



Bailouts leave a legacy of cronyism: Opposing view

Why is the 20% loss on GM considered a sign of success?

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This month's sale by the Treasury of its remaining shares in General Motors should offer us all an opportunity to say "never again."

Pay no attention to the the Obama and Bush administration cheerleaders. The federal rescue of GM, along with the TARP in general, serves as an example of everything wrong with Washington.

The TARP was little more than a transfer of losses from inept corporations to the taxpayer, mistaking the redistribution of losses with their avoidance.

Let's start with the easy part: The taxpayer is projected to take a loss of more than \$20 billion on two of the TARP programs. About half of that loss is from the \$50 billion GM [bailout](#); the remainder is largely the result of various failed housing assistance programs.

It didn't have to be this way. When GM entered bankruptcy, the creditors should have taken their losses, and the company could have been reorganized at no cost to taxpayers. The same is true of the banks. A conversion of debt to equity would have recapitalized the banks at no cost to the taxpayer. Any upside would have been shared with the creditors.

We were repeatedly told, however, that the only choices were bailout or liquidate. GM, among others, proved that a false choice. Just as many of us have flown on bankrupt airlines, banks and automakers could have been operated in a reorganization.

Let's also not forget that there was no authority under the TARP to assist automakers. Congress had voted down an auto bailout. But the Bush administration blatantly ignored the law and provided

assistance, punting the issue to President Obama. If that weren't bad enough, Obama bullied creditors and rearranged chains of priority to reward allies. Equality under the law took a beating.

As a Senate staffer in 2008, I took part in the efforts to oppose TARP. Its promoters promised untold profits and an economic turnaround. The TARP law itself sets out a number of objectives, such as promoting jobs, preserving homeownership and home values, along with protecting the taxpayer.

Five years later, it's impossible to objectively conclude that any of these stated purposes of the TARP were actually achieved. The current recovery is one of the weakest on record, and the very measures TARP promised to revive are all far below peak. Its legacy, however, is a different story: one of cronyism and lawlessness.