



Written by [Denise Behreandt](#) on June 1, 2009

GM Files Chapter 11 Bankruptcy

The storied automaker is thus poised to become a subsidiary of the United States and Canadian governments, with the former acquiring a 60-percent ownership in the new company and the latter, 12.5 percent. The United Auto Workers, whose coercive demands over the decades have played no small role in running GM into the ground, will get 17.5 percent, and bondholders the remaining 10 percent. Shareholders, who have already seen GM stock values plummet to practically nothing, will receive zilch. At least 14 GM plants will be shuttered and 27,000 workers laid off. For all intents and purposes, the GM of decades past — flagship of the U.S. automotive industry, which survived two world wars and the Great Depression, is gone forever.



Politicians are, if not jubilant, at least giddy at GM's prospects as a government subsidiary. Said Senator Carl Levin (D-Michigan), "I'm confident this is far better than the alternative. It's a new beginning, it's a rebirth, it's a new General Motors."

That what will emerge from Chapter 11 will look nothing like the GM of yore is beyond dispute, but it is exceedingly unlikely that government-appointed bureaucrats will succeed where the free market (or some pallid facsimile thereof) has failed. At least one GM plant will be retooled to manufacture smaller cars; expect further government-mandated "improvements" in GM to include more politically correct (but far less cost effective) measures like higher fuel-efficiency and more exacting safety requirements. In effect, the federal government can now impose directly on GM what it has tried to accomplish regulatorily for decades: automobiles that conform perfectly to Washington liberals' Utopian ideals, with costs, that can now be transferred directly to taxpayers, no longer any object.

Lest such concerns seem overly negative, consider the results whenever government has tried to manufacture cars, from the barely operable Ladas of the old Soviet Union to the clunky Ambassadors produced by the Indian government. While GM has a reservoir of talent and technology left over from the days of free-market capitalism that will allow viable products to be produced in the short run, expect the government-run GM to stagnate in the long run with higher and higher costs engendering ever more shoddy products.

We are left with only one member of the Big Three left standing. Ford had the foresight to mortgage its holdings three years ago, giving it a cushion that may allow it to survive where its two competitors have failed. But much of the carnage in the automotive sector could have been avoided had market forces been allowed to have their claim months, if not years, ago. GM would have — and should have — long since gone bankrupt (and Chrysler along with it). Its assets would have been bought up by private interests, and the U.S. automotive manufacturing base would have been reborn under leaner, fitter



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management. Quite possibly the work of two hypertrophied, federally protected automotive giants would now be performed by dozens of smaller, more specialized concerns, but manufacturing costs (not to mention consumer prices) would be lower, absent the stream of federal subsidies.

Instead, we have ended with a colossal new burden laid on the shoulders of U.S. taxpayers, and autos will end up being more expensive than ever. General Motors, adieu.

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