

GEORGE BUSH SPENT \$4 BILLION TO KILL CHRYSLER-ON OBAMA'S WATCH

I'm convinced. George Bush just spent \$4 billion (of your money) to kill Chrysler.

In his speech announcing the auto relief, Bush claimed he didn't want to leave the auto crisis to his successor:

... there's too great a risk that bankruptcy now would lead to a disorderly liquidation of American auto companies. My economic advisors believe that such a collapse would deal an unacceptably painful blow to hardworking Americans far beyond the auto industry. It would worsen a weak job market and exacerbate the financial crisis. It could send our suffering economy into a deeper and longer recession. And it would leave the next President to confront the demise of a major American industry in his first days of office.

He implied he had provided enough to GM and Chrysler to give them three full months to stave off bankruptcy.

First, they will give automakers three months to put in place plans to restructure into viable companies – which we believe they are capable of doing.

Yet he also described giving them enough money to enter bankruptcy in orderly fashion.

Second, if restructuring cannot be accomplished outside of bankruptcy, the loans will provide time for companies to

make the legal and financial preparations necessary for an orderly Chapter 11 process that offers a better prospect of long-term success – and gives consumers confidence that they can continue to buy American cars.

But he didn't give Chrysler enough to stave off bankruptcy.

Bush gave Chrysler \$4 billion, all on December 29. Just one payment. Unlike GM, Bush is not giving Chrysler a second and third chunk of money after the new year (GM will get \$4 billion on December 29, \$5.4 billion on January 16, and \$4 billion on February 17).

That already suggests that Bush doesn't imagine Chrysler will be around after the New Year. Furthermore, that \$4 billion is \$3 billion less than Chrysler said it needed to remain viable (and to pay its suppliers).

Now, it's possible that Bush gave those amounts anticipating that GM would eat up Chrysler. After all, Bush actually gave GM **more** than what it asked for. GM had asked for \$4 billion in December, another \$4 billion in January, and \$2 billion in February (with the possibility of coming back for another \$8 billion later next year). So Bush has given GM \$3.4 billion more than it asked for over the next three months—not far off the \$3 billion Chrysler asked for but didn't get. The reports from last Wednesday that GM and Chrysler had restarted merger talks would support this notion: that there's an unspoken understanding that GM will absorb Chrysler, and in exchange, it will get Chrysler's requested funds for the two months after a merger (presumably) would be in process.

But there are a couple of problems with this scenario, aside from the obvious fact that GM absorbing Chrysler—with its 3,300 dealers and 3 brands—is the exact opposite of what it should be doing to stay afloat, which would be to shed dealers and brands. Also, Chrysler's decision on

Thursday—the day after merger talks were reported and the day before Bush announced the loan—that it would idle all its plants for at least a month could either be a sign it sees those merger talks as failing, or simply an effort to idle while a merger goes through.

Then there's the fact that, during earlier merger talks, GM had said it needed \$10 to \$12 billion to absorb Chrysler. Sure, it looks to get \$13.4 over the next three months, but much of that will need to cover worsening market conditions since October, when it was looking for \$10 billion.

And, finally, consider the fact that on the day Bush offered the loan, Cerberus offered the UAW and its creditors its entire stake in Chrysler's manufacturing business. It couldn't well be offering that if it was, at the same time, offering its entire stake to GM, could it?

In other words, Bush gave Chrysler \$4 billion, apparently with no clear vision of how it would turn that \$4 billion into viability. The only thing that is clear is that it is not enough to avoid Chrysler's demise early next year—either through a bankruptcy that most experts agree would quickly turn into a Chapter 7 liquidation, or because it had been forcibly thrust onto GM.

Bush gave Chrysler \$4 billion claiming it'll prevent Chrysler's demise "in [Obama's] first days of office." But the only thing it appears it will do is ensure that its demise happens during Obama's first days in office, rather than right now, on George Bush's watch.

Now, maybe GM will agree to absorb Chrysler, calculating that the effect of a Chrysler bankruptcy on the supply chain will be more damaging than the trouble of having to shed many more dealers and brands than it already must already shed. That's about the only way that Bush's \$4 billion loan will lead to anything but the demise of Chrysler. But it seems highly likely the \$4 billion you and I just paid to Chrysler serves primarily to shift the blame

from Bush to Obama.