



Opposing view: Bailouts beget more bailouts

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By **Dan Ikenson**

Describing the auto bailout as successful demands profound gullibility or willful ignorance. Sure, GM has experienced recent profits and Chrysler has repaid much of its debt to the Treasury. Calling that a success is like applauding the recovery of a drunken driver, while ignoring the condition of the family he severely maimed.

OUR VIEW [Admit it, the auto bailout is working](#)

The objection to the auto bailout was not that the federal government wouldn't be able to marshal adequate resources to help GM and Chrysler. The most serious concerns were about the consequences of that intervention — the undermining of the rule of law, the property confiscations, the politically driven decisions and the distortion of market signals.

Any verdict on the auto bailouts must take into account, among other things, the billions of dollars stolen from the company bondholders; the higher-risk premiums consequently built into U.S. corporate debt; the costs of denying Ford and the other more worthy automakers the spoils of competition; the costs of insulating irresponsible actors, such as the autoworkers' union, from the outcomes of

an apolitical bankruptcy proceeding; the diminution of U.S. moral authority to counsel foreign governments against market interventions; and the lingering uncertainty about policy that pervades the business environment to this day.

GM's recent profits and Chrysler's recent comeback speak only to the fact that politicians committed more than \$80 billion to the task of rescuing those companies and the [United Auto Workers](#).

With debts expunged, cash infused, inefficiencies severed, ownership reconstituted, sales rebates underwritten and political obstacles steamrolled — all in the midst of a recovery in U.S. auto demand — only the most incompetent operations could fail to make profits.

But taxpayers are still short \$10 billion to \$20 billion (depending on the price that the government's 500 million shares of GM will fetch), and there is still significant overcapacity in the auto industry. Do you think Ford might feel that it "banked" its bailout, and may show up to redeem it if it

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has trouble coping with the next recession?

With the standard so low for declaring a bailout successful, we are certain to judge more of them in the future.

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The advertisement features the USA TODAY logo at the top left, followed by the word "AutoPilot" in a large, bold, black font. To the right of "AutoPilot" is a blue airplane icon. Below the title is a smartphone displaying the app's interface, which includes a "USA TODAY Meeting" section with a date of "Sep 21, 2009", a flight status for "A6 BNA to IAD Landed" with a time of "09:21:0009 11:48 AM", and a weather forecast for "Washington (AD)" showing "Partly Cloudy". Other items on the screen include "View a Flickr gallery of Washington" and "Articles - Hotel Desk in Hilton Hotels picks". To the right of the smartphone, the text reads "The new travel app for iPhone® and iPod touch®". Below this is the "Presented by:" logo for Hampton, which is a red and white crest. At the bottom right of the advertisement, the text "SEE HOW IT WORKS »" is displayed in white on a blue background.

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