

Friday, December 12, 2008

So now my car is a "troubled asset?"

As the auto maker bailout drama unfolds, with the Senate now rejecting the latest attempt at one. Bush is suggesting the rescue proceed under TARP, which is widely slagged as the Trash Assets Recovery Program, or more simply "Cash-For-Trash".

The obvious remark aside, that this may be extremely fitting for the North American auto industry, even as a guy opposed to bailouts on principle I still can't wrap my head around why exactly the Big 3 are having such a hard time securing this bailout when the big banks who created this mess have since had second and third helpings of bailout cash of a higher order of magnitude NO QUESTIONS ASKED. It should be noted that if any of the Big 3 fail the US taxpayers will be on the hook for their pension obligations anyway - and said obligations (north of 30 billion for Chrysler alone IIRC) exceed the total amount being asked for in the package.

How could a US "commoner" not look at this and think there's an obvious double standard between blue collar and white collars here? The auto-execs were lambasted publicly for jetting into Washington on private aircraft, while Lehman's number #2 man still had a domestic staff of 29 (whom he's recently had to let go) and Merrill's top man was asking their Board (with a straight face) for a \$40 million bonus this year?

The solution for all this is obvious. In Ben Bernanke's now famous anti-deflation speech where he inferred the Fed could drop money from helicopters to stave off Deflation (earning him the nickname "Helicopter Ben") we find a way out that solves everybody's problems:

The US Treasury could purchase 25 to 30 billion dollars worth of cars from the Big 3 and then drop them from helicopters. This would save the automakers and create enough work rebuilding infrastructure to goose the economy back into buy-now-pay-later mode.

I'm surprised this idea hasn't been floated yet.

Posted by Mark Jeftovic in Venture Crapital at 11:20