

Obama Touts Auto Industry Success Story

Ken Thomas, Associated Press

WASHINGTON (AP) — President Barack Obama wears his decision to rescue General Motors and Chrysler three years ago as a badge of honor, a move to save jobs in an industry that helped create the backbone of the middle class more than a half-century ago.

For Obama, the auto bailout is a case study for his efforts to revive the economy and a potential point of contrast with Republican Mitt Romney, who opposed Obama's decision to pour billions of dollars into the auto companies. If Romney wins the GOP nomination, expect to hear a lot about the car industry.

"The American auto industry was on the verge of collapse. And some politicians were willing to let it just die. We said no," Obama told college students last week in Ann Arbor, Mich. "We believe in the workers of this state."

Obama was expected to visit the Washington Auto Show on Tuesday, giving him another forum to talk about GM and Chrysler, along with the administration's attention to manufacturers and efforts to boost fuel efficiency standards. The White House has taken every opportunity to highlight its efforts to rebuild the auto industry, pointing to GM's reemergence as the world's largest automaker and job growth and profitability in the U.S. auto industry.

The president's campaign views the auto storyline as a potent argument against Romney — who, even though he is the son of a Detroit auto executive, opposed the bailout. As the industry was collapsing in the fall of 2008, the former Massachusetts governor predicted in a New York Times op-ed that if the companies received a federal bailout, "you can kiss the American automotive industry goodbye." Romney said the companies should have undergone a "managed bankruptcy" that would have avoided a government bailout.

"Whether it was by President Bush or by President Obama, it was the wrong way to go," Romney said at a GOP presidential debate in Michigan in November. Romney said the nation has "capital markets and bankruptcy — it works in the U.S. The idea of billions of dollars being wasted initially, then finally they adopted the managed bankruptcy. I was among others that said we ought to do that."

Both the Bush and Obama administrations found themselves in uncharted territory in the fall of 2008 and early 2009. GM and Chrysler were on the verge of collapse when Congress failed to approve emergency loans in late 2008. Bush stepped in and signed off on \$17.4 billion in loans, requiring the companies to develop restructuring plans under Obama's watch.

The following spring, Obama pumped billions more into GM and Chrysler but forced concessions from industry stakeholders, enabling the companies to go through swift

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bankruptcies. Obama aides said billions in aid — about \$85 billion for the industry in total — was necessary because capital markets were essentially frozen at the time, meaning there was no way for GM and Chrysler to fund their bankruptcies privately.

Without any private financing or government support, they argued, the companies would have been forced to liquidate.

Three years later, Obama is trying to turn the tough decision into a political advantage in Ohio and Michigan, which Obama carried in 2008 and where unemployment has fallen of late. During last week's State of the Union address, Obama said the auto industry had hired tens of thousands of workers, and he predicted the Detroit turnaround could take root elsewhere.

Yet Obama's poll numbers in places like Ohio and Michigan remain in dangerous territory, under 50 percent, and the auto industry argument carries some inherent risks.

A Quinnipiac University poll in Ohio released Jan. 18 found Obama locked in a virtual tie with Romney in a hypothetical matchup, with about half the voters disapproving of Obama's performance as president. A poll in Michigan released last week by Lansing-based EPIC-MRA found 48 percent supporting Obama and 40 percent backing Romney in a potential matchup.

Republicans say the bailout still remains unpopular and the government intervention was hardly a cure-all. "The industry was bailed out but a lot of people lost their jobs," said David Doyle, a Michigan-based Republican strategist.

In a nation still soured on bailouts, the government owns more than a quarter of GM. The Treasury Department estimates the government will lose more than \$23 billion on the auto bailout: GM is trading at \$24 a share, well below the \$53-per-share mark needed for the government to recoup its investment in the company.

Romney, facing attacks from Democrats on his work at private equity firm Bain Capital, has tried to use the GM and Chrysler cases to insulate himself against charges his firm gutted companies and fired workers. "How did you do when you were running General Motors as the president?" Romney said in a December debate. "Gee, you closed down factories. You closed down dealerships. And he'll say, well I did that to save the business. Same thing with us, Mr. President."

Obama, Vice President Joe Biden and others say the decision, while unpopular, saved an estimated 1 million jobs throughout the Midwest and say the industry is coming back.

As a result of the restructuring, the companies can make money at far lower U.S. sales volumes than in the past. Industry analysts predict U.S. sales will grow by at least 1 million this year over last year's 12.8 million units as people replace aging cars and trucks. And North American operations at GM, Chrysler and Ford are thriving, boosting their companies' earnings — all signs that Democrats say will make the difference in the Midwest.

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"I don't know how any reasonable person can fail to acknowledge that this rescue plan worked and the country has benefited," said former Ohio Gov. Ted Strickland, a Democrat.

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