

BUSH PUNTED ON GM AND CHRYSLER ... BUT NOT CERBERUS

As you've no doubt heard, Cheney confessed yesterday that Bush punted the auto crisis into Obama's lap.

CHENEY: Well, I thought that, eventually, the right outcome was going to be bankruptcy. ... And the president decided that he did not want to be the one who pulled the plug just before he left office.

VAN SUSTEREN: Why?

CHENEY: Well, I think he felt, you know, these are big issues and he wouldn't be there through the process of managing it, but in effect, would have sort of pulled the plug on GM and that was one of the first crises the new administration would have to deal with. So he put together a package that tided GM over until the new administration had a chance to look at it, decide what they wanted to do.

VAN SUSTEREN: But it's cost us billions to get – I mean, you know –

CHENEY: It has. ... And now the government owns a big chunk of General Motors. That bothers me. I don't like having government own those kinds of major financial enterprises. I think it's – it does damage to our long-term economic prospects when we get government involved in making those kinds of decisions.

Now, that was pretty clear at the time. That was sort of the subtext of what Bush said at the time:

... 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.

Bush gave the car companies three months of funding (he claimed), so they would go bankrupt on the 100th day of Obama's Administration, rather than the first.

But that doesn't mean Bush was willing to leave all of this mess for his successor. He made damn sure, you see, that he took care of Cerberus before he left office.

He did so in two ways. First, in Christmas week negotiations that no one followed, Bush allowed Cerberus—and not Chrysler—to negotiate the terms of the December loan to Chrysler. And then Bush gave Chrysler just \$4 billion—much less than Chrysler said it needed to survive those three months (by comparison, Bush gave GM more than they asked for). And even though Cerberus (and not Chrysler) negotiated that loan, Cerberus was barely on the hook to pay any of that money back. Given that Cerberus was trying to dump Chrysler on the UAW and bondholders at the time, the arrangement seems designed to drive Chrysler into liquidation without Cerberus losing much more on the deal.

And while Bush couldn't find time to negotiate some kind of way forward for Chrysler (which Bush seemed determined to kill) or GM (which we know he was determined to keep alive for 90 days so Obama would have to deal with it), he did find time to negotiate bank status of GMAC in

the last days of December last year. Now, Cerberus had to dole out 36% of its ownership stake to its members. And the deal—along with the financing it freed up for GM—did help the company's sales at the end of last year. But Cerberus got to start sucking the federal teat just before its buddies in the Republican party turned over control of that teat to Democrats.

So it's not just that Bush left a crisis for Obama to deal with—that I'm not so bummed about, because Obama's team has proven way more competent to deal with it than Bush's was. But Bush picked and chose which crises he'd address, and just happened to choose to solve Dan Quayle's and John Snow's crisis rather than Main Street's.