

DAN QUAYLE AND CERBERUS HOLDING AMERICAN ECONOMY HOSTAGE



(Graphic by twolf)

Chris Dodd has signaled that he will let Dan Quayle's Cerberus hold GM—and the American economy—hostage to get out of its crappy gambling bets.

Senate Banking Committee Chairman Chris Dodd said General Motors Corp. Chief Executive Richard Wagoner should be replaced as a condition of federal aid and Chrysler LLC may have to merge to survive.

[snip]

“Chrysler, is, I think, basically gone, probably ought to be merged,” Dodd said. Ford Motor Co. is the healthiest domestic automaker, he said.

Chris Dodd is right: Chrysler undoubtedly has to merge to survive. That's partly because it does not have the global reach of GM and Ford. Because GM and Ford have significant sales in China and India and other quickly growing markets (which have been netting much higher profits), they can offset lower profits or even losses here in the States. But Chrysler doesn't have that, so it can't become profitable—across all its operations—as quickly as GM or Ford can.

Chrysler also doesn't have the product development pipeline its domestic competitors do. Ford has had increasing success of late offering either new US models on Mazda or Volvo chassis (like the Fusion, which competes well in

quality and safety with the Accord and Camry), or bringing successful European models to the US (Focus in the past, and Fiesta and Mondeo in the near future). GM has the new Malibu (which is also gaining market share in the sedan segment), with the Cruze and Volt in the works (as well as any Opel models it decides to bring to the US, though the threats to shut down Saturn don't bode well on that front). Chrysler's got nothing equivalent.

But understand: GM acquiring Chrysler—which is the most discussed option—offers little benefit to GM. Sure, the merged company would get to sell either the Renaissance Center in downtown Detroit or Chrysler's fairly new digs up north; you could find efficiencies in headquarter structure (if you were a healthy company to begin with). But everyone agrees that two of GM's most urgent problems are that it has too many brands and too many dealerships. And you want to fix that by making it take on 3,300 more dealers and three more brands? This is Congress' idea of a really smart restructuring?

Making a Chrysler bailout contingent on GM's acquisition of it is two things. First, a refusal to do the most logical thing with it, nationalization. With nationalization, Cerberus loses everything—as it should—but the country will have veto power over which company acquires Chrysler in the future (making sure, for example, that China's Dongfeng doesn't acquire it so it can have easy access to the American market).

But far more important, making a Chrysler bailout contingent on GM's acquisition basically bails a bunch of muckety-muck Republicans and pseudo-Republicans out of their stupid business decisions.

As this article makes clear, Cerberus is a private investment firm loaded to the gills with Washington retreats:

But Cerberus is also pursuing its interests aggressively in Washington,

where some lawmakers have questioned why the government should assist the privately owned Chrysler. In addition to [former Treasury Secretary John] Snow, the firm's chairman, Cerberus's Washington hands include Dan Quayle, the former vice president, and Billy J. Cooper, who has worked as partner at the lobbying firm Patton Boggs.

The firm has also hired Arnold I. Havens, a former general counsel of the Treasury Department; John B. Breaux, a former senator from Louisiana; David Hobbs, former assistant to President Bush for legislative affairs; and Christopher A. Smith, former chief of staff in the Treasury.

Cerberus' MO is to buy companies cheaply, chop them up, re-package them, and sell them for a profit. Which is precisely what they intended to do when they acquired Chrysler last year for \$7.4 billion (and more than half of GMAC in 2006). But, after a year-long hunt for someone to buy Chrysler and a further \$2 billion investment, Cerberus is stuck with a company in a troubled sector hemorrhaging money. So they have been lobbying to have someone bail them out of their crappy investment.

Which is where the Republicans in Congress comes in. We know that Bob Bennett (who has received \$17,000 of Cerberus love of late) is getting lobbied to get Cerberus bailed out of its bad investment; and, surprise surprise, Bennett proposed exactly that at Thursday's hearing. We also know that someone—probably Snow or Quayle or someone like that—not only chatted up Bob Corker the other day, but induced him to publicly announce that Cerberus isn't going to help bail its own company, Chrysler, out (this was right before Corker slammed GM's stock by falsely stating its DOE application had been rejected). And though Richard Shelby doesn't want any kind of bailout, it's worth noting the \$37,500 invested in him of late, as well as

similarly large chunks to John Kyl and Orrin Hatch. (Cerberus also gives big to MI's legislators, both Democratic and Republican.)

In other words, some of these Republicans who are so adamant that the Big Two and a Half shouldn't be bailed out also happen to be the same guys pushing to bail out their buddies at Cerberus.

So when you hear that an auto bailout may "require" a Chrysler merger, what you're hearing is Chris Dodd saying that certain Republicans are holding the auto industry—and with it the American economy—hostage so their well-connected buddies can get bailed out of their crappy investments.