OBAMA ANNOUNCES SOCIALISM!

No, not really. Rather, the Obama Administration held a background briefing to explain what will happen as GM enters bankruptcy tomorrow, a big part of which was designed to calm worries that by owning a huge chunk of GM, we will become a socialist country.

The briefing reviewed the terms of the agreement. And, perhaps most interestingly, they announced "principles of government investment"–rules the government will follow when it takes a significant stake in a company. They did note they'd use it with companies in which they already have huge stakes (AIG). But I got the feeling they thought they might be using these principles in the future. So maybe we really will start nationalizing some companies.

The principles of government investment were basically:

- Install the right kind of management
- End the need for government support as quickly as possible
- Protect taxpayer investment
- Do not interfere with day-to-day operations
- No government employees will serve on the board
- Only participate on core board issues, such as selection of board members, major events, and transactions

It's a bunch of pablum designed to calm the fears of those worried about socialism, but it doesn’t really add up to protecting the interests of Americans. For example, when asked whether the government would limit executive compensation, they said only that the company had to comply with all laws (they mentioned the Dodd amendment specifically), and otherwise, that the compensation committee would decide executive compensation.

And when asked whether the government would prevent GM from importing cars from China, they said that GM had made a commitment in its renegotiated labor contract for production in North America (note: North America includes Mexico, of course). The press release says,

> The new GM will also pursue a commitment to build a new small car in an idled UAW factory, which when in place will increase the share of U.S. production for U.S. sale from its current level of about 66% to over 70%.

Committing one factory to a new small car (which may be the Spark they talked about importing from China) does not rule out also producing them somewhere else—like Mexico.

So the takeaway, I think, is that as of tomorrow we will, indeed, own a big chunk of GM (incidentally, Canada will get a 12% stake). But the only way we’ll get to really influence the policy at GM will be to infiltrate the GM board with socialists.

Socialism, the American way.