

Detroit: The Big Fix

We all know the auto industry is facing a major crisis which impacts this teetering economy at the worst possible time. Most politicians and economists realize we can't afford to let Detroit fail, putting millions of Americans out of work and hastening the economic decline of our country. Unfortunately, the average American doesn't agree with another bail-out on the American taxpayers' nickel for a bunch of Detroit automakers they feel should have "known better" and made more fuel-efficient cars long ago. Although many in power feel another bail-out is the only solution, the truth is that another direct bail-out will only stave off the inevitable for another six months, just like the last one. Plain and simple, a bail-out alone will not fix the problem. There is, however, an elegant solution that will fix the problem and make everyone happy. Let me explain.

The problem is not just one of our reliance on oil and the need for fuel-efficient cars that are more appealing to the masses. Yes, we do need to do that to deal with the long-term issues of oil dependency, global warming, and consumer desires, but if we give money directly to the big auto manufacturers to do such, it will take them too many years to redesign/retool/implement, and get more fuel-efficient models into the channel. And if consumers wait for more fuel-efficient vehicles, it will destroy the car industry since people will not buy the inventory currently sitting on car lots and being manufactured now, and in essence stifle the entire industry. Instead, the problem must be attacked from two directions at once or any solution is doomed to failure. So here is the plan to fix this problem from both the top and the bottom simultaneously.

The car industry needs to move the cars clogging distribution and car lots at the same time that new, more fuel-efficient models are being designed and produced. The only way to do it effectively is to induce consumers to buy American-made vehicles **now** by offering a \$5000 tax credit* on every American-made vehicle purchased, while at the same time giving the auto manufacturers funds to retool their operations and convert to more efficient vehicles. The more efficient the designs, the greater the bail-out the government gives (promoting efficiency competition amongst the manufacturers). At the same time, selling the existing vehicle inventories by giving a tax credit to consumer and business buyers will keep Detroit making money and keep everything moving through the chain until the new vehicles are shipping. (The new energy-efficient vehicles will not be given as large of a tax incentive, as they won't need it once the old gas guzzlers get phased out.)

To fund the automakers from the top so they can reinvent the auto industry, we need to create a Treasury-backed "Auto-Bond" that people with money can invest in. ie- A ten year bond that funds only the auto industry changeover. The beauty is that people with money who are afraid to invest in the stock market, real estate, etc. would see this as a safe, government-backed investment which

would help to re-build the economy. People wouldn't see it as a direct bail-out, the necessary funds to make this happen will be readily available, and the concept could be used for other economic bail-outs as they arise. ("Invest in the West" bonds promoting investment in America.) People will see it as being patriotic and helping to fix the economy like the war bonds of WWII. The wealthy will feel they have a safe place to park their money.

This tax break/buy-out plan should only be temporary, until the crisis abates. Only by attacking this problem from the top and bottom simultaneously, as outlined above, do we stand any chance of fixing this problem (as opposed to postponing or exacerbating the crisis). This plan will work and give people confidence that the major crises facing this country (and world) can be fixed by you. Consumers will save money and help the economy. Failing dealerships will be saved. State and local governments will make sales tax and licensing revenue. Car manufacturers will make income on their existing stagnant investment while preparing for the future, Everybody wins.

If you implement it immediately, people will act on it this tax year (those that can) providing instant relief to dealers and distribution, creating an immediate boost this economy desperately needs. By not emphasizing the fuel-efficient vehicles to come to the public, but mandating it to the big car manufacturers for their piece of the bail-out, you can achieve your goals and fix this problem*For every 1 million cars sold, the tax credit equals \$5 billion, with estimated vehicle sales of \$25 billion (\$25,000 average sale per vehicle) funneled directly back into the economy.