



GM's Bailout Money May Go Overseas

General Motors has received \$50 billion in taxpayer assistance, yet even as the company cuts thousands of jobs at U.S. locations, it is considering investing billions of those taxpayer dollars on overseas operations. GM maintains that only through a strong international presence can it remain competitive and profitable, but critics say that the taxpayer money was meant to preserve U.S. jobs.



Fritz Henderson, chief executive of GM, recently stated that the company might be using its funds to restructure its European unit, Opel. Back in August, GM China announced a \$293 million venture. In October, GM South Korea received an infusion of \$400 million, while operations in Mexico just initiated a \$300 million transmission plant.

"We certainly need to be prudent about it, be very careful about it, but we do have the ability to run a global business," Henderson declared to reporters earlier in November. GM spokesman Tom Wilkinson has argued that the company must have a strong international presence in the current global marketplace.

"As much as some people might wish that it were not so," Wilkinson said, "the reality is that the auto industry is global, and no company can survive without a strong global presence. Any dream of a U.S.-only carmaker is just that: a dream." He added, "The exit financing agreement for the new GM does permit some money earned by GM here to be used for non-U.S. operations."

Critics such as Representative Anthony Weiner (D-N.Y.) are not convinced. Weiner said: "I don't think most Americans believe that when the taxpayer bailouts were happening it was intended for that purpose. It was intended to protect the American economy — not take the money overseas."

According to Weiner, GM "might legally have the right to do this, but politically and from an optics perspective I can't imagine a more boneheaded move." Thomas Hopkins, economics professor at the Rochester Institute of Technology, agreed, "I don't believe that it is consistent with the original objective so I would say it's not wise or helpful that our taxpayer dollars are being used to support the global efforts of these companies."

No matter where GM invests its dollars, the Government Accountability Office is pessimistic about the prospect of taxpayers ever seeing their money again. A November 2 GAO report stated that "Treasury is unlikely to recover the entirety of its investment in Chrysler or GM, given that the companies' values would have to grow substantially above what they have been in the past."

So it is highly probable that taxpayers will never be repaid for their "generosity" in keeping GM afloat.



Written by [Steven J. DuBord](#) on November 16, 2009

That doesn't sound like a very wise investment, or a smart move by the Obama administration.

When the money was given, like all government aid, it came with strings attached. The fact that strings exist is reasonable, since even an individual donating money to charity expects to see his money used for certain purposes. But when the donor is wealthy and threatens to withdraw funding, the strings become more like chains.

Big government is in the habit of shackling every sector of the economy and every aspect of society that it can entice into accepting taxpayer dollars. In the case of GM, the company gave up its freedom when it accepted the chains. If GM truly valued its independence and freedom to operate as it sees fit, it should not have accepted federal assistance in the first place.

After all, Ford, the only U.S. automaker to escape Uncle Sam's clutches, just posted a nearly \$1 billion profit during the last quarter. GM experienced a \$1.2 billion loss during that same time frame. It seems that government bailouts are a losing prospect for both the recipient and the taxpayer who is footing the bill.

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