

Herd on The Street by Les Swift

The Auto Bailout Explained

The way my source explained it, it makes perfect sense. If you're insane.

Despite the busy holiday season, my source was able to squeeze in an end-of-year meeting. We met at a distant suburban bar instead of his usual strip-club haunts because, he said, "I don't want any of my clients to see me with you."

"Did ya see what we did with the auto bailout?" he asked, after ordering a double Scotch. "Slick, if I do say so myself."

Well, I said, GM and Chrysler are going to get some money to keep them going for a while. That helps, but it doesn't solve their problems.

"Geez, are you a babe in the woods," he replied. "It solves all kinds of problems."

But the companies are still bankrupt, and still can't sell enough cars to survive. So what did you solve, besides buying them a little time?

"Who cares about the auto companies?—that's *their* problem," he snorted. "We solved *our* problem, which is to keep them from failing until after the Inauguration. Whatever goes wrong after that is on the new guy."

That's pretty cynical, I said. You're leaving a big problem for the new Administration to solve, and making things worse. Won't this just hurt the country?

"What are you, a Boy Scout?" he replied. "Sure we're dumping this on the new guy. This is politics! We leave them a mess they can't handle, and when it blows up in their face, we clean up in the next election."

Okay, I can see how that helps you, at least in a narrow sense, but doesn't it hurt the country? I asked.

"You're hopeless," he replied.

"These liberals don't understand that money makes the system run, and that means protecting the rich. If these liberals stay in office, they'll piss the money away buying the votes of poor people and the unions—ruin it all. We don't have time for this safety-net nonsense, we have to save capitalism!"

But isn't that what *you're* doing with the bailout, I retorted. Isn't this socialism for the bankers?

His face starting to redden, he ordered another drink while he fought to control himself.

"Why can't you just take what I give you and run with it?" he blurted out. "That's what Fox does. Why do you LaRouchies have to be so damn picky? We feed you stuff and you put it out! That's the way the system is supposed to work."

That sounds like Aldous Huxley to me, I replied. You tailor what you tell people, so that they'll think what you want them to think. It's brainwashing.

"Yeah, well it works for Fox, and they're a lot bigger than you," he snarled. "Who's this Huxley, anyway? He work with Rove?"

Never mind, I sighed. Let's get back to the auto bailout.

"That's more like it," he said. "It's a thing of beauty. First, we lend the car companies big bucks, so they can cover their bonds and other debts. This helps them, and it helps the financial system, which is the real goal. You'd be surprised at the amount of speculative crap piled on top of this car debt."

Okay, I understand that much, I said. It's part of the bank bailout. But

people still have to be able to buy their cars, and that means car loans. Without that, the auto companies are still dead.

"Lemme finish," he said. "Didn't you see where GMAC is becoming a bank holding company? That means Uncle Sam is gonna give GMAC the money to make car loans."

I saw that, I said. But isn't GMAC essentially bankrupt? Looks to me like the Fed is creating a bank which is bankrupt from its inception.

"Not if it's on the Federal tit," he said. "GMAC will get the money, since it's part of the auto bailout, and the auto bailout is part of the bank bailout."

Seeing that I was about to speak, he held up his hand. "Don't interrupt. I'm way ahead of you. You're gonna say that this won't work, because after GMAC loans that money out, they'll have to stop, and we'll be right back where we started. We already thought of that—we're not idiots, you know. That's where this new Fed program comes in, the TALE, or the TILF, or whatever they call it."

That's the program that's going to loan speculators money to buy asset-backed securities, I replied.

"Yep," he said. "GMAC is gonna turn those new car loans into securities, and the Fed is gonna pay people to buy them. Hedge funds, pension funds, just about anybody can get in on this one. It's a sweet deal."

So the government is going to give the auto companies billions of dollars, then give GMAC billions to make loans, and then give hedge funds billions to buy the paper. Wouldn't it be cheaper for the government to just buy cars for people?

"Can't do that," he snarled. "That would be socialism!"

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