

## ***Not So Free Enterprise* by **Januario Azarcon, Esq.****

Pres. Hugo Chavez of Venezuela has nationalized his country's oil industry. Government control of business is a stab at the heart of the free enterprise system which is regarded in western economies as the ideal arena for risk taking, innovation and profit making, resulting in the creation of wealth that provides for the needs of the people.

With American investors like Exxon hurt by Venezuela's xenophobic economic policies, one may expect a barrage of denunciations from America. Not this time, my friend. America itself is trying to outdo Hugo Chavez by taking over majority ownership of GM and Chrysler, two giant car manufacturing icons once upon a time. That, after pumping billions into AIG, Fannie Mae, Freddie Mac and several commercial banks. As matter of fact, Pres. Hugo Chavez even joked by warning his friend, Fidel to be careful because they could end up at Pres. Obama's right flank.

We have seen countries whose governments run their vital industries, in the old Eastern Europe and the defunct USSR. The system just did not provide enough incentives for people to harness their talent to the hilt bringing about a stale economy where people just get by. Government control stifles competition, the breeding ground of efficiency.

Why did the Obama administration decide to become the majority stakeholder in GM and Chrysler? They could have lent the \$70 billion and be first in line to be paid if the companies fail. By being majority shareholders, American taxpayers could end up with nothing if the companies ultimately fail as creditors get the first bite of whatever is left in a liquidation. The government must want control of the car industry. It wants to decide what cars to make as envisioned by its environmental supporters.

The government bailout of the car companies is an unprecedented gamble. At Chrysler, the secured creditors got a few pennies on the dollar of debt. The U.S. will become 60% shareholder, the Canadian government 13% and the employees' union take 27%. The winner of course is the union.

The U.S. takeover of GM and Chrysler is supposed to be a jobs saving move. It is apparent now where the administration's sympathy lies. It has announced the closure of thousands of car dealerships, suddenly adding thousands of car salesmen, mechanics, office workers,

maintenance workers, accountants, etc to the rolls of the unemployed. These workers are not members of the union that supported Barack Obama in the last election.

What's the real score in this bailout? The American taxpayers are at risk for \$70 billion. The employees' union gets to own a car company and the non-union workers of thousands of dealerships take a hike.

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During the administration of George W. Bush, every time there is a spike in the oil prices, the Democrats in Congress would yell and scream, call for a congressional investigation that usually ends up with nothing and accuse the administration of being in cahoots with the oil companies.

In spite of the recession and the lower demand, gas prices are rising again. Where's the noise in Congress? None.

Before he was ousted by the Obama administration as GM's CEO, Rick Wagoner suggested a higher gas tax so that a gallon of gas will cost at least \$4.00 in order to compel consumers to buy the more expensive hybrid vehicles. With the new government mandate to increase gas mileage for new cars, GM, Ford and Chrysler will have to produce and sell more hybrid and electric powered vehicles.

If people will not buy or cannot afford to buy the vehicles that the government wants them to produce, no further government bailout can prevent their demise. The key to their survival therefore is for oil prices to go up so that consumers will take to driving the high mileage hybrid or electric cars even if that means ripping their pockets.

Do not expect Rep. Barney Frank to rant against high gas prices. Even then presidential candidate Barack Obama said that the problem is not the high gas prices, but the sudden spike of high gas prices. The global warming alarmists want to see higher gas prices at the pump.

Does Al Gore feel your pain? He is busy counting his millions of dollars earned from various green ventures.