

Knowing of your interest in economic issues, I wanted to take the opportunity to share my thoughts with you on today's announcement that General Motors (GM) has filed for bankruptcy. Bankruptcy is a sad but necessary step to bring much needed restructuring to the failing automaker and could bring an end to ineffective government involvement. Unfortunately, we will see increased government involvement instead. The Obama Administration has engineered a prepackaged bankruptcy in which the government will provide an additional \$30 billion in financing in exchange for 60 percent ownership of the company. The federal government is now officially in the car making business and American taxpayers are on the hook for \$50 billion that will be difficult to recover. This is of enormous concern to me, and why I strongly opposed President Bush's initial grant of loan money to the automakers. I firmly believe that in order for our free-market system to work, poorly run enterprises should be required to make tough adjustments without government intervention.

Unfortunately, government ownership means that all the difficult restructuring decisions that are necessary to making GM a strong, profitable business again, such as shedding brands, closing factories, and reducing labor costs, are going to be political ones. And with most of GM's future depending on when consumers start buying cars again and if they will buy American cars, government interference could very well spread throughout the auto industry. As columnists have pointed out, the Administration can not force Americans to buy GM cars, but they can provide incentives for people to do so. This would wreak havoc with the free markets, punishing companies that have conducted themselves in a prudent and responsible fashion, and result in long-term price increases for all of us.

Competition between the government and private companies isn't real competition. It is virtually impossible to guarantee fairness because government can change the rules of the game at any time. Also, like working Americans, private companies can't subsidize themselves through bloated deficit spending as the federal government usually finds a way to do. Government ownership of GM is clearly the wrong step for American taxpayers and the health of our domestic auto industry. What Americans need from the Administration right now is an exit plan - how the massive government intervention in the private sector is going to be dialed back - not plans for how the government is going to take over and run a private company.