



Written by [Thomas R. Eddlem](#) on June 11, 2009

More Corporate Welfare: “Cash For Clunkers”

According to [MSNBC.com](#), the bill would give a cash rebate to the customer through the dealer this way: “Under the House bill, car owners could get a voucher worth \$3,500 if they traded in a vehicle getting 18 miles per gallon or less for one getting at least 22 miles per gallon. The value of the voucher would grow to \$4,500 if the mileage of the new car is 10 mpg higher than the old vehicle.” The bill was originally drafted by environmentalists who sought to reduce use of fossil fuels through the program, but the automobile industry has highjacked the bill as a subsidy for troubled automobile industrial giants. It became politically powerful on the excuse that it would save jobs. Now it’s little more than a “corporate welfare” scheme, and a welfare program aimed at two giant, mismanaged corporations.



The automobile industry is certainly in a cutback mode right now. Even profitable Asian giants such as [Toyota have failed to turn a profit in recent quarters](#). That’s in part due to the retrenchment of the U.S. economy, as U.S. consumers cut back on luxuries such as new cars. [MSNBC.com noted](#) that “in May, overall sales were 34 percent lower than a year ago.” That’s actually a good thing if the trouble with the economy is too much debt and if Americans are borrowing less to purchase new cars. But the Obama administration seems to think that the problem is that Americans are not borrowing enough to make new purchases, and is supporting this bill to get U.S. consumers to over-leverage their finances again with cars they wouldn’t otherwise purchase.

This is the same [Barack Obama who urged](#) the U.S. government to get in the business of loaning billions to Chrysler and General Motors to keep them out of bankruptcy. Obama said that taxpayers must invest in the mismanaged auto giants, even though investors in the free market would not do so with their own money. Private investors thought it was too risky, that they would likely lose everything.

Seven months later, both automobile manufacturers are in bankruptcy anyway, and with more debt. The skeptical judgment of private investors who fled Chrysler and General Motors has been vindicated, but President Obama is simply moving forward with a plan for more of the same. The chief difference federal intervention has made is that the U.S. taxpayer is [already \\$110 billion in the hole](#) for bailout loans to the bankrupt firms, with more billions in bailouts expected over the next few years and no guarantees the firms would ever earn a profit. It’s now obvious that the government “fix” for the auto market made it worse than it would have been had Obama’s fix never been enacted seven months ago. The same Barack Obama who took a “government knows best” attitude with automobile industry seven months ago is now telling us that another \$4 billion in taxpayer dollars is needed.



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Should taxpayers trust the investment advice of a man who invested \$110 billion in two companies that went bankrupt anyway within seven months? Or perhaps the better question would be: would you trust such a man with your savings?

Tax dollars are your dollars, and taxpayers should be skeptical of this latest corporate welfare scheme. There's still time to stop the legislation, as it has yet to pass the U.S. Senate.

The legislation is being tracked by its supporters at the website: www.cashforclunkers.org/.



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