day and act like the average buyer has been acting, that company's market research manager Robert J. Eggert tells us that you will pay about 35 per cent down and only one per cent of you will be able to get more than 36 months to pay off the balance. The stringent days of Korean-war-born Regulation W (remember?) required only ⅓ down.

SPOT A LOOPHOLE in the argument? Is it that Regulation W stipulated 15 (later relaxed to 18) months to settle up? You have a point, but let's look at the facts. Bob Eggert heads a department that keeps accurate and up-to-date statistics about most all Fords sold on the cuff. His only motive is to guide his management, so let's face it, he isn't trying to kid us or them. You drive out of the showroom in a Customline sedan, a personal catastrophe happens an hour later and you have to sell the car in a hurry. Figures based on an average of *auction* prices show that the car will be worth at least as much as you owe on it. You'll lose, but the finance company won't.

AN OCCURRENCE LIKE THIS is not normal, but we use it to illustrate a basic principle of credit as extended today. If your personal catastrophe happens at any time during the period of the transaction up to and including 36 months, you will always be able to settle your bill (and in addition, stand to lose a substantial equity) should the car be repossessed. Obviously, the finance company trusted you in the 1st place or they wouldn't have loaned you the money, but even if you are J. P. Rockefeller himself, reputable lenders will rarely grant an auto loan so shaky that your lack of equity *might* make it convenient for you to forget about it.

THE COME-ON GIMMICKS of $5 down, 48 months to pay represent an infinitesimal percentage of credit transactions on autos today. Every town has at least one dealer who advertises such terms, but try and get them! If you do, you will pay thru the nose in high-risk interest charges. It's "high-risk" because regardless of your good intentions and past reputation, the catastrophe could happen and the car is not worth what you owe on it.

WE SERIOUSLY WONDER what all the noise is about. First of all, those who try to sell automobiles today (including Cadillacs) strictly on product merit are barking up a dead tree. It is a business demanding more carnival atmosphere than theater, cosmetics or politics.

A SET RETAIL PRICE for a new automobile is extinct. There is packing to allow for inflated trade-ins, discounts, merchandise premiums, ad infinitum. Yet, no dealer can swing a deal with a reputable lending institution where the customer finances the car for more than it's worth when driven out of the showroom. Few dealers want to, for in many cases they must co-sign the note. Few want to risk losing your repeat business. No sales manager we have talked to claims that loose terms sell more cars in the long run.

ON THE CREDIT SIDE, repossessions are down from a pre-war 3 per cent to 1.6 of new cars the 1st half of 1955. Delinquencies (30 or more days past due) represent only one per cent of all auto loans outstanding, and auto loans account for 50 per cent of all installment credit outstanding. Relatively easy, and even more important, socially acceptable credit may account for the fact that Detroit's idea of a good year's production has jumped from a pre-war plateau of 3.5 million to 7-million-plus passenger vehicles.

REPUTABLE FINANCE COMPANY executives have great faith in the ultimate judgment of their customers; only an exceptional few will ask for an unreasonable loan. The factory worker who eyes an Eldorado convertible can usually and tactfully be talked into reality. Also, few reputable dealers want to make enemies by getting people in over their heads. We therefore conclude that current publicity concerning auto credit getting out of hand is in the main unfounded.

"General use of unit body construction is closer than ever . . ."

TRUE—Metal industry trade writers have been refused admittance to leading frame plants indicating large-scale secret projects afoot.

"The Chevrolet Corvette will be dropped . . ."

FALSE—A very hot Fiberglas version with removable hardtop and windup windows will be offered sometime around New Year's Day.

"If the soon to be announced all-new Rambler achieves desired success the big Hudsons and Nashes will be dropped for '57 . . ."

FALSE—Tooling is out for all-new Ambassadors and Hornets including a V8 engine of their own manufacture.

"Ford Division is in racing to stay . . ."

TRUE—Pete de Paolo has been appointed race director; Don Francisco, former technical editor of *Hot Rod Magazine*, is operations manager. This is only the beginning; other companies, including Pontiac, are becoming actively (that is, financially) interested.

"State and/or federal governments intend to step in and limit horsepower in U.S. cars . . ."

FALSE—They could do this but they won't. If such limits were needed, lawful police powers would make them available. But our legislators are just as aware as MT's readers that horsepower alone is not to blame for accidents.

"Studebaker will soon have a convertible in its line . . ."

FALSE—No convertible is intended for '56 production although one is definitely in the works and could come out for late '56 if Studebaker Division so wishes.