



Newest Bailout: Auto-parts Suppliers

The Obama administration is now in the business of subsidizing the auto parts industry. In yet another slug of taxpayer money intended to prevent the collapse of GM and Chrysler, the Treasury announced on April 8 it was making available \$5 billion in short-term financing for auto parts suppliers. The money is intended to keep manufacturers and suppliers of parts to GM and Chrysler afloat while the beleaguered automotive giants struggle for survival.

“The U.S. Treasury Department is pleased that both GM and Chrysler have moved quickly to launch Supplier Support programs,” said Jenni Engebretson, spokesperson for the Treasury Department. “These efforts, backed by U.S. Treasury resources, will help stabilize the auto supply base and restore credit flows in a critical sector that employs more than 500,000 American workers across the country. During this difficult period of restructuring in the auto industry, the Supplier Support program will provide supply companies with access to liquidity and protect good-paying American jobs while giving GM and Chrysler reliable access to the parts they need.”



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All this, despite the fact that GM and Chrysler are likely to go into receivership no matter how many taxpayer dollars are shoveled their way. But from the empyrean perspective of Treasury officials, another \$5 billion probably seems like chump change by comparison with the hundreds of billions already flung at banks, financials, and the infamous AIG.

But on the same day that Federal Reserve officials confirmed that the Fed has so far pumped \$1.2 trillion in new money into the financial system — money that will eventually cause the dollar to depreciate — another \$5 billion down the bailout rat hole is less than welcome news.

The accelerating tandem of bailout money — which will never be repaid — and inflationary activity at the Fed, means that Americans will soon be caught between the Scylla of a depreciating dollar and the Charybdis of a national debt utterly beyond the resources of the taxpaying base to repay.



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