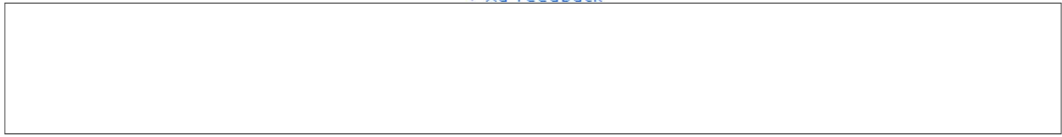


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June 1, 2009 1:50 PM

Will Politics Weigh Down GM's Future?

Posted by Stephanie Condon | 30



(AP Photo/Paul Sancya)

While the Obama administration insists it will try to refrain from interfering with the day-to-day operations of General Motors, the Republican party is grabbing hold of the company's bankruptcy to admonish President Obama for overreaching in the private sector. Meanwhile, conservative analysts say it will be all but inevitable for politics to unduly influence the company's operations – which could impact GM's ability to become viable in a timely manner, result in unforeseen consequences for Ford and impact the greater economy.

The Republican National Committee on Monday released a [web video](#) called "Government Motors," calling Mr. Obama "our new president and CEO."

"No matter how much the President spins GM's bankruptcy as good for the economy, it is nothing more than another government grab of a private company and another handout to the union cronies who helped bankroll his presidential campaign," RNC Chairman Michael Steele said in a statement. "This is the real 'change' President Obama has in mind for America – government ownership of our economy financed with irresponsible and reckless government spending and debt and no jobs to show for it."

In fact, the president has said he would want to relinquish government-owned shares of GM back to the private sector as soon as possible – something conservative analysts say must happen at the risk of increasing political interference from both sides of the aisle.

Being a "hands-off" investor in the auto giant "is going to be very difficult, if not impossible," said James Gattuso, a senior research fellow at the conservative think tank the Heritage Foundation.

"As majority shareholder, the decision making will fall to the government, and there is intense political pressure from all sides to get involved," he said.

Democratic congressmen are protesting GM's plans to import Chinese-made cars. On the right, Sen. Kay Bailey Hutchison (R-Texas) is trying to [delay](#) the termination process of dealerships run by government-backed auto companies. Government policy could interfere with business decisions in areas such as foreign trade, emissions standards, or the adoption of certain manufacturing technologies.

"The question is will politicians be able to keep their hands out of the cookie jar, and I don't think so," said Kevin Hassett, a senior fellow at the conservative American Enterprise Institute.

The Obama administration may have already hindered GM's ability to re-emerge as a viable company in a timely manner by granting favorable terms to the United Auto Workers, Hassett said. Under a normal bankruptcy route, the union would have been forced to make more concessions in terms of wages and benefits, he said.

"Now we're looking at a government subsidy to offset the high labor costs, and it's anybody's guess how that's going to work out," he said. "Automakers in the U.S. are at such a big disadvantage because they are festooned by obscenely high labor costs. The problem has not been addressed at all -- it's just been moved on to the taxpayers."

Hassett said the government will be unable to extract itself from the company without adopting major policy changes.

"Until the labor differential is addressed, it's hard to imagine private capital would want to own (GM)," he said.

Mitt Romney, speaking in Washington on Monday, echoed sentiments that the UAW would have been forced into greater concessions under a regular bankruptcy process.

"We put tens of billions of dollars in by having delayed the bankruptcies (of Chrysler and GM)... and it will surely have a different tenor to it than it would have had the management led it," he said.

However, given that the UAW now owns a significant stake in the company – 17.5 percent – its priorities may change in a way that could benefit other stakeholders, said Dan Ikenson, associate director of the Center for Trade Policy Studies at the Cato Institute, a free market thinktank.

The union's role historically "has been to extract concessions from management, but now they're management, too," he said. "It's hard to figure out how this plays out."

Moreover, he said, the government's support of the company may actually make it easier to sell some government-owned shares.

"If they want to sell half of (their stock) in two years, some might be more inclined to say it's a good deal because government is still backing it, and implicitly policies will work to our advantage," Ikenson said.

Gattuso said the federal government needs to set a clear timeline for the sale of its GM shares. The longer the government holds onto the company, he said, the more political interference there will be. Furthermore, the UAW will have less incentive to make necessary concessions with the government's support in place.

"I'd analogize it to the deadline set on U.S. involvement in Iraq," Gattuso said. "Why can't we have the same thing for ending our role in Detroit?"

The ramifications of today's bankruptcy announcement could have far reaching impacts on the auto industry and the greater economy, conservative analysts say.

Ikenson said Ford may face bankruptcy as well if it is disadvantaged by competitors backed by taxpayer dollars. The company may also see an upside in having its debts cleared, even though it would subject itself to more government control.

He also said that in the general economy, it may become more difficult for the private sector to raise money through the bond market.

"We've set a lot of bad precedents in the way the bondholder has been strong-armed by the administration," he said.

Gattuso agreed Ford may be negatively impacted by the government's large stake in GM, but he said it could also benefit Ford "in that they do much better with a government-run and therefore inefficiently-run competitor."

"As far as foreign auto makers I'm hearing a lot of trepidation... about what this means for globalization of the industry overall," he added, noting that the government's control of GM could push other governments to favor their local companies.

"That would be bad for everyone," he said.

General Motors Bankruptcy

Will GM emerge from bankruptcy before Labor Day?

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he has an I.Q. above 140 Unlike Bush with a 91. I know, your white and he is black. Be glad he is in Office.

Posted by jeff-fla

How do you know Obama's IQ??? Since he has never released:

Could you please help me find these things Sir?

1. Occidental College records -- Not released
2. Columbia College records -- Not released
3. Columbia Thesis paper -- "Not available"
4. Harvard College records -- Not released
5. Selective Service Registration -- Not released
6. Medical records -- Not released
7. Illinois State Senate schedule -- Not available
8. Your Illinois State Senate records -- Not available
9. Law practice client list -- Not released
10. Certified Copy of original Birth certificate -- Not released
11. Embossed, signed paper Certification of Live Birth -- Not released
12. Record of your baptism -- Not available

Oh and one more thing Mr. President, I can't seem to find any articles you published as editor of the Harvard Law Review, or as a Professor at the University of Chicago. Can you explain that to me Sir?

Posted by **vistaverm1** at 6:08 AM : Jun 2, 2009

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-- Obama's own idea is back firing on him.

Eligibility debate explodes on White House 'dialogue' site
74% of voters demand Obama release long-form birth certificate

The entire transparency portion of the White House website on "open government dialogue" has been overrun with citizens calling on Barack Obama to release his elusive "long-form" birth certificate to establish his constitutional eligibility to serve as president.

The link to this website, which again, was Obama's idea, is here:

<http://opengov.ideascale.com/akira/dtd/3764-4049>

Posted by Jesus_Christ_Is_Lord

Well his link is not to a goverment site. All government sites end in gov

Second, most of us are tired of this bull crap. go here.

http://www.factcheck.org/askfactcheck/has_a_smoking_gun_been_found_to.html

Why must " christians " tell all of these lies.

Jesus_Christ_Is_Lord, what bothers you so much about our President? He doesn't lie, he has an I.Q. above 140 Unlike Bush with a 91. I know, your white and he is black. Be glad he is in Office.

Posted by **jeff-fla** at 6:00 AM : Jun 2, 2009

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Don't buy GM..

Don't buy GM..

Don't buy GM..

Don't buy GM..

Don't buy GM..

Don't buy GM..

Posted by **vistaverm1** at 5:31 AM : Jun 2, 2009

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Posted by **Jesus_Christ_Is_Lord** at 10:24 PM : Jun 1, 2009

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quick someone tell me what burris and gm have in common.
they both followed obama to ruin

Posted by **philabias** at 9:29 PM : Jun 1, 2009

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NO OBAMA TOOK A BAD SITUATION AND MADE IT INTO THE WORST POSSIBLE
NIGHTMARE BECAUSE WE ARE STUCK WITH THE 100 + BILLIONS FOR A FAILED
SOCALIST TAKEOVER CAR MANUFACTURER
SPEND AWAY BOY YOU GOT THEM ON THE ROPES NOW<SPEND IT ALL> THERE NOT
SMART ENOUGH TO CATCH YOU ANYWAY

Posted by **philabias** at 9:20 PM : Jun 1, 2009

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Government motors dont stand a chance. it will be just as successful as AMTREK,which has never
made a profit. And bleach obama will sanitize it to the ground.and no matter how long you wait it will
never make a come back.

remember to add the tag to the lemon
BANKRUPTSY BY OBAMANATION

Posted by **philabias** at 9:16 PM : Jun 1, 2009

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What's that brown stuff around Obama's nose?....eerr...never mind.

Posted by **sky_five** at 8:13 PM : Jun 1, 2009

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Anytime the UAW and the U.S. Government team up to run a business?? That can't
miss...lmoa...R.I.P. GM

Posted by **NegatoryInhale** at 7:41 PM : Jun 1, 2009

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burneb at 5:52 PM : Jun 1, 2009

It sounds like you are already a Socialist at least you talk and write like one.

Posted by **hbevis** at 6:01 PM : Jun 1, 2009

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