

## December 14, 2008: Weekly Washington Update

The auto industry recovery legislation voted on by the House of Representatives this week was not the first major bailout initiative to come to the House floor recently. All indications are that it will not be the last. While I have had serious reservations about the bailout bills, I believe that the federal government can effectively provide a helping hand to businesses in need. There are several ways that business and Congress can work together to create solutions that will both help industry stay afloat and protect taxpayer investment.

The most important piece of any recovery package to be considered by Congress is that the company in question be required to provide a viable restructuring plan. This plan must clearly demonstrate how a business would return to profitability in the long term. A company seeking private financing would be required to propose such a plan, and we should expect the same in return for an investment of taxpayer dollars. However, neither the initial \$700 billion financial bailout nor the \$14 billion auto bailout contained a clear strategy. At the very least, the taxpayers should not be asked to "spend first and ask questions later."

Another option that should be considered, either prior to or in conjunction with federal loans, is a program of private financing with federal guarantees. There is no doubt that shaky credit markets have adversely impacted the availability of credit, particularly for firms that are struggling for survival. However, Congress can create a program whereby the federal government provides insurance on private investment for businesses in need. This insurance would be funded by the participants with a modest FDIC-like fee and would cover up to 50 percent of the losses of new investment in the case of a default. Such a program would help to unlock large amounts of private financing, while simultaneously protecting taxpayers.

Finally, in the midst of unprecedented economic challenges, we must not forget the basics. Any economist worth his salt will tell you to tax that which you want less of and cut taxes on that of which you want more. Legislation allowing a \$10,000 tax deduction on the purchase of a new car would certainly benefit the auto industry. So too would a bill that allows the deduction of the state and local sales taxes on new car purchases from federal income tax. Initiatives like these can easily be extended beyond the auto industry to help any number of ailing businesses, with little or no taxpayer exposure. I've cosponsored legislation that would implement these proposals.

Without a doubt, the federal government has a duty to assist in the country's economic recovery. We also have an equal responsibility to act as good stewards of the taxpayers' money. For federal assistance to be effective, we must do more than just throw money at the problem. Following the steps outlined here would be a good start.