Taking a chance on bankruptcy

by The Indianapolis Star

Four months and $17.4 billion in taxpayer support have evaporated since the Bush administration bought the argument that a bankruptcy filing by one or more of Detroit's Big 3 would mean the end of the U.S. auto industry.

Thankfully, President Barack Obama on Monday signaled that he's ready to take that chance given the severe problems that continue to plague General Motors and Chrysler.

Now, Obama must follow through on his ultimatums, which allowed Chrysler a mere 30 days to forge a deal with Fiat and General Motors Corp. 60 days to secure concessions from the United Auto Workers and bondholders. Failure by the automakers to meet the administration's deadlines would end the stream of federal dollars now keeping the companies afloat.

Chrysler appears to have the easier route. Fiat has telegraphed that it's ready, with $6 billion in taxpayer assistance thrown in as a sweetener, to move forward with a merger.

GM, in contrast, must not only persuade creditors to accept steep write-downs on debt but also gain significant concessions from union workers. Bankruptcy appears to be GM's most realistic avenue for locking in such concessions. It also offers the best chance for the company to achieve long-term viability.

In addition to the billions in taxpayer dollars apparently wasted on GM and Chrysler, there's much to dislike about how both the Bush and Obama administrations have handled this challenge. The former president, fearing that one or more bankruptcies would drag the nation's economy into a pit, was too lenient in holding the companies accountable for their mistakes.

Obama has swung too far in the other direction. The White House forced General Motors CEO Rick Wagoner out of his job over the weekend. Wagoner certainly had his faults, but even Michigan's Democratic Gov. Jennifer Granholm described the departing executive as a "sacrificial lamb." Worse, the thought that the federal government is now selecting corporate CEOs is alarming.

As with the financial services sector, one of the government's top goals must be to extricate itself from the deep intrusion into the marketplace as quickly as possible.

Toward that end, Obama must stand firm with the deadlines he set this week. The bailouts must soon end,

and the markets, not bureaucrats, allowed once again to pick winners and losers.

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