

# THE DAILY CALLER

## Obama uses auto bailout for 2012 campaign

By Neil Munro - The Daily Caller 9:07 AM 10/13/2011

President Barack Obama will take his re-election campaign to a General Motors plant on Friday where he will tout the new free trade deal with South Korea, and likely again champion his \$60 billion 2009 bailout of the auto industry.

The visit to Lake Orion, Mich., with Korean president Lee Myung-bak, is another opportunity for Obama to pitch himself to working-class and Midwest voters in must-win states — such as Ohio and Michigan — as the savior of the nation’s auto industry.

The 2009 auto bailout is a staple of Obama’s stump speeches and, increasingly, also of his deputies’ and allies’ criticism of former Massachusetts Gov. [Mitt Romney](#)

Yet the administration’s bailout of the two companies has hurt other U.S. auto companies — such as Ford — and its political priorities are hurting the long-term health of General Motors and the entire auto-industry, said Dan Ikenson, deputy director of the trade policy center at the Cato Institute.

Obama’s green-tech agenda is prodding GM to manufacture the expensive and low-selling Volt electric auto, and his fuel-efficiency standards will cripple GM’s production of high-profit big autos after 2016, he said. That’s partly why GM’s stock price has slumped from \$35 to \$22, far below the administration’s expectations, and prevented the planned sale of government-owned stock, he said.

“You can’t declare victory when the taxpayers are still on the hook for \$27 billion invested in the company,” he said.

The 2009 bailout was supported by federal funding, not private [investment](#). The bailout ensured the government owned 60 percent of GM’s stock. Half of that stock has been sold, but the remaining government-owned stock can’t be sold without incurring more than \$10 billion in losses.

The stock price decline has put the administration in a bind, Ikenson said. The administration “doesn’t want to take the loss, because that would become the [political] issue... [and] if they hold onto it, then people can say the government is still running the auto industry,” he said.

A February 2011 report by the Department of Energy said the administration’s goal of 1.2 million electric cars on the road by 2015 was “achievable.” The report predicted GM could supply 15,000 Volts in 2011, and 120,000 in 2012, but recent sales reports show that it will sell less than 10,000 of the heavily subsidized Volts this year, and 2012 production plans have been scaled back to 60,000.

Obama has repeatedly visited auto industry plants to champion the bailout. In June, for example, he visited a [Chrysler](#) plant in Toledo, Ohio, where he declared that “we could have done what a lot of folks in Washington thought we should do, and that is nothing.”

Doing nothing would have cost “more than a million jobs, and countless communities, and a proud industry that helped build America’s middle class for generations wouldn’t have been around anymore,” he said. “We decided to do more than just rescue the industry from crisis. We decided to retool it for a new age ... So I placed my bet on you. I put my faith in the American worker [and] what you’ve done vindicates my faith,” he declared to the listening workers.

He made the same claims in a Sept. 27 fundraiser to a well-heeled group in West Hollywood, [California](#). “We saved those jobs ... today, the American auto industry is stronger than ever, and turning a profit, and they’re making fuel-efficient cars that can help save our environment,” he said.

Obama’s surrogates are making the same pitch. “There would not be an auto industry if Mitt Romney was president. He would have said, ‘Let it go bankrupt,’” Rahm Emanuel said Oct. 9 on NBC’s “Meet [the Press](#).”

On Oct. 12, Michigan Rep. John Dingell chimed in. “Last night Mitt Romney doubled down on his contempt for America’s auto industry and all the spin-off jobs it supports that power our economy... [but] the President’s actions to shore up GM and Chrysler saved 1.4 million American jobs and ensured that the American auto industry – the bedrock of American manufacturing – would put middle class families back to work,” he said.

Romney has an answer to these claims, but it hasn’t yet been packed into a soundbite.

Because the government offered an early bailout, before resorting to normal bankruptcy law, “they wasted a lot of money,” Romney told the [Detroit News](#) in September. “I’m happy to stand up next to anybody in my affection for the auto industry and my conviction that America can compete in automobiles — at home and abroad,” he said, adding that “my plan of a managed bankruptcy was essential to getting the auto companies on their feet.”

The White House’s industrial policies are undermining the auto industry, said Ikenson. For now, he said, “they’re just trying to hang on until the election,” cooperate with the auto unions, and trying to shift the public’s focus from the economic recession to the apparently healthy auto companies. “It is unbelievably political.”

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