

Running Head: GM Bailout

GM Bailout Case Study

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INTRODUCTION

This case study chronicled the demise of the second largest auto maker in the world. General Motors was a one hundred year old company that enjoyed huge success. However, near the end of 2008, GM was suffering losses of two billion dollars per month and was on the verge of bankruptcy. Rick Wagoner became the youngest CEO in the company's history and definitely had the fast track to the top. Wagoner enjoyed the success that was built for him by others prior to his reign as CEO. However, it would seem that the company lacked vision as to where the world was headed in regards to the future of the automobile industry. After huge successes with the large SUV markets, when gas prices started to soar, SUV's lost market share rapidly. This decline started GM's demise. With the seemingly inability to recognize these changes, GM watched as other automakers adapted and started selling successfully hybrid vehicles.

On the brink of bankruptcy, Wagoner knew he had to ask for help. He knew that with the failures of major lending and banking agencies and the bailouts being offered by the government, that this may be his only chance to save the company. Eventually, congress made it possible to give GM a bailout option. But even with the option available, Wagoner and fellow company executives failed to meet requirements of the bailout terms. Wagoner was forced to resign and GM was bought out by the "new GM Company" and the government retained control of the new company. With the government's involvement in bailing out GM and other banks, came harsh criticism from those who warned against socialism and protecting capitalism and the free market values.

Question One

Locke was all about natural rights, he felt the government should only have a very limited role in people's business, he felt that everyone has "natural rights", so when the "old GM" came

to government and asked for a bailout, Locke would probably have felt that GM was giving up its natural rights? Also, they would no longer be a free market because they were selling their souls to the government for a bailout, even though they promised the government they would pay them back in a set amount of time, it did not happen, therefore when Obama came into office, he sat down and created the "new GM" also known as "General Motors Company". Smith was a total utilitarian viewer. He would have felt that if GM would stay a free market and stay on its own, it would possibly even prosper, more than if it were to ask for the government's assistance. He believed in the "invisible hand" which was market competition. His view would have been that if GM would make something the people of the general public would want, then it would indeed succeed and make money. He also would have argued that if demand was high enough for something and people wanted it badly enough, people would drive the price up; therefore the company would make more of a profit from their vehicles and not have to ask the government for the bail out. Smith would most likely say that it was not due to the failure of his theory of the invisible hand that GM tanked. It was due to the lack of vision and good management. He would have most likely said that if those two elements had been there, then the invisible hand theory would have worked and GM would have prospered. Marx would argue that it was privatization and capitalism ideologies that brought GM to its knees. I think he would argue that the government stepping in and wholly owning or at least partially owning these automotive and banking companies was a step in the right direction but that it does not eliminate social and working classes, so there is still room for corruption at the expense of the workers and society in general. Marx would argue that there needs to be a total elimination of privatization and that the means of production would be collectively owned by all members of society with work being divided among those with certain talents and not social status.

Question Two

The ideologies implied by all of the people referred to in question two are free market, free trade, and capitalism which are the principles by which our country has been founded on.

They were speaking out against the bailouts of GM and Chrysler as well as financial institutions because they felt that this crossed the line into socialism which they were obviously against.

They obviously held the belief that the government had no business in taking control of the financial destiny of these companies. They got themselves into the mess and therefore they should get themselves out. While the US government felt that the resulting loss of jobs and further economic breakdown would be worse than them stepping in, it would appear that in these cases, we moved a step closer to Marxist Socialism as these critics implied.

Question Three

Should the bailout have been done? To me the question should have been, “do we force cuts in jobs or do we ask for assistance so people can put food on their tables”? Yes, I know that the bailout cost a lot of money and in the end just prolonged the inevitable of GM going bankrupt. I feel it did serve the utilitarian way of thinking. All in all did it go along with rights and caring? To an extent sure, because GM didn't want to cut the peoples jobs, but did they give anyone a choice as to whether they as the public wanted to pay back their bailout? The answer is no!

The answer to this question is not so black and white. Basically the tax payers did, and will for years, end up paying for the mismanagement of the automotive and banking industries.

Do I like it, hell no! A big part of me feels that they should have been made to go bankrupt and fail. But there is also the fallout from letting them fail and what it would have done to our economy and the workers that depended on those jobs. I am not in favor of socialist ideologies. I

believe in free trade and free enterprise and privatization. However, I feel that some sort of mixed government controls should be in place to hold private companies accountable that get so big that their lack of management and vision cannot affect our economy and the society in such ways. So ultimately I would say that I am ok with the bailout to a degree. Ethically, I believe that it served a utilitarianism viewpoint as well as caring. It could be argues unethical from the justice and rights viewpoints because it imposed negative impacts on all tax payers and there was relatively little justice for the gross mismanagement of money by these companies.