

# Business article (auto bailouts)



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The Cons of Continuously Supporting Auto Bailouts during Financial Crisis For more than a decade, the automobile industry in the United States is one of the largest business groups that has significantly affect the economy and socio-cultural aspect of people around the world. However, tight competition in the world market combined with the global financial crisis increases the risk for some the local and foreign-owned automobile assembly lines like General Motors, Ford, and Chrysler to declare bankruptcy without receiving any forms of financial assistance from the U. S. government.

In the past, majority of the U. S.-based automobile companies were receiving auto bailouts during financial crisis. However, expending some financial assistance using the money coming from the taxpayers does not directly address the main factors why most of these large-scale businesses fail to cope with the challenges that usually arise during economic decline and slow growth. This is the main reason why most of the Americans oppose the idea of auto bailout.

Based on a national poll survey, “ six out of 10 Americans oppose using taxpayer money to help the ailing of major U. S. auto companies.

(Steinhauser)” Upon analyzing the historical effects of auto bailout in the U. S. auto industry, it is clear that shredding out billions of dollars from the U. S. taxpayers will not solve the declining U. S. economy. Aside from the fact that extending a large portion of collected tax would be unfair to most Americans who will not receive any direct benefits from the auto bailouts (Steinhauser), extending large sum of government funds on U. S.-based automobile companies would only provide the people with temporary solution. Without focusing on the importance of implementing organizational re-engineering and restructuring, there is no way for the automobile companies to survive

the financial crisis even if the government provides them with financial assistance.

Extending auto bailout to car makers is not a good option since providing them with excessive amount of financial assistance would only impede further improvements in their management and business practices of the local companies. Instead, one of the best solutions that will enable the major automobile companies to survive the global financial crisis is to shoulder the short-term negative consequences of having limited financial resources in order to restore the companies' long-term viability (Mitchell).

Aside from negatively affecting the business practices and management behind the large-scale automobile companies, allowing the U. S. government to grant auto bailouts could significantly deplete the entire U. S. economy because of the possibility that other industries would also end up seeking financial assistance from the government to keep their medium- and large-scale businesses going (Mitchell). As a result of granting the giant automobile companies with auto bailout, the low-income taxpayers who do not have any direct connection with the automobile companies are likely to suffer most as compared to people who are going to work under one of these automobile companies (Mitchell). Likewise, the U. S. government will be short of funds for other more important expenditures including the educational, health benefits, and retirement pay of the elderly individuals. Granting auto bailout could only cause a long list of negative business and socio-economic consequences. In order to minimize the risk that the giant automobile companies would declare bankruptcy, the U. S. government should refrain from granting them auto bailout. Instead, the U. S. government could support the survival of these companies by granting them

tax shield and encouraging them to improve their management practices.

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References:

Mitchell, Daniel J. " CNN Politics." 13 November 2008. Commentary: Say No to the Auto Bailout. 13 February 2009 .

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