

STIMULUS IN ACTION, MI EDITION

The Negative Feelings About The Auto Bailout We Heard In Last Year's Groups Were Erased And Almost Reversed

2010 Focus Groups

- Look at the automobile companies ... I'm not sure why they got it, but they got a bailout and then they gave bonuses to everybody. (IL Male)
- I don't want to see another repeat of the disaster of the government bail out... That was a fiasco. (VA Female)
- I don't trust the government so why are they picking one business over another? Can they help my business? What about me? (CA Female)

2011 Focus Groups

- We are hiring again and we just announced a plant expansion in Lexington, another 250 jobs. You see the auto industry is picking up some. Ford has good sales. (SC GOP Male)
- Hearing the news about GM last night, it affected [me]. A month ago, I probably would have said "no" to taking that money and... throwing it into manufacturing, when we're so far in debt... that was like a glimmer of huge hope to hear that news, that [the] company is rebounding. (OH MFG Female)
- Yes, the government helped. And that's what's so cool, to know the government bailed them out. Everybody was like, "It's not going to work." And it worked. (OH MFG Female)
- GM did come back and Ford is making new cars that don't break down all the time. They've improved their process and designs so they are building better cars. (CA High Tech Female)

I've said a couple of times here that Jennifer Granholm's record

as governor was better than I gave her credit for, particularly economically.

The press is beginning to do some of the same reassessment. They're discovering that, in spite of the Governor Engler tax cuts that made it harder to respond to MI's downturn, Granholm did succeed in laying the groundwork for recovery.

But over the past year, a steady stream of economic statistics and research finds that Granholm is looking better in hindsight.

Here are some of the surprising Granholm highlights:

- *Michigan tied with Minnesota for the nation's largest decline in unemployment from 2009 to 2010. The state also experienced the nation's sixth-largest increase in per-capita personal income in that same year-to-year period.*

- *State taxes as a percentage of personal income in 2011 are \$7 billion lower than they were under John Engler in 2000. The fiscal problems the state faced were magnified by one statistic: Michigan's overall tax revenues peaked during the prosperous year of 2000 and are not expected to return to that level until 2020.*
- *Though the Granholm-backed Michigan Business Tax – the so-called “job-killer” tax – was still fully in place, the state achieved a substantial bounce in manufacturing jobs in 2010, a trend that was projected to continue throughout 2011.*
- *Michigan ranks No. 1 in the nation for job creation improvement in a recent Gallup survey of state job markets, and Gov. Rick Snyder took office with some Granholm momentum that is expected to produce 64,600 jobs in 2011.*

What this article doesn't mention, of course, is that in addition to Granholm's tireless effort to attract jobs and foster some diversity, MI also benefited from the massive government intervention of the auto bailout and received a number of grants that helped make possible factories like the Johnson Controls factory.

Speaking of which, here's what the CEO of JCI, Steve Roell, had to say last Thursday about all the job creation Obama didn't want to talk about.

Through innovation and investment in technology and people, Johnson Controls is a leader in the energy storage industry. We are investing more than \$460 million in our advanced battery business for manufacturing and technical facilities here in Michigan and the U.S. These investments will lead to over 700 new jobs, retention of another 400, and provide approximately 1,000 construction workers.

We are doing that through several major efforts:

- *We recently announced we will be converting our Toledo, Ohio-area plant to produce batteries for Start-Stop vehicles, which have been successful in the European market and will be introduced next year in the U.S. These batteries help reduce fuel consumption and emissions by 5-12% for internal combustion engine vehicles with little added cost to*

the consumer. This investment will retain 400 jobs, and create 50 new positions and 800 construction jobs.

- We recently opened our newly renovated Battery Technology and Testing Center in Milwaukee. It is the largest energy storage R&D center in the country, and we have added 60 new jobs. I'm pleased to say we just learned yesterday that Johnson Controls is receiving additional Department of Energy funding for research for developing green manufacturing processes and the next generation of lithium batteries.
- This facility in Holland will be the first in the U.S. to produce complete lithium-ion battery cells and systems for hybrid and electric vehicles, producing battery systems for U.S. based automakers, such as the Ford Transit Connect. Employment at this facility will be 320

people at full capacity. We have committed to building a second facility in the U.S. Once we identify a location, build the plant and get to full capacity, we expect to add nearly 300 additional jobs.

These projects are great examples of public-private partnerships that use innovation and technology to produce products that reduce fuel consumption and create jobs.

We are very grateful for the outstanding support we have received from the White House, the U.S. Department of Energy, the state of Michigan and the city of Holland for their vision in building an advanced battery industry for vehicles in the U.S. and for the financial incentives they have provided. [my emphasis]

Even perspectives on the auto bailout are improving (as the graphic above, from focus groups associated with this poll, shows).

Yet seemingly at the moment when attitudes about government investment in the economy are changing, the Obama Administration wants to pretend it never happened.

MI is by no means out of the woods yet (Governor Snyder's cuts of both incentives and social benefits risk doing real damage). But it's clear that it had started to turn around in 2009-2010. It's clear that, partly because of government stimulus, what was then the basket-case of the US has started to turn around.

Yet for some reason, the government wants to avoid taking any lesson from this.

APPARENTLY, “FREEDOM” IS THE NEW EUPHEMISM FOR “GOVERNMENT INVESTMENT”

There's something really disturbing about Obama's speech at Johnson Controls today: he barely claimed credit for the government's involvement in it.

Understand, I think the opening of factories like Johnson Controls the single biggest piece of good news in our economy today. It's good news because we're investing in new manufacturing jobs. It's good news because it helps us move away from our dependence on fossil fuels. And it's good news because the technologies will help us do something about climate change. Obama's investment in energy technology jobs may well be the single best thing he has done as President.

So I've been waiting for Obama to come claim credit for the factories in Holland since they were built. Since then, Rick Snyder and Crazy Pete Hoekstra have hailed these new factories, all the while pretending that capitalists did the work all by themselves, with nothing more than a tax cut from the government. I've been waiting for Obama to correct the record and explain how important government investment can be—particularly at a time when no one else is investing.

But it took him 1095 words—over a third of the speech—before he offered the following vague explanation for what made the factory possible.

But what also made this possible are the actions that we took together, as a

nation, through our government -- the fact that we were willing to invest in the research and the technology that holds so much promise for jobs and growth; the fact that we helped create together the conditions where businesses like this can prosper.

No mention of precisely what the government did or how it invested. No mention of how many jobs that investment created (JCI's CEO made some of that case).

And Obama's weak claim of credit came long after Obama's first explanation (coming 210 words in) for what created these jobs,

The reason a plant like this exists is because we are a country of unmatched freedom, where groundbreaking ideas flourish.

And it came in the paragraph after Obama's second explanation for what created these jobs,

So let's think about it -- what made this possible? The most important part is you: your drive, your work ethic, your ingenuity, your management. The grit and optimism that says, "We've got an idea for a new battery technology or a new manufacturing process, and we're going to take that leap and we're going to make an investment. And we're going to hire some folks and we're going to see it through." That's what made it possible.

It seems that Obama would rather push a Milton Friedmannesque notion of capitalism--arguing freedom creates jobs--than take clear, proud credit for the government's role in creating them.

Obama had no problem claiming credit for the government's role in creating jobs when he broke

ground on a different battery factory (the LG Chem one) in Holland a year ago. After first invoking the auto bailout (and admitting it was an unpopular decision), Obama described clearly that the factory relied, in part, on a government grant for funding.

And through small business loans, a focus on research and development and investments in high-tech, fast-growing sectors like clean energy, we've aimed to grow our economy by harnessing the innovative spirit of the American people.

Because we did, shovels will soon be moving earth and trucks will soon be pouring concrete where we are standing. **Because of a grant to this company, a grant that's leveraging more than 150 million private dollars, as many as 300 people will be put to work doing construction and another 300 will eventually be hired to operate this plant when it's fully up and running.**

And this is going to lead to growth at local businesses like parts suppliers and restaurants. It will be a boost to the economy of the entire region. [my emphasis]

And he went on to boast about all the additional benefits of the investment in related jobs and increasing efficiency. That language—the language Obama used last year—is the kind of language we need to hear now that people owe their employment to such government support. It's the kind of language that would not only support his own re-election (his approval levels in MI are barely where they need to be to win the state, particularly if Romney's on the ballot), but it'd also help downticket Dems (Granholm had a big role in this investment), and correct the false claims made by Snyder and others.

Obama's failure to boast loudly about the

government's role in this plant is all the more troubling given the rest of the speech.

The larger speech, after all, was about what we can do now to stimulate the economy.

Now, there are more steps that we can take to help this economy growing faster. There are things we can do right now that will put more money in your pockets; will help businesses sell more products around the world; will put people to work in Michigan and across the country.

He went on to rehearse a bunch of ideas that really won't stimulate the economy all that much: the payroll tax cut, the trade deals, new patent law, and a veteran jobs program. And (second in the list of things we could do), as part of his call for a highway construction bill, he admitted "we're slipping behind because we're not investing."

America used to have the best stuff – best roads, best airports, best seaports. We're slipping behind because we're not investing in it, because of politics and gridlock. Do you want to put people to work right now rebuilding America? You've got to send that message to Congress.

But if it's true (and it is) that America's falling behind because the government is not investing, if Obama's going to try to mobilize voters to pressure Congress to do something about jobs, if what made this factory and these jobs possible was government investment, why not make a broader call for more of it?

The evidence was all there today in the form of the shiny new battery factory and the engineers running around in blue lab coats that government investment can be critically important to creating jobs. But rather than make that argument, Obama pretended that grit and freedom

are all it takes to create jobs

OBAMA ADMINISTRATION FINALLY BRAGS ABOUT JOBS CREATED IN AUTO BAILOUT

✖ The Obama Administration was gung ho to brag about the GM IPO last year. But if I'm not mistaken, this is the first time the White House has bragged nationally about jobs created thanks to the auto bailout (Ron Bloom, who got promoted into an official Assistant to the President role at the beginning of the year, wrote this).

Today brings word of more good news for the American auto industry. GM announced that it would hire 4,200 workers at seventeen of its plants around the country.

President Obama took office amidst the worst recession in a generation and nowhere was this devastation [sic] felt harder than in the American auto industry and the communities it has supported for decades. In the year before GM and Chrysler filed for bankruptcy, the auto industry shed over 400,000 jobs.

Facing this situation head on, the President made a bold and, at the time, politically unpopular choice: Despite calls from critics to simply let these companies – and the entire American auto industry – crumble, he refused to allow these companies to fail. Had the

Administration failed to intervene, conservative estimates suggest that it would have cost at least an additional one million jobs and devastated vast parts of our nation's industrial heartland.

But at the same time, the President did not provide unconditional support. He insisted that the companies and their stakeholders make tough choices and undertake massive restructurings requiring huge sacrifices from all of their stakeholders.

Because of this "tough love," the American auto industry is now positioned to grow and prosper as the economy recovers. Since GM and Chrysler emerged from bankruptcy in June 2009 the auto industry has added 115,000 jobs – the fastest pace of job growth in the auto industry since 1998. Last year, for the first time in 16 years, the Detroit Three actually gained market share compared to their foreign counterparts.

And these companies are not just making cars and trucks – they're making the kind of fuel efficient cars and trucks that will power us to energy independence, protect consumers against rising gas prices, and ensure America wins the future.

Some of the workers GM is hiring and re-hiring in today's announcement will be at work producing larger-than-initially-planned quantities of the widely acclaimed Chevy Volt. And just last month, Ford – which didn't receive government assistance but which supported our aid to GM and Chrysler and has said publicly that it would not have survived if the rest of the American auto industry had been allowed to collapse – reported its best first-quarter profit in more than a decade

thanks in large part to its new fuel-efficient vehicles.

In the wake of an historic recession, there is no doubt that much work remains. And we will not rest until every American who is looking for work can find a job. But today's announcement is another positive sign – including more than 2 million private sector jobs created over the past 14 months – that we're seeing across the country.

The comparative silence about the success of the bailout in the terms that really matter to actual people—jobs—not only confirms Main Street suspicions about the White House viewing the economy solely through the lens of the bankers, but it also leads beltway folks like John Dickerson to wonder out loud whether there is anything a President can do to fix the economy (Dickerson must have skipped those weeks when his American history class covered the New Deal).

The effects of the too-small stimulus, though real, are a lot harder to see. But aside from the decade-long Military Industrial Complex stimulus the DC area has enjoyed, the auto bailout and related energy investments was the biggest concentrated stimulus the Administration championed. And it has had an effect, both in hiring at GM and Chrysler, but also in hiring in MI more generally.

It'd be nice if the Administration not only bragged about that, but replicated it for places like Nevada.

Update: John Dickerson corrects me; this July 2010 briefing (a presser leading up to an Obama trip to visit several plants in the Midwest, bragged about jobs created). Thanks to Dickerson for the correction.

FINALLY! OUR DECLINING MANUFACTURING BASE BECOMES A NATIONAL SECURITY ISSUE

I have long argued that the way to address the big problems our government is currently all-but-ignoring, not least jobs and climate change, is to talk about how our current policies put us at significant national security risk. If nothing else, by demonstrating how these are national security issues, it'll provide a way to reverse fear-monger against the Republicans trying to gut our country for profit.

Which is why I'm happy to learn that the intelligence community is assessing whether the decline in manufacturing in the US represents a national security threat.

The U.S. intelligence community will prepare a National Intelligence Estimate on the implications of the continuing decline in U.S. manufacturing capacity, said Rep. Jan Schakowsky (D-IL) citing recent news reports.

Our growing reliance on imports and lack of industrial infrastructure has become a national security concern," said Rep. Schakowsky. She spoke at a March 16 news conference (at 28:10) in opposition to the pending U.S.-Korea Free Trade Agreement. The Forbes report referenced by Rep. Schakowsky was "Intelligence Community Fears U.S. Manufacturing Decline," by Loren Thompson, February 14. The decision to prepare an intelligence estimate was first reported by Richard McCormack in "Intelligence

Director Will Look at National Security Implications of U.S. Manufacturing Decline," *Manufacturing & Technology News*, February 3.

Note that Schakowsky is a member of (and until January, was a Subcommittee Chair on) the House Intelligence Committee. It's possible her own requests generated this concern.

But the concern is real. As our manufacturing moves to places like China and (significantly for this context), Korea, we've lost certain capabilities. Indeed, when Bush slapped tariffs on steel in 2002, a number of tool and die factories moved to Korea where they could still access cheap steel while still supplying the US market. And in recent years, the loss of highly-skilled manufacturing process capabilities has meant we face challenges in sourcing some of our key military toys.

While it shouldn't be the primary reason to invest in manufacturing in this country, ultimately if we keep losing it we're going to have problems sustaining our military machine.


Most of the folks running DC may not much care that our middle class has disappeared along with our manufacturing base. But convince them that our declining manufacturing base might imperil their cherished military might, and they might finally wake up.

F1 TRASH: CIRCUS STARTS ANEW, 50 YEARS ON FROM THE

YANKEE CHAMPION

Welcome to the start of the 2011 Formula One season. Today we look at the state of the F1 circus at the start of the campaign and take a look back at the memorable 1961 championship season for Phil Hill as well.

GM SQUANDERS WHAT TAX PAYERS GAVE IT

 Let me say at the outset that the GM bailout was far, far better handled than the bankster bailouts. And as a Michigan resident whose family still has ties to the auto business, I am tremendously grateful for that bailout.

That said, this is why I have not declared mission accomplished, in spite of the successful IPO last year.

You see, no one will be able to weigh the success or failure of the GM bailout for another year or so—until such time as the cars developed entirely under the leadership team picked by a bunch of people who knew nothing about the auto industry start rolling off the lines. As I noted last year, the success of the IPO was significantly premised on a number of business decisions made by Rick Wagoner and others fired during the bailout. Wagoner deserves the credit for his emphasis on China (and places like Brazil), which is the biggest source of GM's profit these days and was widely touted as the reason it made a good stock buy. And Bob Lutz deserves the credit for GM's improved product line.

So we won't know whether the bailout succeeded until we see whether the guys now in charge can make decisions that are as smart as those made

by the guys fired in the bailout.

Yet, as MSNBC lays out, thus far, it looks like the finance guys Steven Rattner brought in to run a car company have, predictably, made some really stupid decisions.

[GM CEO Daniel] Akerson recently told the Wall Street Journal that a GM car was just like the can of Diet Coke he was drinking during the interview.

"It's a consumer product," he said. "GM has to start acting like a consumer-driven, not engineering-driven, company. We sell a consumer product – our can just costs \$30,000."

Industry insiders with a memory of the 1990s immediately blasted this view as a return to [GM]'s failed [early 1990s] strategy to commoditize a product for which a strong emotional connection is important to drive sales and to cultivate brand loyalty.

"The only difference between GM then and GM now is that this is a company that has only recently emerged from the abyss of bankruptcy, one that can ill-afford a single misstep brought upon by misguided leadership, even though it has the most competitive lineup (of vehicles) it has had in decades," [auto writer Peter] Delorenzo said.

It's one thing to try to sell sugar water with nothing more than emotional attachment. But so long as there are well-engineered vehicles like Hondas on the road, you can't dismiss the importance of engineering in designing cars.

In addition, Akerson (like Ed Whitacre before him) is trying to cut the time to market for GM's cars.

Now Akerson says speed and cost are the aspects on which he will concentrate, telling the Journal that "during World

War II, GM produced tanks and equipment within four years. Why should it take four years to put a car out?"

There have, historically, been two models for cutting the time to market for cars. There's the model Chrysler used in the late 1990s, which led to the introduction of things like the PT Cruiser that were cute but which weren't really good cars; that's one of the things that led to a serious decline in Chrysler's quality. Then there's Toyota's quality driven approach, which has served as the standard for Ford and GM in recent years as they have accelerated their own development time frame.

But as Toyota's recent troubles show, not even Toyota can make cars in as short a time frame as they do and ensure their quality. What makes Akerson think GM can do what Toyota can't?

I'd say the chance GM sees real quality issues in the next several years because of Akerson's coke-addled approach to running a car company are significant.

What MSNBC doesn't cover—but what Zero Hedge has been tracking closely—is that GM has been dumping cars on its dealers with little apparent concern for how quickly the dealers can sell them (remember that GM makes its money when the cars enter the dealers, not when consumers drive away with one). They posted the graphic above earlier this month, but explained what was going on back in November.

It is obvious that beginning in July, GM has started an aggressive channel stuffing program whereby it offload tens of thousands of cars (over 110,000 since July) on dealer lots, hoping these will get sold somehow, at some price, all the while dealers enjoy taxpayer subsidized floorplan leases which allows them to hold nearly infinite inventory. If and when the liquidation event takes place who cares? After all the company is now

public and has managed to massage its artificial sales numbers sufficiently to fool investors that there is actual end demand for its cars.

In other words, GM has been artificially keeping its sales numbers up; that's what investors look at. But wholesale sales are way, way ahead of consumer demand.

Which is why GM started engaging in the other problem MSNBC lays out: stupid incentive programs that chip away at the already-cheapened consumer perception of the value of GM's cars.

GM has added hefty incentives to its cars since the start of the year, offering big rebates to current owners of GM cars, no-penalty early trade-ins for currently leased GM cars and bigger rebates for users of the GM credit card. The result has been a U.S. market share of more than 21 percent, higher than the company has had in years.

Now that GM has discontinued these incentives, sales have apparently slumped, so expect Zero Hedge to show dealer inventory numbers spiking next month.

The dealer stuff may be the stupid Akerson decision that most irks me. Under cover of government-managed bankruptcy, GM put a lot of auto dealers out of business (they did so more reasonably than Chrysler, but still). GM badly needed to do this, because it had so many dealers in close proximity they necessarily had to compete on price (and couldn't make enough to really invest back in their business).

Closing dealers was one of the things GM needed to do to eliminate a structural cause of its cheap image.

But now they're squandering all that those closures should have given them. They're loading dealers up with too much inventory again, which

already forces them to sell on price rather than product. And then to help the dealers unload that inventory, GM is basically committing retail suicide with incentives.

So basically, Bob Lutz gave GM the products it needed to be able to compete. And now Akerson is shitting all over those products, making sure they won't command the price in the marketplace they would be able to demand.

Ultimately, this is really going to hit GM's profitability, so we will hear in upcoming years (again) how much more profit the Japanese and Koreans get off their cars than GM.

Far too many people have sacrificed to give GM a second shot at life: the taxpayers, the dealers, and the workers. But now some guy whom a bunch of banksters thought would be just the ticket is squandering that shot.

WHY WE NEED AN INDUSTRIAL POLICY

I've long said that, after the big military-industrial-complex states outside of DC (which have, after all, benefited from 10 years of big stimulus), MI is the state that has most benefited from Obama's economic policies. Not only did Obama bail out GM and Chrysler (and therefore many of the contractors that supply them), but he invested money in new auto-related killer apps, like battery technology.

Lo and behold, such measures have worked to improve MI's job-creation. It leads all states in job creation **improvement** last year (though obviously not job creation—the commodity and MIC states top that list).

States showing the most improvement in job market conditions between 2009 and

2010 included the long-depressed manufacturing states of Michigan, Ohio, and Pennsylvania – likely reflecting the significant improvement in U.S. manufacturing last year. Also among the most improved were 5 of the 10 states with the worst job markets in 2009, giving them the most room to improve: Oregon, Delaware, Arizona, Minnesota, along with Michigan. Reflecting the growth of the federal government, the District of Columbia was not only the second-best job market but also the second-most improved job market in 2010.

Compare that to the clusterfuck states that have gotten no such investments. Nevada remains the worst state for job creation (or in its case, loss), and California is not far behind (though Arizona is on the top 10 most improved list).

Mind you, the benefits of the auto bailout will be challenged this year as Midwestern states, struggling to recover, cut government jobs. And I maintain that we won't know whether the bailout "worked" for another 3 years (because of the development cycle in the industry).

But for the moment it looks like just three things have worked to create jobs: the MIC, QE2 and other policies favoring commodities, and actual industrial policy.


"MADE IN AMERICA" IN THE 21ST CENTURY

[youtube]SKL254Y_jtc[/youtube]

In Trash Talk, bmaz wrote about a "lunchpail" Superbowl, pitting two teams named after people who make things against each other: the

Steelworkers versus the Meatpackers. And the game ended appropriately, with a team owned by the people of a small city, having gone to a monstrous stadium as much a tribute to one arrogant man as it is a sports venue, taking home the trophy named after the man who put their city on the map. We can rest easy as Jerry Jones and the other greedy bastards threaten to lock out their players, knowing that the spirit of the game will be in the hands of the people of Green Bay.

All of which was the perfect background for this ad, as much a tribute to a city and a way of life our elites would like us to forget as it is an ad for a car. The visuals are amazing—not just the great monuments of Detroit, but (at :16) the juxtaposition of the disaster porn that our media have lapped up in the last couple of years—“a town that’s been to hell and back”—with the American flag—“the finer things in life.” (It was perhaps a better tribute to our national anthem than the one Christina Aguilera gave.) And, then, with Joe Louis’ fist punctuating the image, followed quickly by Diego Rivera’s tribute to industry, the ad laid out its creed in a working man’s voice.



You see, it’s the hottest fires that make the hardest steel. Add hard work and conviction and the know-how that runs generations deep in every last one of us. That’s who we are. That’s our story.

All culminating in a synthesis of the grit of Eminem and the uplift of gospel.

Yeah, there’s an irony at the heart of the ad: as the tagline “Imported from Detroit” suggests. We’ve been sold to the highest—the only—bidder, for scraps. And it took the genius of a metrosexual Canadian-Italian to reclaim the dignity of America’s industrial base.

Made in America isn’t as simple as it used to be.

Back in the 70s, as our industries were first struggling against the challenges of globalization, the unions had a campaign—Made in America—that appealed to the pride and perhaps parochialism of average Americans as reason enough to buy a product.

As the last few decades have shown, it turns out that Made in America wasn't reason enough.

This ad, I think, tries to reclaim that idea, to appeal to the dignity of the men and women in flyover country so often maligned by “experts” who know little about what they write.

Now, it's probably not the [story] you've been reading in papers, the one being written by folks who've never even been here and don't know what we're capable of.

Who knows if the ad will work? Who knows whether it'll sell cars; who knows whether it'll convince a region barely regaining confidence after a terrible trauma to believe?

But whatever the cynical calculations behind this ad, whatever the value of the Chrysler 200, someone needed to tell this story.

OBAMA GIVES MANUFACTURING A PROMOTION

Since Ron Bloom—IMO, the most effective member of the Auto bailout team—got named the special advisor for manufacturing in September 2009, those of us insisting the country has to reinvest in manufacturing have argued Bloom should get more power to make that happen.

At least in theory, his imminent promotion to

Assistant to the President will finally make that happen.

Bloom was named special adviser for manufacturing at the Treasury Department in September 2009. Since then, he has made occasional speeches about manufacturing. But the change will give him more clout and allow him to dedicate his full efforts to manufacturing.

His new title is assistant to the president for manufacturing policy within the National Economic Council. Bloom declined to comment.

Alliance for American Manufacturing Executive Director Scott Paul's enthusiastic statement on the promotion suggests Bloom will be able to bridge the world of manufacturing and that of the banksters that populate the White House.

The Alliance for American Manufacturing enthusiastically welcomes the announcement today of Ron Bloom being elevated to the position of assistant to the president for manufacturing policy. No one knows the intersection of Wall Street, company board rooms, how things work on the shop floor, and economic policy better than Ron, who demonstrated his skill and know-how in helping to lead the auto industry recovery effort.

Ron's intellect and perspective are much-needed at a time when Congress and the Administration turn their attention to creating good manufacturing jobs in America. We share Ron's interest and ability in bringing labor and business together to solve problems, and we look forward to working with him in his new capacity to strengthen our economy.

Mind you, at a time when the Obama Administration is also pushing the job-killing Korean trade deal, it's not yet clear that

Bloom's promotion represents a real commitment to rebuilding our own manufacturing capacity. But at least it's a step in the right direction.

A TALE OF TWO BAILOUT PAYBACKS

As promised over the weekend before I realized I had forgotten my Toobz, I wanted to compare the behavior of two bailout recipients, the UAW and the banksters.

A number of people have pointed to this intriguing interview about the Korea Trade deal with the UAW's President Bob King. In addition to confirming my math showing that the most the UAW could reasonably expect to get out of his deal is 75,000 additional exports—or 800 extra jobs for the UAW—King also had this to say:

It was important to endorse in order to reward the administration for its good behavior of including labor in negotiations.

While not directly an admission that UAW endorsed this NAFTA-style trade deal in thanks for the US bailout of the auto industry, it does seem to support that overall sentiment. The UAW capitulated further when it endorsed the Obama-McConnell tax deal giving 2 years of relief to the very rich, 1 year to the medium-term unemployed, and nothing to the 99ers whose Unemployment Insurance has expired (many of whom used to work for the auto companies).

Compare that to the behavior of JP Morgan Chase Vice Chairman Jimmy Lee during negotiations under the Chrysler bailout. According to Steven Rattner, Lee,

demanded to know why, if the government

thought banks important enough to give them tens of billions in TARP money, it wanted to squeeze them on [the Chrysler] deal.

Mind you, JPMC **wasn't** getting squeezed. Timmeh Geithner had specifically instructed Rattner not to ask for any special favors because the government had also bailed out JPMC (Timmeh apparently didn't mention the additional support JPMC got from the Fed).

Tim had instructed me not to be taken in [by Lee's complaints] but to maintain strict neutrality. I was not to demand anything of JPMorgan just because it had received an infusion of TARP money; nor was I to show it favor because of Bear Stearns or anything else.

And as Rattner calculates, Lee was asking for full value on their debt even while it was only worth about \$.15 on the dollar.

In our phone calls, he also relentlessly reminded me that creditors deserve to be paid. "When you lend somebody \$6.9 billion," he would say, "you expect to get \$6.9 billion back. And not a penny less." I listened knowing that Jimmy's position was patently ridiculous. Chrysler debt was trading at around 15 cents on the dollar (admittedly, infrequently), and according to Chrysler's own analysis, the liquidation value of the company was perhaps as low as \$1 billion. Clearly, Jimmy didn't believe that the Obama administration would be willing to push back and let the banks take over Chrysler rather than cave in to their demands.

So unlike the UAW—which endorsed the kind of trade deal it has spent the last decade railing against—JP Morgan Chase responded to getting bailed out by asking for more special deals.

Now, JP Morgan Chase did join the UAW in hailing the KORUS trade deal. Here's what Jamie Dimon had to say:

We applaud President Obama and [Korean] President Lee [Myung-bak] for their leadership in moving forward with the Korea-US Free Trade Agreement. Their commitment will provide the needed momentum to ensure swift approval and implementation of the agreement by both governments. Implementation of this agreement with Korea will provide great opportunities for U.S. workers, businesses and farmers to increase exports and provide expanded services in this key market. We strongly support passage of this agreement... Today's announcement is an important step in achieving the goal of doubling exports in five years, as well as helping to fuel the overall economic recovery.

And also like UAW, JP Morgan Chase offered some help to Obama's tax deal, in the form of revised awfully optimistic growth forecasts for next year:

Against the backdrop of positive momentum in recent US economic data, this policy shift has convinced us to raise our 2011 growth forecast, from 3.0% (4Q/4Q) to 3.5%. This upward revision is focused in 1H GDP growth, which now is expected to average 3.75% saar, versus 2.5% before.

Optimistic growth forecasts aside, there is a substantive difference between JPMC's support of KORUS and that of the UAW. Whereas the UAW got a pyrrhic victory in the 800 potential jobs it may get in exchange for further outsourcing of manufacturing (notably, the eventual opening of the truck market to Korean companies), the financial services industry got everything they wanted. Here's how the White House describes the

bonanza JPMC and the other banksters will get:

The financial services chapter in the U.S.-Korea agreement provides significantly improved market access into Korea for American financial services firms – supplementing and modifying the agreement’s rules on investment and services to allow American companies to provide financial services in the Korean market. At the same time, the agreement preserves the right of U.S. financial regulators to take action to ensure the integrity and stability of financial markets or address a financial crisis. Under the agreement, Korea also commits to treat U.S. financial institutions comparably to their competitors in the Korean market.

Public Citizen’s Trade Watch explained last year what that means: basically, KORUS protects precisely the kind of deregulation that got us into the financial crisis.

The FTA text was signed in 2007 before the financial crisis, and includes the extreme deregulation requirements of past Bush FTAs. Bush’s Korea FTA includes rules that countries cannot limit the size of financial institutions, impose “firewalls” between the sort of financial services one firm may offer to limit the spread of risk, ban toxic derivatives, or control destabilizing capital flights and floods. Both the U.S. and Korea have implemented important new financial stability and reregulation measures that could conflict with these rules, and thus be subject to challenge under the FTA. And, the regulations now being written to implement Congress’ major financial reregulation bill could be subject to direct attack by Korean corporations operating in the United

States unless the FTA is fixed.

In many ways, the Korea FTA's financial services provisions are more deregulatory than those of any previous FTA. According to fact sheets on the pact published by the Bush administration, "The Financial Services Chapter of the United States-South Korea Free Trade Agreement ... is a groundbreaking achievement, providing more extensive provisions related to financial services than ever before included in a U.S. FTA."

Of course JPMC would come out in support of continued impunity!

KORUS as a whole will contribute to the increasing financialization of our economy at the expense of our manufacturing base. Yet oddly, by leveraging payback for its various bailouts differently, the Administration has elicited cries of support from both the finance and the manufacturing industry.

Or maybe it's just that unlike the UAW, the bankers have found a way to roll Obama over and over.