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As new GM takes shape, another call for gas tax

Posted on July 2, 2009 at 10:43 AM

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The deadline is July 10. The Feds won't fund bankrupt General Motors Corp. past then, we learned Wednesday, so unless the court approves a 363 sale and the creation of the new GM by, let's see, a week from Friday, we're looking at liquidation. This and much more about what happened in court Wednesday you can learn in **our report** in The Deal Pipeline (subscription required).

Including the fact that Treasury hopes to IPO some GM shares as early as next year.

Putting a market price on the company could bring the central paradox of government ownership into sharp focus in a hurry. This, of course, is the clash between the desire to see GM succeed and the attempt to make the U.S. more fuel efficient through the clumsy mechanism of Corporate Average Fuel Economy Standards.

Alan Reynolds of the Cato Institute has a **good op-ed piece** in Thursday's Wall Street Journal arguing that CAFE standards are particularly harmful to GM. Whereas Toyota Motor Corp. and other competitors can sell enough small cars to offset sales of pickups and SUVs that use more fuel, GM's strengths (at least for now) are in bigger vehicles.

But if hearing someone from Cato slam CAFE standards isn't surprising, what Reynolds would do instead is. Like **Alan Greenspan** and **auto industry execs** including Mike Jackson, CEO of AutoNation Inc. (NYSE:AN), and John Krafcik, CEO of Hyundai Motor America, he favors an increase in the gasoline tax as a better way to encourage greener cars, while also getting GM back to profitability as quickly as possible.

These folks all have their own particular tax proposals. Reynolds would extend the federal gas guzzler tax to pickups and SUVs, and extend the 24 cents-a-gallon tax currently levied on (more efficient) diesel to gas and ethanol.

What it would take to get the Obama administration and Congress to move in this politically difficult but economically sensible direction I'm not qualified to say. But with public-private boundaries being rapidly redrawn in response to an economic emergency, it sure is nice to see some serious counterproposals. - *Kenneth Klee*

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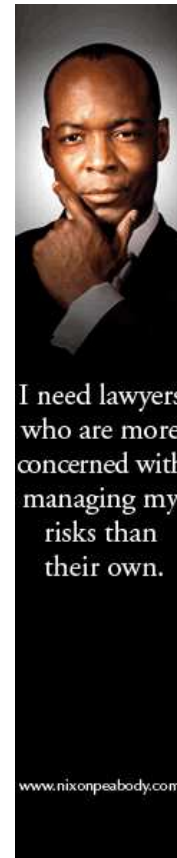
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