



Debate Rages On: Did Uncle Sam's \$50 Billion Bailout of GM Work?

By TOM GANTERT | May 11, 2011

The recent announcement that General Motors plans to add 4,200 jobs in eight states including 2,000 in the Detroit area has resulted in an "I told you so" response from some supporters of the \$50 billion federal bailout of GM. Former Michigan Gov. Jennifer Granholm's twitter feed noted: "And to all of you in the strangle-government crowd, who said the #bailout would never work – I'm #JustSayin."

However, the limited-government crowd has responded, saying such an analysis of the success of the bailout is superficial. Free-market analysts say that jubilation over a first-quarter 2011 profit of \$3.2 billion and the addition of 4,200 jobs ignores that the government meddling in the auto marketplace negatively impacted GM's competitors.

Dan Ikenson, associate director for the Center for Trade Policy Studies at the Cato Institute, said that GM's bailout kept other car companies from gaining market share for having been more efficient with their resources and avoiding the need for bailouts.

"Chevy Cruze sales should be Ford Focus sales," Ikenson said. "GM should have yielded its market share and its best engineers to companies like Ford or Honda who should have been able to pick up those as spoils of competition."

Ikenson said he wasn't surprised by GM's short-term success.

"Even the most ineptly run companies can survive under those conditions," he said.

Shikha Dalmia, senior analyst for the Reason Foundation, said GM got an unfair advantage.

"You are essentially rewarding failure and penalizing success, which is a terrible way to run an economy," Dalmia said.

Had GM been forced to go through a normal bankruptcy, Dalmia said the company would have probably had to get more concessions from its employee unions and would be more competitive than it is today.

Dalmia and Ikenson both said that GM's \$3.2 billion first-quarter profit included the sale of Delphi parts manufacturer and Ally Financial. And Ikenson said he believes GM's profits don't include the cost of rebates, which he said only need to be included in the year-end annual report.

James Hohman, fiscal analyst for the Mackinac Center for Public Policy, said that it is good news that GM is adding jobs.

"I'm happy for the people who are going to be hired," Hohman said. "But the auto industry is a long way from being what it was before the recession."

In the last decade, the automobile industry lost nearly half its jobs, according to the U.S. Bureau of Labor Statistics. There were 707,900 automobile/light trucks and parts jobs in 2008. In December 2008, the U.S. government announced the bailout of GM and Chrysler. By 2010, the number of jobs dropped to 542,600. There were just over 1 million of those jobs in 2000.

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