Obama backs Chrysler bankruptcy as wise move

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WASHINGTON (AP) — President Barack Obama announced Thursday that Chrysler would head into bankruptcy with the aid of up to another $8 billion in U.S. taxpayer money, a last-resort attempt to quickly restructure the struggling giant. He blasted hedge-fund creditors whom he said held out for a richer deal.

"No one should be confused about what a bankruptcy process means," Obama said. "This is not a sign of weakness but rather one more step on a clearly chartered path to Chrysler's revival."

As part of the deal, Chrysler is signing a partnership with the Italian company Fiat. The government will be an investor in the revamped Chrysler and will help choose its new directors, but the Obama administration does not plan to help manage the company.

Bankruptcy does not mean the No. 3 U.S. automaker will shut down. A Chapter 11 bankruptcy filing would allow a judge to decide how much the company's creditors would get while the company continues to operate. The goal is for the whole process to happen quickly, Obama said, perhaps within a couple months.

The president said that Chrysler has been responsible for helping to build the American middle class, but over the years also had been weakened by "papering over tough problems and avoiding hard choices."

"For too long," Obama said at the White House, "Chrysler moved too slowly to adapt to the future, designing and building cars that were less popular, less reliable and less fuel efficient than foreign competitors."

The Obama administration had long hoped to stave off bankruptcy for Chrysler LLC, but it became clear that a holdout group of creditors wouldn't budge on proposals to reduce Chrysler's $6.9 billion in secured debt. Obama praised all the constituencies that have offered sacrifices and blasted those that did not.

He said a group of investment firms and hedge funds were holding out for the prospect of an unjustified taxpayer bailout.

"I don't stand with them," Obama said at the White House event.

He called Chrysler one of the "most storied automakers" in the annals of the country.

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