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Obama praises his auto bailout in Detroit, blasts GOP

Dave Boyer and Ben Wolfgang

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As teachers staged a sickout that closed Detroit schools, President Obama took a victory lap in the city Wednesday, bragging about his administration's bailout of the auto industry in 2009 and chiding Republicans for opposing it.

"The American auto industry is all the way back," Mr. Obama told cheering auto workers at the United Auto Workers-General Motors training facility. "I placed my bet on you. I'd make that same bet any day of the week."

While not mentioning any Republican presidential candidates by name, Mr. Obama said they are "the same folks who would have let this industry go under."

"This is the crowd that was dead-set against betting on you and your hard work," Mr. Obama told the auto workers. "They said it was going to be a disaster."

The government's \$80 billion bailout of GM and Chrysler, begun by President George W. Bush in late 2008, is still being debated in the current presidential race and by economists.

Taxpayers lost about \$10 billion, while Detroit is enjoying record sales. Americans purchased about 17.5 million vehicles in 2015.

The Democratic National Committee Wednesday praised Mr. Obama for his "courageous" decision in 2009, and highlighted past comments of several Republican presidential candidates in opposition to the bailout, including Ohio Gov. John Kasich, Florida Sen. Marco Rubio, Sen. Ted Cruz of Texas and businessman Donald Trump.

Mr. Obama's re-election campaign made the auto bailout a key issue in the 2012 race, targeting Republican candidate Mitt Romney for writing an op-ed under the headline, "Let Detroit Go Bankrupt."

Some analysts who were opposed to the bailout say Detroit's recovery is irrefutable, but it's difficult to determine whether the industry would look any different if the government had allowed market forces to work.

"These companies were saved," said Daniel Ikenson, director of trade policy studies at the Cato Institute. "Of course they're going to succeed, when the government was propping them up. The industry has done well, primarily because the cyclical demand for autos is up, oil prices are low, and people are buying SUVs again. I don't think this has anything to do with the auto bailout itself. It's a function of the market."

Whether Mr. Obama is credited with rescuing Detroit or blamed for interfering with capitalism, the process began with Mr. Bush, who decided to use \$17.6 billion in TARP money in December 2008 to keep GM and Chrysler afloat.

"He is a villain in this story," said Mr. Ikenson. "He circumvented the wishes of Congress. That was a misappropriation of those funds. His was the original sin."

Critics say Mr. Obama almost never mentions the tens of billions of dollars that went to the United Auto Workers health and pension funds in the bailout, viewed as a political gesture to the traditional ally of the Democratic Party.

"The bailout was enormously more expensive than it needed to be to keep the companies operating," said James Sherk, a specialist in labor economics at the conservative Heritage Foundation. "That cost is attributable to the additional subsidies given to the union."

Administration officials argued at the time that no other lenders were willing to give GM the financing necessary to save the company. But given the favorable treatment of the UAW in the bailout, Mr. Sherk said, "It's not surprising that the only entity willing to do that was the Obama administration."

On Wednesday, the president said the car industry's resurgence is sparking a comeback in the city, too.

"Folks aren't writing off Detroit anymore," he said. "There's still plenty of work to do, but you can feel the difference. Something special is happening in Detroit."

But outside the convention center where the North American International Auto show was being held, Detroit public school teachers demonstrated as part of a sickout that forced the district to close 88 schools and prevented about 45,000 students from attending classes. It was the largest teachers' work stoppage in a series of recent sickouts to call attention to high class sizes and dilapidated buildings.

Mr. Obama also referred to the water emergency in nearby Flint, where children are showing high lead levels due to contaminated drinking water. The president signed an emergency order last weekend to provide the city with \$5 million in federal aid, and designated a federal “czar” to coordinate the government’s response.

“I know if I was a parent up there, I would be beside myself that my kids’ health could be at risk,” Mr. Obama said. “It is a reminder of why you can’t short-change basic services that we provide to our people.”

Detroit’s auto manufacturers are healthier, despite the city’s chronic problems. The president remembered aloud that UAW President Dennis Williams was one of the first people to support his U.S. Senate campaign in Illinois, when Mr. Williams was a regional union official.

The president said he visited the auto show because, “I want people to remember how far we’ve come.” He noted that the industry laid off 400,000 workers in 2008 during the recession before he took office.

“We had a choice to make,” Mr. Obama said. “There were no private investors who were going to step up and take a chance on you. More than one million Americans would have lost their jobs at the worst possible time. We came up with another option. The industry retooled, it restructured. Everybody sacrificed for the sake and survival of this industry.”

Mr. Obama also joked with auto workers that he was shopping for a new car because next year he’ll need to give up “the Beast,” the armored presidential limo.