

THE AUTO INDUSTRY RECOVERY

– Just Like a “Magic Carpet Ride”

– They Make It Up As They Go Along

Stephen L. Bakke – June 10, 2011

Well you don't know what we could find ...

On a magic carpet ride

Well you don't know what we could see

Why don't you tell your dreams to me

Fantasy will set you free ...

On a magic carpet ride

(My apologies to John Kay and Rushton Moreve for taking portions piecemeal from their 1968 Steppenwolf lyrics of “Magic Carpet Ride.”)

A couple of years ago, I had an article published in the internationally distributed “Secured Lender” magazine, published by the Commercial Finance Association. (You will find this article in the “Economic Issues” section of my Website with the title “Obama and O’Bankruptcy.....”) That RANT was inspired by the foolhardy and contrived “reorganization” of Chrysler. And it was followed shortly thereafter by the GM “reorganization.” Obama’s fingerprints were all over BOTH of these earthshaking transactions.

Remember folks, “reorganization” is a gentler term than “bankruptcy,” but they mean the same – “sometimes you stick it to Peter to pay Paul.” In these two bankruptcies, the “stickees” were the secured lenders and the many (non auto industry) pension plans holding stock of these two manufacturing giants. The payees/beneficiaries of this lark were the UAW workers. I liked neither the process nor the precedent, so I offered a passel of objections, including the following:

Why, as a businessman myself, don't I stand with the businesses such as Chrysler and GM, by encouraging the government to bail them out? Because that's not what should be done! I believe we would all be better off in the long term if these corporations actually were permitted to fail, or succeed, WITHOUT government interference. I don't wish for them to fail, but that's the way the system should work. Failed business structures generally need to change dramatically or disappear – let Chrysler or GM simply file Chapter 11, or otherwise reorganize if they must – but it should be done on their own without installing a totally inexperienced political “machine” to run them. It's painful, but a better way in the long run.

Obamanomics – Truly, a “Magic Carpet Ride”!

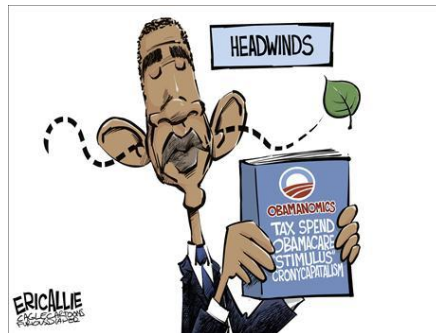
I have been waiting ever since for something to “strike my fancy” as pointing to at least a brief follow-up RANT! Weeeeeell (as Reagan often said), I found it. (Thanks to columnist Paul Greenberg for the idea to write this brief report!) None other than Joe “The Voo-Doo Economist” Biden recently was caught with his foot in his mouth when he said the following:

Because of what we did, the auto industry is rising again ... At the time, many people thought the President should just let GM and Chrysler go under ... [but the President] certainly wasn't going to abandon an industry that had meant so much to our economy ...

Like the lyrics say, “fantasy will set you free ... on a magic carpet ride.” They are in fantasy land “fur shur”! Both companies DID “go under”! That’s what bankruptcy is – a financial reorganization that inevitably sorts out winners and losers.



And because there would be big losers, the “faux messiah” Obama wanted to make sure he provided “redemption” to one of his biggest financial supporters and vote “getters,” the UAW. This is another example of “crony capitalism,” my frustrated friends!



One More Time: They DID “Go Under” You Doofus

The analytically challenged Biden made such a “to do” about not letting these companies “go under.” In Joe’s “alternate universe,” these companies never “went under.” Well, what does he think happened? THEY WENT UNDER! That’s what happened! “Go Under” = Bankruptcy!

I believe, without government involvement the result would have been much better for lots of deserving people. I’m referring to the American taxpayers, and the beneficiaries of the myriad of non-UAW pension plans that had investments in these companies. And without Obama’s meddling, the primary winner would NOT have been the UAW, for whose benefit the reorganization plan seems to have been formulated.

If the government would have left these companies alone and let the inevitable business failure happen naturally, without initial subsidies and then a government inspired bankruptcy plan, it all would have occurred cleaner and quicker.