

Marketplace

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Politics plays role in bailout mania

President Obama lashed out at several Chrysler investors who refused to sign on to the administration's restructuring plan. But commentator Will Wilkinson wonders why the president is involved in bailout proceedings at all.



Commentator Will Wilkinson (The Cato Institute)

TEXT OF COMMENTARY

STEVE CHIOTAKIS: General Motors faces a government deadline at the end of the month to complete its restructuring or face bankruptcy. Sound familiar? Chrysler just came off of the same type of deadline. For GM, part of the hurdle is getting bondholders to swap billions of dollar in debt for a 10 percent equity stake. That's part of a planned laid out by President Obama and his auto task force. The GM CEO Fritz Henderson insists the government is not running the company. But commentator Will Wilkinson says it's clear who's calling the shots.

WILL WILKINSON: "I don't want to run the auto companies, and I don't want to run banks," President Obama said last week during a prime-time press conference on the fate of Detroit. He may not want to, but the Obama administration is effectively running auto companies and banks. And the president does get a bit cranky when he tells the private sector to jump and it doesn't jump.

In a rare flash of anger, Obama lashed out at several Chrysler investors who refused to sign on to the administration's restructuring plan for the automaker. The plan would have required senior investors, who are usually first in line in bankruptcy proceedings, to take big losses while more junior investors, including the UAW, were offered rather more generous terms.

The failure of the plan has left Chrysler no other option than to file for bankruptcy. But why is the president involved at all in deciding who gets what in the breakup of an auto company? Much of the American economy is in disarray, but the bankruptcy system isn't. Indeed, the U.S. bankruptcy system works really well. So why meddle when an effective, longstanding legal system can take care of it?

This is the price of bailout mania. When the government gets its finger in every pie, who gets what piece becomes a political decision. We may want to trust our leaders to be dispassionate stewards of the public interest, but politicians -- and our over-empowered executive is a politician -- will use whatever discretion is at hand to reward their constituencies.

Justice wears a blindfold for a reason. Injecting political partisans directly into economic decisions when well-functioning, time-tested rules are in place not only chills the confidence of investors, but moves us one step further from the already battered rule of law, and one step closer to the dangerous rule of men.

CHIOTAKIS: Will Wilkinson is a research fellow at the Cato Institute.

COMMENTS

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By Don Price
From Tampa, FL, 05/06/2009

Justice is blind? Really? I guess no one at the Cato Institute has walked into a court room to be represented by an underpaid and overwhelmed attorney. I have a hard time taking the rest of the argument seriously.

By Art McSweeney
From KS, 05/06/2009

Well-functioning, time-tested rules. Has Mr. Wilkinson been paying attention for the last couple of decades. The dangerous rule of men takes place when people are allowed to accumulate excessive wealth with few checks on their power. I prefer to rely on democratically elected representatives to make the decisions that effect all of us.

By David Camp
From Greenwood, MS, 05/06/2009

This is the best succinct summary I have seen of the inherent problem of the Obama Administration's over reach into the private sector. The last sentence is the best.

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