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The GM/TARP shell game

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General Motors' willingness to publicly display their penchant for image over sound business practices should surprise no one. This is, after all, a company who was cozy enough with the White House to avoid bankruptcy by performing their part in the play perfectly: as the embattled company saved and redeemed by government bailout.

To recap: GM recently began airing (and quickly pulled) an ad in which CEO Ed Whitacre proclaims the company recently repaid their bailout loan "in full." The ad raised eyebrows and led The Competitive Enterprise Institute (CEI) to file a formal complaint with the Federal Trade Commission (FTC) asking it to investigate the ad campaign as misleading. CEI alleges that only \$6.7 billion has been repaid on the \$50 billion bailout loan.

What's more, there is reason to believe that GM used Troubled Asset Relief Program (TARP) funds to payback TARP funds. If this is true, then it is tantamount to taking out a loan to pay off another loan. While questionable as a smart financial decision this kind of move is, apparently, a legally viable option because the question of whether or not the company is in violation of a law is not in contention. What is in question, however, are the ethics behind the decision to intentionally mislead – if that is indeed the case – the American public into believing that GM has gotten its act together and can begin building themselves back into a premier US automotive company.

Considering GM's association with the current administration, the motivations driving such an ad campaign are relevant for discussion. Treasury Secretary Timothy Geithner was recently questioned by the Senate about the validity of the ad's claims and, like a good politician, he answered the questions circuitously while saying very little.

Why this kind of thing makes watchdog groups like CEI uncomfortable – taking into account that, as the CATO Institute recently pointed out, this kind of fudging of the truth happens all the time in advertising – is what the association means between the highest forms of government and a company willing to overtly mislead the public. If GM will allow the American people to believe that it is solvent enough to pay back a loan in full when in fact it has paid back only a small portion using yet another loan from the federal government, what does that tell us about the provider of the funds? Are they in on the misperception and, in fact, driving it? Is the White House lying to us?

Not a landmark question really. People have been suspicious of government since governments began. But the interesting and unique aspect to this equation is the medium in which the government is promoting its agenda, namely, hiding behind a "private" company using traditional advertising. Ultimately, the paying back of TARP loans using TARP funds and the GM – White House connection story is one that speaks less to the willingness of a government or private enterprise to fabricate a version of the truth. Rather, it speaks to the collusion of the two in an effort to mislead the consumer and the governed. This situation may represent the real influence this administration has on portions of the private sector and speaks to just how much the White House influences the decisions of a "private" enterprise that finds itself relying on government assistance. In other words, the goal does not appear to be one that seeks to help GM remain solvent in order that they may carry on as a private company.

The goal, rather, appears to be simply the presentation that the company is still a private enterprise but is, in fact, yet another quasi-governmental entity.

The real question then becomes, why the ruse? Is it because Geithner and the White House suspect that the American people actually prefer a separation between enterprise and the federal government? And, if this is the case, then their little white lie starts to look like something a lot bigger.

Sarah Lee is an Atlanta native and freelance writer living and working in Washington, D.C.



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