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U.S. sells rest of GM stock

Taxpayers take a $10.5-billion loss on the bailout of the automaker.

By: Jim Puzzanghera and Jerry Hirsch - December 9, 2013, 8:29 p.m.

The federal government closed the books on the taxpayer bailout of General Motors Co., selling the remaining shares in the nation's largest automaker and taking an expected $10.5-billion loss.

The Treasury Department said Monday that it recovered $39 billion from GM in stock gains and interest from the $49.5-billion rescue, which many experts believe helped keep the industry from collapsing during the depths of the Great Recession.

Obama administration officials have said since the 2008-09 bailout that they did not expect to recover all of the money pumped into GM and that the cost of the rescue was not just about the bottom line.

The failures of GM and Chrysler, which also received a multibillion-dollar bailout at the same time, threatened to topple Ford Motor Co. and cause the loss of 1 million jobs, Obama said.

Now, all three automakers are profitable and the industry has added about 372,000 jobs since the bailouts, he said.

"When things looked darkest for our most iconic industry, we bet on what was true: the ingenuity and resilience of the proud, hardworking men and women who make this country strong," Obama said Monday. "Today, that bet has paid off. The American auto industry is back."

GM Chief Executive Dan Akerson said the end of the bailout was another chapter in the company's turnaround.

"We will always be grateful for the second chance extended to us, and we are doing our best to make the most of it," he said.

The Center for Automotive Research, a Michigan nonprofit organization, said taxpayers were net winners in the GM and Chrysler bailouts despite the losses. Chrysler's $12.3-billion rescue left the Treasury with a $1.3-billion loss.

The bailouts and government-led restructurings of the automakers, it said, saved about 2.6 million U.S. jobs in 2009 and $284.4 billion in personal income over 2009 and 2010. The actions also avoided about $105.3 billion in unemployment benefits and other social program payments, as well as the loss of tax revenue from workers who would have lost their jobs.

A shutdown of the two automakers would have spilled into the rest of the auto industry because of the structure of the auto parts supplier base in the U.S. and would have caused catastrophic economic damage, the report said.

"Money well spent," said Sean McAlinden, the center's chief economist.

Other analysts weren't so sure.

"If you only count the things that make you look good and don't count the things that make you look bad, any investment will look good and any investment will be profitable," said Dan Mitchell, senior fellow at the libertarian Cato Institute.

The center's analysis doesn't place a value on the adjustments that the auto industry would have been forced to make in the absence of a bailout.

"Those adjustments, more meaningful concessions in labor costs and work rules, would have put the auto industry on a sounder footing," he said.

GM and Chrysler were near bankruptcy in late 2008 when then-President George W. Bush provided a total of $17.4 billion in emergency loans to the two companies.

After taking office in 2009, Obama expanded the bailouts and tied the additional money to requirements that GM and Chrysler go through government-led bankruptcy restructurings that left taxpayers owning parts of both companies.

In 2011, Treasury closed the books on Chrysler's bailout.

The bailout money for the auto industry came from the Troubled Asset Relief Program, set up mainly to rescue financial institutions.

With the TARP rescues winding down, the program has proved profitable so far. Taxpayers have recovered $432.7 billion to date on bailouts totaling $421.8 billion, Treasury officials said.

Taxpayers at one point held a 60.8% ownership stake in GM. Treasury began selling shares after the restructured company's initial public offering in 2010.

Last month, Treasury reduced its GM stake to 2.2% and said it planned to sell the rest of the stock by year's end. Over the last few weeks, Treasury sold its remaining shares, about 30 million, with the final sale Monday.

GM stock is up nearly 42% this year, and Treasury might have made more money if it had held on to its investment longer.

"The government's desire to end its ownership of GM shares feels a little rushed to me, particularly given the $10-billion loss it incurred by selling now," said Karl Brauer, senior analyst at Kelley Blue Book.

But Obama administration officials have said they wanted to end the bailout as soon as practical, balancing the loss to taxpayers with a desire to rid the government of an ownership stake in a private company.

Brauer said Treasury's final stock sale restores GM's autonomy on executive pay and hiring. And he called the bailout a positive for the company and the economy.

"The bottom line is that a failed GM would have left a lot of collateral damage," he said.

"Instead, GM is profitable, it's making the best products in its 100-plus-year history, and it's growing sales in the U.S. and globally," Brauer said. "In looking at the recent history of government intervention, this one rates pretty well."