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**Kennedy, *60 Minutes*, and Roger Rabbit:  
Understanding Conspiracy-Theory Explanations of  
The Decline of Urban Mass Transit**

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Discussion Paper

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## Introduction

Not too long ago, PBS aired a documentary called *Taken for a Ride*. Early in the program, the narrator promised that the video would tell “the story about how things got the way they are. ... Between 1926 and 1936, they methodically destroyed the rails.”<sup>1</sup> The “they” in this story was General Motors, Standard Oil, Firestone Tire, and others.

Although reviewers of *Taken for a Ride* referred to it as “a tragically important story” (James Kunstler) and “an important piece of American history” (Howard Zinn), no one claimed that the story it told about GM and the others was a story that had not been heard before.<sup>2</sup> Indeed, within a year of the film’s release, Jane Holtz Kay had published *Asphalt Nation: How the Automobile Took over America and How We Can Take It Back*, in which she pronounced Ford, GM, and Chrysler the “trio [that] drove the era of excess and consumerism.”<sup>3</sup>

“Sold by General Motors salesmen whose maneuvers would earn opprobrium,” says Kay, “the motor bus spelled trouble for mass transit. In turn, the replacement of streetcars by buses and the need for more transfers made suburbanites buy more cars. In concert the truck, the bus, the multiplying motorcar, and cheap gas powered the auto age and undermined the monopoly of the rails.”<sup>4</sup>

*Taken for a Ride* and *Asphalt Nation* are only the most recent voices to be raised in a decades-long protest against the automobile and its replacement of those proud and venerable conveyors of humanity: the electric railway streetcars. The villain in this

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<sup>1</sup> *Taken for a Ride*, produced and directed by James Klein and Martha Olson, 52 min., Hohokus, NY: New Day Films, 1996.

<sup>2</sup> For these and other reviews, see “New Day Films – Taken for a Ride,” webpage accessed on November 12, 1998 [[http://www.newday.com/films/Taken\\_for\\_a\\_Ride.html](http://www.newday.com/films/Taken_for_a_Ride.html)].

<sup>3</sup> Jane Holtz Kay, *Asphalt Nation: How the Automobile Took over America and How We Can Take It Back* (New York: Crown Publishers, 1997), p. 171.

tragedy, the one responsible for tearing asunder America's railway tracks, is General Motors – General Motors and its accomplices, the oil, tire, and truck companies.

Or, so the story goes. This is the Great American Conspiracy Myth, perpetuated year after year by storytellers and keepers of the public conscience. The storytellers include politicians such as Robert and Edward Kennedy and San Francisco's Mayor Joseph Alioto. They include activists such as Ralph Nader and journalists, such as Jonathan Kwitny,<sup>5</sup> writing for *Harper's Magazine*, and Jane Holtz Kay, architecture critic for *The Nation*. They include scholars, such as George Smerk, David St. Clair, and Glenn Yago.<sup>6</sup> And, of course, there is Hollywood, with its 1988 film, *Who Framed Roger Rabbit?*, in which the fictitious Cloverleaf Company is blamed for buying up Los Angeles's Pacific Electric Red Cars, destroying the "the best public transportation system in the world."<sup>7</sup>

In her book, *Policy Paradox: The Art of Political Decision Making*, Brandeis University professor Deborah Stone explains that the conspiracy myth is a variant of what she refers to as the "control story." Control stories are symbolic representations used to define political problems. According to Stone, there are several types of story that are told as a means of problem definition. Stories of decline, for example, tell us that

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<sup>4</sup> Kay, p. 174.

<sup>5</sup> Jonathan Kwitny, "The Great Transportation Conspiracy," *Harper's Magazine* (February 1981): 14-21.

<sup>6</sup> George M. Smerk, *Urban Transportation: The Federal Role* (Bloomington: Indiana University Press, 1965); George M. Smerk, ed., *Readings in Urban Transportation* (Bloomington: Indiana University Press, 1968); David J. St. Clair, "The Motorization and Decline of Urban Public Transit, 1935-1950," *Journal of Economic History* 41 (September 1981): 579-600; *The Motorization of American Cities* (New York: Praeger, 1986); and Glenn Yago, *The Decline of Transit: Urban Transportation in German and U.S. Cities, 1900-1970* (Cambridge: Cambridge University Press, 1984).

<sup>7</sup> *Who Framed Roger Rabbit?*, directed by Robert Zemeckis and produced by Steven Spielberg, et al., 103 min., Touchstone Pictures and Amblin Entertainment, 1988.

“in the beginning, things were pretty good. But they got worse. In fact, right now, they are nearly intolerable. Something must be done.”<sup>8</sup>

Stories of helplessness and control, Stone says, go like this: “The situation is bad. We have always believed that the situation was out of our control, something we had to accept but could not influence.”<sup>9</sup> Stone maintains that stories of control have at their root notions about liberty and our ability to control our own fate. As a variant of the control story, the conspiracy story “claims to show that all along control has been in the hands of a few who have used it to their benefit and concealed it from the rest of us. . . . Conspiracy stories always reveal that harm has been deliberately caused or knowingly tolerated, and so evoke horror and moral condemnation. Their ending always takes the form of a call to wrest control from the few who benefit at the expense of the many.”<sup>10</sup>

The GM Conspiracy Myth is the quintessential example of the conspiracy story. But what is its purpose? What role does it play in public consciousness raising and policy agenda setting? Why – even after numerous scholarly debunkings of the GM Conspiracy Myth – does it continue to entice?

This paper will review the history of the GM Conspiracy Myth, as well as what legal theorists refer to as “the facts in the case.” The legal explanation of what really happened goes only so far, though. The whole story about the decline of mass transit in the U.S. is a story about the failure of public policy and about conflict among competing constituencies in the transportation policy process. This paper will very briefly discuss

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<sup>8</sup> Stone, Deborah. *Policy Paradox: The Art of Political Decision Making*. New York: W.W. Norton & Company, 1997, p. 138.

<sup>9</sup> Stone, p. 142.

<sup>10</sup> Stone, p. 143.

this failure and this conflict and will then conclude with a consideration of – or at least a hypothesis for – the endurance of the GM Conspiracy Myth.

#### History of the GM Lawsuits and the Conspiracy Myth

In 1947, a California grand jury indicted the following nine defendants with violating Sections I and II of the Sherman Antitrust Act:

1. General Motors Corporation, on its own behalf and as successor to Yellow Truck & Coach
2. Mack Manufacturing Company
3. Phillips Petroleum Company
4. Standard Oil Company of California
5. Federal Engineering Corporation, a wholly owned subsidiary of Standard Oil
6. Firestone Tire and Rubber Company
7. National City Lines (NCL), holding company for 46 transit companies in 16 states
8. Pacific City Lines, since dissolved, but previously a subsidiary of NCL and the operator of NCL companies in California, Washington, and Utah
9. American City Lines, an NCL subsidiary operating companies in large metropolitan areas

The indictment resulted in the initiation of a civil and criminal case. Two years after the California grand jury returned the indictment, the cases were transferred to Chicago, where hearings began.

The defendants were tried in circuit court on two counts, neither of which involved a conspiracy to destroy the country's mass transit system. The first count charged that the defendants had violated Section I of the Sherman Act by conspiring, since 1937, to secure control of a significant number of transit-providing companies and to eliminate competition in the sale of motor buses and supplies to companies controlled by National City Lines, a GM subsidiary. The jury was unable to substantiate these charges, and the defendants were acquitted on this count.

The second count charged that the defendants had violated Section II of the Sherman Act by conspiring to eliminate competition in the sale of motor buses and supplies to National City Lines companies. The defendants were convicted on this count. GM was fined \$5,000 and its treasurer was fined \$1. GM appealed.

In 1951, the Court of Appeals for the Seventh Circuit Court upheld the criminal conviction. Within four years, the civil case concluded, with the judge ruling that no further remedy from GM would be necessary. It was 1955, and one might have thought the matter had ended there.

However, several events transpired to bring the accusations against General Motors back to the public's attention. In 1956, the federal government passed the Federal-Aid Highway Act, ushering in four decades of Interstate highway building. Meanwhile, by the 1960s, urban coalitions were demanding that attention be paid to the multitude of crises sweeping the nation's cities. Choked by traffic congestion and mired in racism, poverty, and despair, urban areas were losing their economic competitiveness to the expanding suburbs. Urban mayors appealed to the federal government for specifically urban responses.

Their appeal became more urgent after a series of commuter rail service abandonments threatened to cripple several large east coast cities.<sup>11</sup> The federal government responded first with the Housing Act of 1961, the first piece of legislation dealing explicitly with mass transit. In an effort to stem the tide of commuter rail abandonments, this Act inaugurated a small low-interest loan program for transit capital acquisitions.

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<sup>11</sup> See Michael N. Danielson, *Federal-Metropolitan Politics and the Commuter Crisis*. New York: Columbia University Press, 1965.

In 1962, the Joint Report on Urban Mass Transportation was submitted to President Kennedy. This report recognized that mass transit was in serious decline and that, because transportation is a key factor in shaping America's cities, the federal government should make aid available for mass transit, in part as a way to balance out the billions of dollars allocated in 1956 for the Interstate freeways. Following the report, the Federal-Aid Highway Act of 1962 stated as a matter of federal policy the encouragement and promotion of multimodal transportation – i.e., mass transit.

The same year – 1962 – that under the Kennedy administration the federal government first acknowledged the central role of mass transit in the viability of the nation's cities, Attorney General Robert Kennedy brought a lawsuit against General Motors, charging the company with monopolizing bus transportation. This case was essentially a revisiting of the antitrust cases of the 1940s. Although the case was settled with a consent decree in 1965, it brought GM back to the public's attention, in a much more volatile and media-oriented era.

However much the resurrection of the GM accusations may have been purely in pursuit of political objectives, George Smerk imbued the cause with academic legitimacy. In his 1965 *Urban Transportation: The Federal Role* and again in his 1968 *Readings in Urban Transportation*, Smerk charged GM, National City Lines, and others with aiding and abetting the decline of mass transit.<sup>12</sup>

The Arab oil embargo of 1973 lent new urgency to the crisis in urban transportation. In 1974 Senate hearings regarding the Industrial Reorganization Act, Senator Edward M. Kennedy articulated what was perhaps a fear among some policy

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<sup>12</sup> Smerk, 1965, p. 50, and 1968, p. 32.



makers that Americans might question the government's role in the urban transportation crisis:

I suppose it crosses their minds to question why there aren't adequate means of transportation available to them and to millions of other Americans ... The public is wondering whatever happened to the steam engine or electric car. What happened to mass transit? Are all the problems they are facing today merely the result of an Arab oil embargo? Or shouldn't we, in a country that is unsurpassed in technological expertise, have been able to develop alternative means of transportation ...?<sup>13</sup>

Senator Kennedy's comments only hinted at what San Francisco's Mayor Joseph Alioto relayed to the Senate in even more direct terms. "I think it is fair to say," Alioto testified, "that over the 40 years we have been talking about this that General Motors has carried on a deliberate concerted action with the oil companies and the tire companies ... for the purpose of destroying a vital form of competition; namely, electric rapid transit."<sup>14</sup>

The testimony continued:

**Senator Roman L. Hruska:** Was it General Motors and its bus building capacity that really wrecked the streetcar system in America?

**Alioto:** I think, Senator, that the answer has got to be yes. The answer has got to be yes because General Motors actually formed the company together with the oil companies and the tire companies to go in and buy out those streetcar systems, to then dismantle them, and to substitute busses for them ...<sup>15</sup>

Alioto, Kennedy, and others may have been influenced by the 1973 work of antitrust attorney, Bradford Snell, *American Ground Transport*, which Snell wrote through a grant he received from the Stern Fund of New York. Subsequently, Snell was

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<sup>13</sup> Edward M. Kennedy, Testimony in U.S. Congress, Senate Committee on the Judiciary, *The Industrial Reorganization Act: Hearings before the Subcommittee on Antitrust and Monopoly on S. 1167*, Part 3: Ground Transportation Industries, 93<sup>rd</sup> Cong., 2d sess., 1974, p. 1775.

<sup>14</sup> Joseph Alioto, Testimony in U.S. Congress, Senate Committee on the Judiciary, *The Industrial Reorganization Act: Hearings before the Subcommittee on Antitrust and Monopoly on S. 1167*, Part 3: Ground Transportation Industries, 93<sup>rd</sup> Cong., 2d sess., 1974, p. 1786.

<sup>15</sup> Testimony in U.S. Congress, Senate Committee on the Judiciary, *The Industrial Reorganization Act: Hearings before the Subcommittee on Antitrust and Monopoly on S. 1167*, Part 3: Ground Transportation Industries, 93<sup>rd</sup> Cong., 2d sess., 1974, p. 1797.

invited to join the Senate Judiciary Committee's Subcommittee on Antitrust and Monopoly as a staff member. *American Ground Transport* was included as an appendix to the Senate Committee's hearings on the Industrial Reorganization Act and remains the most widely relied-upon document in the public indictment of General Motors and the conspiracy myth regarding the demise of public transport.

Snell blamed the decline of mass transit in the U.S. on a targeted program, spearheaded by General Motors, with the goal of "substitution of buses for passenger trains, streetcars and trolley buses; monopolization of bus production; and diversion of riders to automobiles." Snell argued that General Motors and its subsidiary company National City Lines were responsible for "the destruction of more than 100 electric surface rail systems in 45 cities including New York, Philadelphia, Baltimore, St. Louis, Oakland, Salt Lake City and Los Angeles."<sup>16</sup>

The rationale behind General Motors' substitution-and-diversion campaign, according to Snell, stemmed from the company's realization of "the capability of electric transportation to compete with automobiles. ... [GM] realized that as long as people had adequate mass transportation they wouldn't buy the product that GM was fundamentally interested in selling." Snell's basic thesis was that GM conspired with bus operators, manufacturers, and suppliers in order to replace competitive electric transit vehicles with less competitive motor buses, thereby causing the riding public to become so dissatisfied with mass transit that they were diverted to GM's primary product, the automobile. "The only way to bring about a situation where it sold more cars," Snell asserted, "was

to eliminate rail alternatives and to supplant them with buses which were unattractive.”<sup>17</sup>

Some academic work during the 1980s continued to support the GM conspiracy thesis. In 1984, Glenn Yago relied heavily on Snell in arguing that through GM and National City Lines, “American street railways were dismantled. ... Urban rail transit was replaced by motor buses, which were to be replaced by cars.”<sup>18</sup> David St. Clair, an economist, argued in 1981 and again in 1986 that in order for Snell’s conspiracy theory to be substantiated, it must be shown that there was in fact something to conspire about; that is, it must be shown that motor buses were inferior vehicles. St. Clair concludes by generally supporting the conspiracy theory after providing evidence that he’s convinced proves that motor buses were indeed inferior.

Despite scholarship done by Scott Bottles, Sy Adler, and others in the late 1980s and 1990s refuting the conspiracy thesis,<sup>19</sup> it has continued to prevail, particularly in the popular media, as the recent PBS video and the comments in *Asphalt Nation* demonstrate. Before returning to the question of *why* the myth has persisted, this paper now turns to a discussion of what in fact did occur, both in terms of GM’s actions and in terms of the transit industry in general.

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<sup>16</sup> Bradford Snell, *American Ground Transport* (1973), reproduced as an appendix to U.S. Congress, Senate Committee on the Judiciary, *The Industrial Reorganization Act: Hearings Before the Subcommittee on Antitrust and Monopoly on S. 1167, Part 4A, 93rd Cong., 2d sess., 1974, A-2, A-29.*

<sup>17</sup> Bradford Snell, Testimony in U.S. Congress, Senate Committee on the Judiciary, *The Industrial Reorganization Act: Hearings before the Subcommittee on Antitrust and Monopoly on S. 1167, Part 4A, 93rd Cong., 2d sess., 1974, 1839.*

<sup>18</sup> Yago, 58.

<sup>19</sup> Scott L. Bottles, *Los Angeles and the Automobile: The Making of the Modern City* (Berkeley: University of California Press, 1987); Sy Adler, “The Transformation of the Pacific Electric Railway: Bradford Snell, Roger Rabbit, and the Politics of Transportation in Los Angeles,” *Urban Affairs Quarterly* 27 (September 1991): 51-86; Martha J. Bianco, “The Decline of Transit—Corporate Conspiracy or Failure of Public Policy?: The Case of Portland, Oregon,” *Journal of Policy History*, Vol. 9, No. 4, Winter 1997: 450-474.

The "Facts in the Case"

Until 1943, General Motors engaged in all of its involvement in the bus industry through its controlled subsidiary, Yellow Truck & Coach Manufacturing. In the early 1930s Yellow's management

conceived the idea of motorizing streetcar companies in small cities. For some years streetcar companies in small urban communities had been losing money and this, coupled with the depression following 1929, had resulted in depreciation of rolling stock and an inability on the part of streetcar companies adequately to serve the public.<sup>20</sup>

However, the legal records continue, Yellow apparently had difficulty in persuading the power companies that owned the streetcar operations "to motorize and give up their streetcars in order to give better service and at a profit." In 1932, "Yellow, therefore, decided that the only way this new market for buses could be created was for it to finance the conversion from streetcars to buses in some small cities. ... [Yellow's management decided to] authorize the incorporation of a holding company with a capital investment of \$300,000." The holding company that was thereby formed, United Cities Motor Transit (UCMT), began by making investments in small transit companies in Kalamazoo and Saginaw, Michigan, and in Springfield, Ohio. "In each case, Yellow successfully motorized the city and, having demonstrated the feasibility of using small buses, turned the management over to other interests and liquidated its investment."<sup>21</sup>

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<sup>20</sup> Exhibit 6, Excerpt from Hearing before Antitrust and Monopoly Subcommittee entitled "A study of the Antitrust Laws," December 8, 1955, Pt. 8: Statement of Facts from the Court Records Regarding General Motors in the National City Lines Cases, in U.S. Congress, Senate Committee on the Judiciary, *The Industrial Reorganization Act: Hearings before the Subcommittee on Antitrust and Monopoly on S. 1167*, Part 3, Ground Transportation Industries, 93rd Cong., 2d sess., 1974, 1820.

<sup>21</sup> Ibid.

### National City Lines and the Requirements Contracts

National City Lines (NCL) was organized in 1936, “for the purpose of taking over the controlling interest in certain operating companies engaged in city bus transportation and overland bus transportation.” At this point, it appears that the manufacturers’ and suppliers’ involvement with NCL was in the form of loans, as opposed to direct investment.<sup>22i</sup>

Direct investment in NCL by GM – through Yellow – did not occur until 1939. This investment in NCL – and the turning point in the relationship from a legal standpoint – occurred after E. Roy Fitzgerald, the president of NCL, approached Yellow, explaining that he wanted to expand NCL but needed additional financing. An arrangement was agreed upon that resulted in purchase requirements contracts. These requirements contracts specified that, in exchange for NCL’s promise to purchase certain percentages of new equipment – and refrain from purchasing equipment not using gasoline or diesel fuel – GM and the suppliers would give financial assistance to NCL by purchasing preferred stock from NCL at prices in excess of the prevailing market prices.<sup>23</sup>

The contracts also specified that thereafter the operating companies would not purchase any new equipment using means of propulsion other than gas. In the early 1940s, this clause was changed to permit the purchase and use of diesel equipment.<sup>24</sup>

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<sup>22</sup> Ibid., 1821-1822

<sup>23</sup> Exhibit 2, “Findings of the United States Court of Appeals, Seventh Circuit, United States v. National City Lines (Criminal Conviction), 186 F2d 562, upheld on January 31, 1951, in U.S. Congress, Senate Committee on the Judiciary, *The Industrial Reorganization Act: Hearings before the Subcommittee on Antitrust and Monopoly on S. 1167*, Part 3, Ground Transportation Industries, 93rd Cong., 2d sess., 1974, 1874.

<sup>24</sup> Exhibit 6, 1821-1822; Jonathan Kwitny, “The Great Transportation Conspiracy,” *Harper's Magazine*, February 1981, 20.

This provision effectively ruled out the use of electric buses or modernized track-tied electric streetcars, both of which were fairly popular forms of mass transit at the time.

Although the judge in the 1949 court case would find that “it is not unlawful to make a requirements contract,”<sup>25</sup> it is nonetheless precisely this contract that resulted in so much controversy over GM’s relationship with NCL and the subsequent charges that this was a conspiratorial relationship that brought about the destruction of urban mass transit.

### Public Policy and the Decline of Transit

#### The Modernization Mandate

GM did not become involved with mass transit through a bus-conversion campaign until the 1930s. At that time there was a growing demand for new mass transit vehicles. By 1935 the majority of electric streetcars operated by transit companies in the U.S. were at least twenty-five years old. Industry analysis revealed that in 1934, a twenty-year-old streetcar was well past its prime.<sup>26</sup> Many transit companies during this period were being required by their franchises to spend large sums of money on major modernization programs.

By the late 1930s, there were three alternative mass transit vehicles available for replacement and modernization purposes, *any* of which would be an improvement over the existing old stock, which was slow, uncomfortable,

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<sup>25</sup> Exhibit 6, 1825.

<sup>26</sup> Edward A. Roberts, “Life Expectancy of Street Cars,” *Transit Journal* 80 (September 1936): 305.

dilapidated, and unreliable.<sup>27</sup> One alternative was the motor bus, which relied on a gasoline-powered engine until the mid-30s.

The adoption of the diesel-electric engine in 1936 brought a great improvement in efficiency over the gasoline bus. Efficiency was even further improved when in 1939 the first diesel buses equipped with an automatic hydraulic transmission were put into service in New York. Only at this point was the motor bus coming to be seen within the transit industry as a strongly competitive transit vehicle.

A second alternative was the trackless trolley – essentially an electric bus, obtaining its power from an electric overhead. The first major installation of trolleys occurred in 1928 in Salt Lake City. Trolleys were widely seen as spacious, comfortable, clean, and quiet.

A third alternative was the modern version of the electric streetcar. This vehicle was the result of six years of research by the Electric Railway Presidents' Conference Committee (hence the moniker, "PCC car"), which culminated in 1935 with the production of a spacious, comfortable, light, and – most importantly – fast electric streetcar. Equipped with between fifty-four and sixty seats, the PCC car was the largest of the three transit vehicles.

It must be remembered that when GM became involved in bus conversion in 1932, the PCC car had not yet been invented. As for the motor bus, it was certainly not at its most competitive – neither diesel nor hydraulic transmission

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<sup>27</sup> For a full discussion of the history and characteristics of the three mass transit alternatives, see John Anderson Miller, *Fares, Please!: A Popular History of Trolleys, Horsecars, Streetcars, Buses, Elevateds, and Subways* (New York: Dover Publications, Inc., 1960), reprint (New York: D. Appleton-Century Company, Inc., 1941).

technology was yet available. The trackless trolley was in many ways the most attractive available vehicle option in terms of speed and comfort; on the other hand, it was essentially an unproven mass transit vehicle, rather expensive, and thus a risky investment. By 1936, when National City Lines was organized, the PCC car had been available for about one year and was showing great promise. Trackless trolleys were also proving to be strong competitors. GM, meanwhile, was just beginning to make headway in the use of the diesel engine for motor buses.

#### The "Inferior" Motor Bus

In most instances, when transit companies first put the motor bus into operation in a city, they did so on routes that had had no prior transit service. There was wide consensus within the transit industry that streetcars were most appropriate for heavily traveled lines, trolleys for lighter lines, and motor buses for the lightest lines.<sup>28</sup> Thus, the motor bus was introduced primarily on lighter routes. Many of these were routes that transit companies might even have chosen not to serve at all, had they been able to make such a routing decision. The fact is that transit companies faced demands either by their riding constituency or by the regulatory bodies to provide unprofitable service.

Transit companies were politically and often legally unable to refuse to provide unprofitable service. The motor bus allowed them to operate such service at the least loss, since it would have been entirely prohibitive for them to extend streetcar tracks or install trolleys on suburbanizing routes, where they were



*required* to provide service. Even if the cost of trackage had not been an issue – which it clearly was not in the case of trolleys or in areas where usable tracks already existed – it was not considered economically feasible for companies to equip a lightly traveled line with a \$14,000 trolley or streetcar when a motor bus could be purchased for a fraction of the price.<sup>29</sup> Especially in the years surrounding the Depression, followed by the exigencies of WWII, transit companies making investment decisions were not afforded the luxury of thinking in terms of the longer life and slower depreciation of the trolleys and streetcars when compared to the motor bus. In addition, it must be remembered that during all of this time – except for the war years – the total number of transit passengers was decreasing while the total number of route miles was increasing.

There are a number of reasons for the decline of ridership numbers. Most companies began to see ridership decline beginning in about 1920. It is important to note that the decline was occurring in off-peak hours; transit's peak-hour ridership remained relatively stable. Off-peak traffic fell as decentralization occurred, making it increasingly unnecessary to travel into the city center for services, shopping, and entertainment. The availability of the automobile also decreased off-peak traffic, because families used their auto instead of transit for pleasure travel. It is unlikely that ridership decline during the 1920s was

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<sup>28</sup> "Industry to Replace 70% of Old Equipment in Next Five Years, *Transit Journal* 80 (September 15, 1936): 345; "Looking at all Three," *Transit Journal* 80 (September 15, 1936): 346. Indeed, NCL did operate a mixed system in both Los Angeles and St. Louis.

<sup>29</sup> Donald E. Dewees, "The Decline of the American Street Railways," *Transit Quarterly* 24 (October 1970): 574; Mac Sebree and Paul Ward, *Transit's Stepchild: The Trolley Coach*, Interurbans Special No. 59, Vol. 30, No. 1, Summer 1973 (Cerritos, Calif.: Ira L. Switt, 1973), 60; "Tomorrow's Street Car," *Transit Journal* 80 (July 1936): 219. Costs for vehicles varied, depending on whether the installation was a first installation, on the capacity of the vehicle, on the size of the order, and so on. Estimates for first

primarily the result of increasing ridership dissatisfaction with any one type of transit vehicle, although dissatisfaction combined with the availability of an alternative – the automobile – certainly contributed.

At any rate, evidence reveals that the motor bus was becoming the least popular and the least profitable transit vehicle, but it was also, in many situations, the least expensive to purchase and to operate and thus the *only* means of responding to demands for service on lightly traveled routes. Streetcars or trolleys clearly would have sustained even greater losses on those same routes. Had it been politically feasible, the transit companies would either have discontinued service altogether on these lines or the public sector would have provided some sort of subsidy or at least relief from franchise obligations. However, in most cases neither of these remedies was available until the 1950s.

Eventually, however, the unprofitable motor bus was installed on the majority of transit lines, not just suburban, crosstown, or feeder. The implication from Bradford Snell is that GM and the other defendants coerced or otherwise unscrupulously caused transit companies to implement widespread conversion to the inferior motor bus. This implication is the crux of the conspiracy theory.

Another explanation for widespread conversion, of course, is that the cost of installing streetcars or trolleys continued to rise relative to expected revenues. There were two reasons for this. One, ridership continued to decline and hence a greater percentage of lines became “lightly traveled.” Two, trackage and other existing equipment was in a terribly deteriorated state by the mid-1940s,

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trolley coaches range from \$9,000 to \$14,000. Estimates for first PCC cars range from \$14,000 to \$15,000. Estimates for motor buses range from \$1,000 to \$10,000.

especially as a result of the great increase in demand during WWII; the cost of renovating these fixed investments would have been exceedingly high. So, conversion to motor buses continued to present itself as the least costly response to demands for modernization and service expansion.

### The Theory of Technology Foreclosure

Transit policy analyst David Jones argues that the activities of GM and NCL were directed toward foreclosure of a rival technology – that is, electric transit, whether trackless trolley or trackbound PCC streetcar. Jones notes that “most street railways were understandably reluctant to adopt a technology [diesel] that was viewed as essentially unproven in sustained urban operation.”<sup>30</sup> This reluctance is confirmed by 1955 testimony by GM vice president Roger M. Kyes, who stated that the “introduction [of the diesel engine by GM] was greeted with skepticism and indifference. In the first year only seven operators were willing to use our new powerplant.”<sup>31</sup>

As Jones explains, a reluctant market “posed a no-win situation for diesel bus manufacturers – General Motors, Mack, and Twin Coach. ... To break this logjam, General Motors joined with an oil and rubber company to capitalize a transit management organization [NCL] with the financing necessary to acquire failing streetcar systems and reequip them with diesel buses.”<sup>32</sup>

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<sup>30</sup> David M. Jones, *Urban Transit Policy: An Economic and Political History* (Englewood Cliffs, NJ: Prentice-Hall, Inc., 1985), 62.

<sup>31</sup> Roger M. Kyes, Statement in Exhibit 6, Excerpt from Hearing before Antitrust and Monopoly Subcommittee entitled “A Study of the Antitrust Laws,” December 8, 1955, Pt. 8: Statement of Facts from the Court Records Regarding General Motors in the National City Lines Cases, in U.S. Congress, Senate Committee on the Judiciary, *The Industrial Reorganization Act: Hearings before the Subcommittee on Antitrust and Monopoly on S. 1167*, Part 3, Ground Transportation Industries, 93rd Cong., 2d sess., 1829.

<sup>32</sup> Jones, *Urban Transit Policy*, 62.

In other words, the technology-foreclosure theory maintains, in order for GM and other bus manufacturers and suppliers to be successful in developing a market for diesel buses, they had to carry out an aggressive campaign to do so. Such a campaign required working together to foreclose competitive technologies – i.e., electric vehicles.

Snell and other conspiracy theorists take the technology-foreclosure explanation a step further, arguing that the ultimate goal was not merely foreclosure of a rival mass transit *technology*, but foreclosure of a rival transportation *mode*: “In the course of events,” says Snell, GM “became committed to the displacement of rail transportation by diesel buses and, ultimately, to their displacement by automobiles.”<sup>33</sup>

If one dismisses Snell’s argument and accepts instead the technology foreclosure explanation, the question still remains as to why the transit firms were unable to resist the bus manufacturers’ aggressive campaign to create a market for diesel technology.

#### The Myth of the Simple Linear Equation: Improve Service and Profits Will Rise

Transit companies had very little bargaining power with respect to their suppliers. By the 1930s and 1940s, most companies were saddled by a very heavy debt load. As has been shown above, companies were at the same time under immense pressure by regulatory agencies to expand and improve transit service. Most regulatory agencies assumed that if transit agencies would improve service, ridership would increase, and the financial difficulties would disappear.

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<sup>33</sup> Snell, American Ground Transport, A-28.

This assumption, that through modernization and service improvements, a transit company could increase ridership and hence revenues had been standard among city officials throughout the nation for decades. However, this policy assumption conflicted with the historical facts of the transit industry's operation as a regulated monopoly, being subjected to increasing demands and simultaneous revenue losses through ridership attrition. It also ignored the effect of suburbanization on ridership attrition. Finally, these modernization policies conflicted with other transportation policies implemented at the local level. It is in this way that public policy contributed significantly to the decline of transit.

### Conclusions

By 1940, according to Jones, seventy-five U.S. companies were operating 680 diesel buses, "primarily of General Motors manufacture." Jones maintains that

the insidious conspiracy designed to destroy mass transit and stimulate the sale of automobiles ... can more accurately be characterized as a corporate strategy to sell diesel buses by creating first a pilot market and later a sole-source supplier relationship with effectively captive consumers.

He concludes that

the most important consequence was not the displacement of streetcar systems ... [but rather] the dominance of a single manufacturer in the diesel bus market and the preemption of routes and markets that might have been more economically served by the electric trolleybus.<sup>34</sup>

The transit business had become increasingly unprofitable, and automobiles clearly appeared to be the future of transportation. Even though motor buses were uneconomical in the long run, in the short run, they were less

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<sup>34</sup> Jones, *Urban Transit Policy*, 63.

expensive to purchase and operate than either electric trolleys or modern electric streetcars – and in the struggling transit industry, the short run was all that mattered.

That the inferiority in terms of profitability as a mass transit vehicle was probably known by GM, Mack, and other diesel-bus manufacturers and automobile interests does not in and of itself substantiate the conspiracy theory that holds that these companies wanted to destroy mass transit in order to facilitate the ascendancy of the automobile. In addition, as has been discussed, transit industry operators and manufacturers understood that the unprofitability of the motor bus was due to the low-density routes it served.

The failure of public policy should be assigned as much blame – if not more than – the machinations of the diesel-bus industry for the substitution of inferior motor buses. It was, after all, the regulatory agencies' modernization requirements that contributed to transit companies' unmanageable debt load and inability to adapt in a constrained purchasing environment. It was also franchise requirements for service expansion that prompted widespread installation of buses in the first place and that made their continued purchase economical to transit companies in light of their other debts and obligations. Modernization requirements were in many cases the straw that broke the camel's back, forcing transit companies to provide service improvements and extensions that were economically so prohibitive that the companies had no choice but to implement full-scale motorization.

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Public policy also encouraged expansion of the automobile industry. The highway planning of this period is the prime example of how public policy continued to accommodate and facilitate the automobile. As far as mass transit was concerned, there was wide consensus that motor buses could easily operate on the great new superhighways; electric streetcars and trolleys could not.

It is important to remember, though, that motorization and automobile accommodation had been central to transportation policy and planning since the 1920s. Mass transit's decline had begun even earlier; in most cities, ridership and profits peaked in 1919 and fell steadily thereafter. It seems more accurate to say that the motorization campaign and auto accommodation in general contributed to the *continuing* decline of transit. The roots of this decline, however, predate GM and NCL and lie in the formative period when the first social and legal contracts were entered into between the transit industry and its various constituents – the regulatory bodies, labor, and the ridership.

Chief among these contracts was the franchise, which was the mechanism through which the public sector involved itself in mass transit policy-making. The franchise regulated transit as a monopoly long after the industry had ceased to enjoy monopoly privileges such as exclusivity. Instead, the franchise served to restrict the industry and to overwhelm it with burdensome obligations.

An adversarial relationship between the transit companies and their regulators had developed early on, causing city officials involved with making decisions regarding transportation policy to be all the more insensitive to industry constraints. Transit companies were compelled, however, to comply with city

policies and requirements, regardless of how much these conflicted with the other demands faced by the industry. The result was an industry that was incapable of meeting the changing transportation needs of a decentralized, automobile-dependent urban population. It is in this way that public policy contributed to the decline of urban mass transit, in a way that preceded and persisted beyond GM's involvement.

### Conspiracy Myth as Strategy Tool

To come back, then, to the question raised earlier: Why does the conspiracy myth persist?

As this paper has suggested, the emergence and reemergence of the GM conspiracy myth has coincided with periods of urban transportation policy crisis, as were evidenced during the urban strife of the 1960s and the Arab oil embargo in the 1970s.

The retrenchment of the federal government toward urban transportation policy during the 1980s only served to fuel the agenda of citizen activists, particularly among environmental groups. CBS's *60 Minutes* aired a segment sympathetic toward the conspiracy thesis in late 1988 – revealing that the myth could still be called upon to spark public dialogue.

1988 was also the year that Hollywood released the film, *Who Framed Roger Rabbit?* This segment of dialogue reveals the film's subplot about a corporate conspiracy to destroy transit:

- Jessica:** What are you talking about? There's no road past Toontown.
- Doom:** Not yet. Several months ago, I had the good providence to stumble upon this plan of the City



Council's. A construction plan of epic proportions. They're calling it – a freeway!

**Valiant:** Freeway? What the hell's a freeway?

**Doom:** Eight lanes of shimmering cement running from here to Pasadena. Smooth, safe, fast. Traffic jams will be a thing of the past.

**Valiant:** So that's why you killed Acme and Maroon - for this freeway? I don't get it.

**Doom:** Of course not. You lack vision. I see a place where people get on and off the freeway. On and off. Off and on. All day, all night. Soon where Toontown once stood will be a string of gas stations, inexpensive motels, restaurants that serve rapidly-prepared food, tire salons, automobile dealerships, and wonderful, wonderful billboards reaching as far as the eye can see. My God, it'll be beautiful.

**Valiant:** Come on. Nobody's gonna drive this lousy freeway when they can take the Red Car for a nickel.

**Doom:** Oh, they'll drive. They'll have to. You see, I bought the Red Car so I could dismantle it.

Shortly after the *Roger Rabbit* and the *60 Minutes* segment, the Clean Air Act Amendments of 1990 and then the Intermodal Surface Transportation Efficiency Act of 1991 were passed. Such pieces of legislation provided the policy response to the problems articulated by many environmental activists, as well as by new urban coalitions unimpressed with the Reagan administration's deemphasis of urban issues – problems *symbolized* in the rhetoric of the conspiracy myth.

Stone says that the articulation of policy problems usually takes a narrative, or story, form. There is, she says, a beginning, a middle, and an end. More importantly for our purposes here, there are typically “heroes and villains and innocent victims, and they pit the forces of evil against the forces of good.”<sup>35</sup> It is not difficult to identify the villains and innocent victims in the GM

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<sup>35</sup> Stone, 138.

conspiracy story. The heroes are harder to identify, since the narrative always ends dismally: streetcar systems are dismantled and trolleys are thrown into junk heaps, and the pollution-spewing, sprawl-inducing automobile chugs into the sunset. No one lives happily ever after.

Until, that is, public policy comes to the rescue. Like a knight in shining armor, the hero of this story is the policy actor – whether politician, journalist, citizen activist, or public intellectual – who is able to *hold out hope* and elicit confidence in that hope that it is possible to “wrest control from the few who benefit at the expense of the many”<sup>36</sup> – in other words, to vanquish GM (and all that GM stands for) and restore power to the victims – erstwhile straphangers.

The purpose of the conspiracy story, as with all stories of control, is to serve as a catalyst to action – specifically, policy action. They impart fear and, at the same time, hope. They define a policy problem and suggest, at least implicitly, a course of action. Stone says:

Policy stories are tools of strategy. Policy makers as well as interest groups often create problems (in the artistic sense) as a context for the actions they want to take. This is not to say that they actually cause harm and destruction so they will have something to do, but that they represent the world in such a way as to make themselves, their skills, and their favorite course of action necessary.<sup>37</sup>

The GM conspiracy myth, understood in this way, makes a great deal of sense. It becomes irrelevant that GM did or did not cause or even contribute to the decline of mass transit in the U.S. What becomes compelling, from a larger perspective, is the manner in which the GM story is used, the political and economic climates in which it is most likely to emerge, and the types of policy

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<sup>36</sup> Stone, 143.

initiatives under consideration during the periods in which the story is being told. What should also intrigue us is the power of the myth to attract a following. In this regard, the compelling nature of the myth's villain – the General Motors Corporation – speaks volumes. If we cannot cast GM, the producer and supplier of automobiles, as the ultimate enemy, then we end up with a shocking and nearly unfathomable alternative: What if the enemy is not the supplier, but rather the consumer? What if, to paraphrase Oliver Perry, we have met the enemy, and the enemy is us?

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<sup>1</sup>Exhibit 6, 1821-1822.

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<sup>37</sup> Stone, 162.