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Tuesday, June 2, 2009

What they're saying

Excerpts on General Motors' bankruptcy filing on Monday:

Dan Ikenson, associate director, Center for Trade Policy Studies, Cato Institute: The real question we all should turn to is: What's going to happen to Ford? The government has a 60 percent stake in GM. Who's going to want to own Ford stock -- and therefore, will Ford be able to raise capital -- when the U.S. government has an incentive to tip the balance in GM's favor wherever it can?

There's the specter that the taxpayer is now going to be on the hook for yet another \$30 billion to \$40 billion once Ford's leadership decides, "Hey, this bankruptcy deal really isn't so bad."

Jonathan Cohn, senior editor, the New Republic: Even if the Obama administration's plan works -- even if GM re-emerges from bankruptcy as a leaner, more competitive company -- it will never regain its iconic status. It will be just another company, albeit one whose majority owner is the U.S. government, at least for the time being. It's not the kind of result that inspires great enthusiasm. And perhaps that helps explain why the administration has been collecting critics not only on the right but, lately, on the left as well.

Wall Street Journal editorial board: The Obama administration promises to wield a light ownership hand, but it's only a matter of time before Congress starts to micromanage GM's business judgments. Every decision to close a plant will be second-guessed, much like a military base-closing. And what about buying parts from foreign suppliers? Will those also be banned when (the UAW's Ron) Gettelfinger demands it, even if the costs are lower? GM's managers and directors will have one eye on enhancing shareholder value, but the other on pleasing their political minders in Washington.

Mickey Kaus, Slate blog: If \$50 billion (\$30 billion plus an earlier \$20 billion) really is the limit of the taxpayer subsidy, fine. ... But is the Obama administration really planning to cut off GM's intravenous drip of federal billions ... ? It doesn't look that way, from this quote in the New York Times: "We don't think that after this next \$30 billion, they will need more money," one administration official said. "But the fact is there are things you don't know -- like when the car market will come back, and how much Toyota and Honda and Volkswagen will benefit from the chaos." ... You'd think that skeptics in Congress, perhaps noticing the surprisingly anti-bailout polls, could succeed in nailing the administration down to a firmer date for cutting off the federal subsidy (which might actually have the pro-GM effect of forcing the UAW to face reality).

Los Angeles Times editorial board: Take heart, taxpayers. Your retirement savings may be a

fraction of what they were, you're defaulting on mortgages in ever-growing numbers and more of you are unemployed with each passing day. But look on the bright side. In addition to taking over the country's largest insurance company and its two biggest sources of mortgage financing, not to mention holding a controlling interest in the world's largest bank, you're (acquiring) more than half of what used to be the world's most popular automaker. Good times!


Washington Post editorial board: It doesn't take much imagination to forecast the political pressures that will buffet the government-as-auto-executive. We've seen one effect already in the preferential treatment of the autoworkers' union at the expense of private creditors. ... Influential members of Congress will insist on jobs in their districts; environmentalists will want electric cars; overseas sourcing will be frowned upon. How such decisions affect profits could become secondary. ... When the Bush administration first assessed its unpalatable options, Congress played an active and constructive role. Where are the legislators now? They should at least be pressing the administration to explain why nationalization is the best option.

New York Times editorial board: President Obama owes American taxpayers and voters a candid and detailed explanation of the government's goals and the levers it intends to use to achieve them. He should make clear that the overarching objectives are to create a profitable company that makes cars that people want to buy, and that are more fuel-efficient. In particular, he should be explicit about how the government will handle the conflicts between those goals, the administration's perception of the public interest and the narrower goals of members of Congress.

Robert Reich, former Clinton labor secretary: Having General Motors or Chrysler cut tens of thousands of jobs in order to be eligible for a government bailout reminds me of "saving" Vietnam by bombing it to smithereens. Aren't we giving these companies billions of taxpayer dollars to save jobs? If not, we're just transferring money from taxpayers to GM and Chrysler bondholders and shareholders.

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