

Obama uses fuzzy math to blame Bush for GM losses

By [Dave Boyer](#)

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With final losses from the [auto](#) industry bailout near \$15 billion, President Obama is using fuzzy math to claim that taxpayers lost no money on his administration's portion of the rescue program, analysts say.

On the heels of the [Treasury Department](#)'s announcement Monday that it was selling its final [shares](#) of [General Motors Co.](#) acquired during the 2008-09 bailout, Mr. Obama seems more intent on claiming credit and avoiding blame than providing taxpayers with a final accounting of the bailout that also included [Chrysler LLC](#) and [GM](#)'s financing arm, Ally Financial.

"[GM](#) has now repaid every taxpayer dollar my administration committed to its rescue, plus billions invested by the previous administration," Mr. Obama said in a statement after the Treasury announcement.

The [White House](#) didn't respond to questions Tuesday about how the president arrived at his rosy mathematical conclusions. But analysts of the auto bailout said Mr. Obama appeared to be using a "last-in, first-out" method of accounting to justify his argument that all the bailout money committed has been repaid.

As the [White House](#) made the claim, the nation's biggest automaker was turning a page on its troubles by naming [Mary Barra](#), head of [GM](#)'s global product development, to take over as [CEO](#) from [Dan Akerson](#), who has overseen the company's rebound from near oblivion since September 2010.

The rescue for [GM](#) and [Chrysler](#) was begun in late 2008 by President [George W. Bush](#), whose administration agreed to lend about \$13.4 billion immediately to the struggling automakers during the depths of the recession. After Mr. Obama took office a few months later, he committed the rest of the \$80 billion total.

The government lost about \$10.5 billion on the \$49.5 billion in [GM stock](#) it received as part of the bailout, and projections are that the overall loss to taxpayers from the bailout will end up around \$15 billion. Supporters say the rescue of [GM](#) and [Chrysler](#) saved a critical U.S. industry and the many spinoff companies that depend on it, but critics say the deal was bad for taxpayers,

was implemented in an unfair manner, and short-circuited the ability of the private market to handle the U.S. auto industry's woes.

“Obama gets out \$40 billion [from [GM](#)] and he's saying, ‘OK, I'm covered,’” said [Daniel Ikenson](#), director of [trade](#) policy at the libertarian Cato Institute. “All along, we knew the taxpayer wouldn't be made whole when this eventually unwound.”

Mr. Obama is making a “meaningless distinction” in claiming the federal money given to [GM](#) under his watch was recovered, said [James Sherk](#), a labor analyst at the conservative [Heritage Foundation](#).

“The money is fungible,” [Mr. Sherk](#) said. “What [Bush](#) essentially did was to leave enough money for Obama to come in and do what he was going to do.”

Treasury Secretary Jack Lew said the U.S. would have lost more than 1 million jobs, and the economy could have slipped from recession into a depression, without the bailout money. A study released Monday by the [Center for Automotive Research](#) in Ann Arbor, Mich., said the rescue also preserved \$105.3 billion in personal and social insurance tax collections.

“This peacetime intervention in the private sector by the [U.S. government](#) will be viewed as one of the most successful interventions in U.S. economic history,” said Sean McAlinden, the [center](#)'s chief economist.

[Mr. Sherk](#) said taxpayers wouldn't have lost as much money as they did if the [Obama administration](#) hadn't given about \$30 billion in subsidies to unionized auto workers as part of negotiating the terms of the bailouts.

“The United Auto Workers got very abnormal treatment in the bankruptcy from the [Obama administration](#),” [Mr. Sherk](#) said. “At [Chrysler](#), they received even better treatment than the secured creditors. That doesn't happen under any normal bankruptcy involving a unionized [company](#). For the [Obama administration](#) to say they were such responsible stewards of the taxpayers' money, it's highly misleading.”

The [Center for Automotive Research](#) study said about 600,000 retirees in the Midwest would have lost their pensions without the bailout, leading to worse economic conditions and more pressure on government services.

But [Brian Richter](#), an economist at the University of Texas, said such studies miss the key question of whether a company would have performed better ultimately without the government handout. He studied the impact on [Chrysler](#) and said the automaker would have been better off without the federal intervention, primarily because consumers are wary of buying from a company receiving a bailout.

“[Chrysler](#) started selling more cars almost immediately after the [government](#) exited,” [Mr. Richter](#) said. “A lot of it does appear to be consumer sentiment.”

[Mr. Ikenson](#) said the bailout carries a cost beyond lost tax dollars, undermining the free market system and encouraging business executives to take greater risks. He said it makes other taxpayer bailouts more likely.

“We’re still feeling the effects in the economy — the lack of certainty that the [administration](#) is not going to subsidize or intervene on behalf of an industry that it favors, or a particular company that it favors,” [Mr. Ikenson](#) said. “It’s done so on solar [power], it’s done so on wind energy, it’s done so on all sorts of green technologies. Other big players in industry, they know that somebody’s going to be there to backstop them. There’s a bigger lesson here.”