



## **JOHN A. KELMELIS: We should bailout automakers**

The U.S. automakers are on the ropes, mostly self-induced. In giving the American public "what they want," high-profit gas-guzzling SUVs, they ignored their social responsibility, and even more distressing, showed little foresight or understanding of complex global economic conditions. Nonetheless, we should bail them out.

And regardless of what anyone says, this is a bailout. The automotive industry is important to our economy. Many people's livelihoods depend on it. But this bailout should be one with strings - more than that - with heavy ropes that pull them in the right direction.

Certainly any bailout should strip the auto makers' senior executives of their undeserved perks, but that is thinking small. Let's use the bailout to help the automakers regain their global leadership position. The US lost leadership in steel production when it fell behind the technology curve. The US auto industry needs to be at the front of the technology curve, not the back or even the middle of the pack. We can use the bailout to insist the auto industry builds efficient, high-quality cars that reduce our dependency on petroleum and are globally competitive. Energy efficiency and quality should be the name of the game. Global leadership should be the goal. The jobs of our workers, the health of our economy, and the quality of our environment are at stake.

Technology exists to produce more efficient automobiles, and technology exists to help the environment and reduce climate change, all for the sake of our children's children. Any money given to the automakers must have ropes that tie them to these technologies.

Here are some of the things we could do:

- n Buy preferred stock with voting rights. Don't merely give or lend the money to the automakers. Taxpayers thus get a say in how the companies are run and share the profits when the automakers recover.
- n Require the automakers to improve their fleet's gas mileage by 25-30% over the next five years. Fleet calculations should include SUVs and light trucks.
- n Require increased energy efficiency from individual classes of vehicles. Also require increased fleet efficiency that exceeds the weighted average of the requirements for individual classes. This would stimulate the development and adoption of new technologies and new higher efficiency lines of vehicles.
- n Closely observe and, if need be, control auto manufacturers' accounting to ensure that bailout money is focused on the required outputs. If we want the right outcomes, we need to get the outputs right.
- n Make the production process more efficient. This should help with price competitiveness.
- n Restrict or eliminate advertising for gas-guzzling vehicles. This should help reduce demand for them. See precedents for this in the liquor and cigarette industries.

n Make sure that any privately held company in the bailout becomes public. After all, it is the public's money. Chrysler is a private company now and some of the smaller companies included in the \$25 billion bailout package may be as well. If private management needs a bailout, they were not doing a good job anyway.

n Recognize that without proper controls and possibly even with them, the auto manufacturers are likely to come back for more money.

A small portion of the bailout can come from a surcharge on high-gas-consumption vehicles. Current owners could be exempt for a fixed time, but any high-consumption vehicle, new or used, could face a high surcharge at the time of sale and with each subsequent registration. This surcharge would be voluntary as no one is required to buy a high gas-consumption vehicle. The resulting revenues could go toward the auto manufacturers' bailout. I suspect, of course, that less revenue would be generated as people's purchases migrate away from gas guzzlers to efficient vehicles.

Some people might argue that businesses would be hurt by this, but the extra cost would be passed through to the consumer. Consumers would then opt for more energy efficiency because such vehicles' prices would be lower.

There are surely other things we can do, but these are ideas to get us started. Does the outgoing administration have the courage to take leadership? Does the incoming administration? Will Congress put the welfare of the country and world ahead of special interests?

There will be arguments against this approach. Some will call it un-American or in violation of the Constitution. However, if the public is a major shareholder in these companies, as it would be with a bailout tied to equity ownership, these would be its prerogatives. Once the companies are back on their feet and globally competitive and the nation is no longer so petroleum-dependent, the US can sell its shares, possibly at a profit. Everyone wins, except perhaps the nations selling us oil, some of whom funnel part of the profits to people who wish us harm.

Some of the energy companies receiving government subsidies at the same time they are making record profits might not be happy either. Perhaps they need strong ropes attached to their subsidies to make them socially responsible companies for the 21st century, too.

John A. Kelmelis is professor of International Affairs at The Pennsylvania State University. Contact him at [jak115@sia.psu.edu](mailto:jak115@sia.psu.edu).



© San Angelo Standard-Times | [gosanangelo.com](http://gosanangelo.com)