A rlo Guthrie has often made hits of songs by other artists. Recent news reminds me of two songs he made popular a generation ago. The pleas for financial aid from the Detroit automakers is reminiscent of Tom Paxton’s “I am changing my name to Chrysler,” which was based on the federal government’s bailout of Chrysler in 1979.

Today, the debate on the wisdom of bailing out the Detroit Three — as opposed to bankruptcy and other options — rages on, as blame is apportioned among management, unions and others. The $1.5 billion in 1979 loan guarantees took place in a totally different climate: that bailout was the result of a carefully cultivated, months-long grassroots effort. All stakeholders made significant concessions, and there was a charismatic leader, Lee Iacocca, spearheading the effort. (There was also a national security aspect to the bailout. The Army’s next tank, the M-1, was being built by Chrysler, and there was concern about allowing the provider of such a critical weapon to go bankrupt.)

Many viewed the Chrysler bailout as a great success. The government got “all its money back” plus more from the warrants. Others saw it as a vocal, well-organized constituency being rewarded at the expense of other stakeholders. Like today’s situation, there may be no clear answer.

In 1972, Guthrie recorded Stevie Goodman’s “City of New Orleans,” a folk song describing the Illinois Central passenger train from Chicago to New Orleans. Ironically, by the time of the song’s release, Amtrak (National Railroad Passenger Corp.) had been formed out of the nationalization of most intercity passenger traffic.

As we ponder how the federal government’s industry bailouts will end, it is worth looking at the railroad industry of the early 1970s. Despite the transfer of intercity passenger traffic to Amtrak, the railroad industry — especially in the Northeast — was in dire financial straits.

Penn Central, formed in a 1968 merger, was bankrupt by 1971. A last-minute attempt at federal intervention (based on its national defense role) was foiled by Rep. Wright Patman, D-Texas. By 1973, Penn Central’s trustees were advocating liquidation — forcing Congress to consider nationalization of bankrupt railroads. The railroad industry proposed an alternative whereby the government would fund a private company. After some last-minute veto threats, Consolidated Rail Corp. (Conrail) was formed by the Regional Rail Reorganization (3R) Act of 1973.

The 3R Act created the United States Railway Association to determine Conrail’s composition. The USRA created the Final System Plan, which was approved by Congress in 1976. Conrail’s operations began five weeks later — on April Fools’ Day. Over the next five years, Conrail rebuilt its physical plant with billions of dollars of federal “investment.” However, the underlying business model was such that Conrail continued to lose money.

Conrail hired a transformation CEO, L. Stanley Crane, who called for deregulation of the railroad industry as the only way to save Conrail — and the railroad industry. The Staggers Act deregulated the rail industry and allowed railroads to develop — and price — services on a one-to-one basis with customers. Commercial innovation flourished. The act also allowed railroads to shed unproductive assets without penalty. Additional legislation allowed Conrail to transfer commuter operations — which had not been included in Amtrak. Congressionally imposed labor settlements (permitted under the Railway Labor Act) generated further cost savings.

The result was nothing short of miraculous. Conrail, which became the largest IPO to date in 1986, was reborn, along with the entire industry. The outcome showed that industrial policy could work — and that key components of our economy could be preserved and enhanced by the government.

Ironically, the alchemy of deregulation has recently been called into question by industries seeking relief after apparently abusing market freedoms granted to them.

If the role of the public sector is to support private-sector success, the new Congress and administration might consider looking at the surface transportation industry to see what has worked in the past.

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