



Written by [Ann Shibley](#) on May 1, 2009

Chrysler Bankruptcy Another Taxpayer Bailout

The chief reason is that many of Chrysler's creditors — a group of 20 or so private investment funds, primarily — are driving a hard bargain, expecting to get 60 cents back on each dollar of investment. These creditors, including a number of the much-maligned "hedge funds," are properly insisting that their shareholders' needs are paramount and that the deal the federal government has been trying to broker is unacceptable.



On the other side of the debate are several large banks holding about 70 percent of Chrysler's debt (banks which, as representatives of the above-mentioned private equity funds have taken pains to point out, have already received billions in government bailouts themselves), the Obama administration, Italian automaker Fiat, which is to be given an initial stake of 20 percent in the once-proud American automaker, and Chrysler itself. All of these parties are pushing for a bankruptcy-that-isn't, a court-arbitrated Chapter 11 liquidation of selected assets and write downs or write offs of Chrysler's massive debt overhang. Under such an arrangement, Chrysler would be allowed to walk away from many of its long-standing obligations, leaving investors on the hook. The federal government, meanwhile, has offered to extend additional billions in bailout money contingent on Chrysler's successful "bankruptcy," and to underwrite all of Chrysler's warrantees, all with taxpayer money.

While only the most callous cannot feel at least a few pricks of sympathy for the thousands of longtime Chrysler workers now being laid off, the burden that Chrysler Corporation has inflicted and will continue to inflict on the American taxpayer base as a whole is more grievous still. As we have indicated in previous articles, much of the Chrysler bailout has been a transparent sham from the get-go; those in the know have been aware for many months that Chrysler was beyond reprieve, and that the billions of bailout dollars shunted to Chrysler have been little more than a way to buy time and golden parachutes



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for Chrysler execs and shareholders at Cerberus Capital Group, the financial corporation that is a majority shareholder in Chrysler. In other words, the bailouts were never intended to prevent the inevitable, but only to postpone it long enough for the Men Who Matter to make an orderly exit.

In fairness to Chrysler, its crippling liabilities are not entirely its own fault. It is encumbered, for example, with liabilities stemming from anti-asbestos lawsuits, one of the many absurdities perpetrated by the radical environmentalist left that have wreaked absolute havoc on the American economy. In addition, the economic downturn that caused auto sales to decline precipitously is entirely the fault of the federal government, including the Federal Reserve. But it is also certainly true that, had Congress and the Carter administration done the right thing by Chrysler almost 30 years ago — that is, allow it to succeed or fail based on its own merits instead of bailing it out — billions of dollars would be saved right now. Chrysler and the American taxpayer are now suffering the long-term consequences of the misbegotten policies of a generation ago — the “long term” that the economic huckster Keynes once laughingly dismissed as unworthy of serious consideration.

The only remaining question is whether the Obama administration and Congress will now go after the hedge funds as punishment for their supposed intransigence (the sin of trying to minimize losses on behalf of shareholders). Hedge funds have received a lot of the blame for the global economic meltdown, and have already been targeted for tighter regulatory controls nationally and internationally. “I don’t stand with them,” said President Obama, speaking of investors opposed to the government-brokered bankruptcy deal. “I don’t stand with those who held out when everybody else is making sacrifices.” Of course, neither the president nor anyone else is talking about the forced “sacrifices” inflicted on American taxpayers for the billions the Chrysler bailout has already cost — the sacrifice of other peoples’ money has never deterred government and its hangers-on (in this case, the big banks) from taxing and spending while blaming private enterprise for its own failures.

Should Chrysler’s private equity-based debt holders continue to drive a hard bargain, expect the White House to level its guns (figuratively, we hope) at hedge funds and seek to transform by regulatory fiat this isolated remaining sector of dynamic free enterprise into another low-yield, government-controlled enclave of financial fascism.

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