Old Country Lawyer, late-October 2008

What's Good for the USA Is Good for General Motors.

General Motors is coming back to the taxpayers for another handout, after Congress provided an unclear amount of funding to the three nominally American automakers in September which was overlooked by most folks because overshadowed by the $700 Billion allocated to financial institutions.

Since the first allocation to a financial institution was to PNC Financial Services of Pittsburgh, which used the money to buy National City Bank so as to eliminate 2,000 reasonably-well-paying administrative jobs (and about fifty lavishly paying jobs) at National City Tower in Cleveland, some guidelines to direct the use of the taxpayer money should be considered.

The taxpayers should get the preferred stock that they apparently did get in the PNC deal, so that when PNC ultimately does go bankrupt the taxpayers will be ahead of the common shareholders in the distribution of any assets remaining after the creditors are paid. In addition to the preferred stock, for any taxpayer money that goes out to a stockholder-owned for-profit business, the taxpayers should get an irrevocable proxy to vote the common shares owned by all the senior management and directors of the corporation. In this fashion, the taxpayers will have seats on the board of directors, just like Warren Buffet gets when he buys into a corporation, so the taxpayers will be able to control company policy as to spending, mergers, and executive compensation. A letter of understanding as to those issues is worth the recycle value of the paper it is printed on. Irrevocable proxies, for the entire time that the corporation has use of the taxpayers' money, will control the activities of the corporation.

With respect to General Motors and whichever other auto manufacturers come to the taxpayers for funding, it is likely that such funding, however characterized in the news release, is a "gift" with no likelihood of the taxpayers recovering any value. If it is styled a "loan", it probably will not be paid back short of a bankruptcy court. If it is styled "preferred stock", see the above paragraph. For Ohioans, for our taxpayer money give us something we can understand: give us COUPONS.

If GM comes to the taxpayers for another $25 Billion dollars, which is what rumor has that is being requested, for the purpose of paying buyouts to employees whose jobs will disappear when GM acquires Chrysler, the taxpayers should reply that we do not want your worthless stock and we do not want your worthless "promise to repay". We want coupons.

If my arithmetic is correct, $25 Billion dollars divides into two and one-half million $10,000.00 bills. If the taxpayers provide money to GM, GM should pay 20% interest up front, in the following manner: For $25 Billion in taxpayer cash, GM issues to the United States, two and one-half million certificates, each good for $12,000.00 toward the purchase of a new vehicle.  This incorporates the 20% cost of the funds that GM pays to the taxpayers.  The United States then issues one of these certificates to each person who is honorably discharged or retired from the armed forces of the United States, or to the surviving spouse or next of kin as appropriate.  The certificates may be used by the former service member or immediate next of kin toward the purchase of a new GM vehicle with "made in USA" specifications.  This increased demand for American-made vehicles is more likely to retain jobs in the USA, rather than paying buyouts for jobs that are terminated.

Happy Hallowe'en.

- Christopher J. Mallin, Old Country Lawyer