

**Monday, May 4th, 2009**

Survey: Last week this missive had 4 survey questions. About 1,000 of you responded to those questions, and I promised I would show you the results, so here they are. By the way, I agree with the majority of you, except on the BCS question where I think it should always be USC. :)

We will do more of these in the future.

**Waterboarding:**

- a) Waterboarding is justified under circumstances such as these because of the consequences. 77.58%
- b) Waterboarding is never justified regardless of the consequences and the act itself has its own societal consequences. 17.28%
- c) Undecided. 5.14%

**California Borrowing:**

- a) That's crazy. Don't do it. Let them work out their own problems. 61.16%
- b) We have to do this because too many government services depend on solvent state and local governments. 5.24%
- c) How about a middle ground. We guarantee state debt only (not municipal) for a large fee so that states won't do it unless they have no other option. 33.60%

**Earmarking:**

- a) I support both the ethics investigation and a ban on campaign contributions from earmark recipients. 63.85%
- b) I support a complete ban on earmarks. 33.53%
- c) I take the position of most members of Congress and would oppose both the investigation and the ban. 2.62%

**BCS Solution:**

- a) Investigate the BCS, control their salaries, cap their bonuses, and send them to Guantanamo

Bay since it's going to be vacant soon. 15.23%

b) Go back to the bowl system and make the BCS illegal. 29.60%

c) Mandate the Mountain West Conference proposal to have 5 BCS regular bowl games with the winners of 4 of those games going to a 2 round playoff. 22.56%

d) Save the carbon footprint of all of those bowl games by just eliminating them and let President Obama declare a national champion. 10.34%

e) Just make the national championship game between USC and whoever appears to be second best and leave it at that (except Notre Dame can never qualify) 22.27%

Chrysler: Given my 25 years in the car dealership business, of which most of you are aware, I can't let this week go by without commenting on last week's Chapter 11 bankruptcy filing by Chrysler Corporation. What the Obama Administration is doing with the American car industry saddens me. No, it actually angers me. In fact, I am fired up big time. It has become abundantly clear that the only objective of the Obama task force is to put control of GM and Chrysler in the hands of the UAW union and wipe out anyone who had invested any capital in either of these companies. What's more, he is using taxpayer money to subsidize the union's takeover of these companies. Here are some of my observations on what it going on:

- Under the Obama plan; the government, UAW, and government-controlled banks will own 95% of GM. They will own 80% of Chrysler. The existing stockholders get 1% of GM and 0% of Chrysler. The bondholders (who are not government controlled banks) get 4% of GM and 0% of Chrysler. The remaining 20% of Chrysler will be owned by Fiat (more on that later).

- So, in the Chrysler plan, the bondholders (who by the way are completely secured by assets) get to keep about 20 cents on the dollar and have no upside since they get no stock. The union, however, whose liabilities are not secured, gets about 80 cents on the dollar and all the upside since they would have a controlling interest (55%) in the company all by themselves. Is that really "shared sacrifice?" But yet in a press conference last week, the President scolded the "investment firms and hedge funds" for not accepting his proposal on how much of a haircut they should take and praised the UAW for their "painful sacrifice." Like much of what the President says, it is the opposite of the truth. I think the "investment firms and hedge funds" (many of which are actually mutual funds) did the right thing. They are secured creditors and should do much better in bankruptcy than this deal. I also applaud them for standing up to this President, who is consistent in demonizing anyone who does not gleefully worship his every move. Notice that all of the bondholders who are controlled by the government (Citibank) or have taken TARP funds (JP Morgan, Morgan Stanley, Goldman, etc.) all supported the President's plan undoubtedly because they didn't have a choice since the government is on both sides of the table. But the "non-TARP" banks (that's what they are calling themselves) all opposed the deal.

- Now, I know you are saying to yourself, didn't he support the TARP? Yes, I did, because our financial system was on the verge of absolute collapse and drastic action was needed, but now, we are beyond that. The government was never supposed to be anything more than a lender or passive investor with no voting rights.

- In the GM plan, the bondholders are not secured. But still, the UAW gets 39% of the stock in GM and the bondholders get 10% even though the bondholders actually are owed billions of dollars MORE than the UAW is owed. Note that this is not the employees owning the company.

It is the union. There is a huge difference.

- Chrysler will get about another \$8 billion from taxpayers to get them through bankruptcy. This is basically a subsidy to preserve the union's majority interest.

- You see what is going on here. Labor takes very little loss and gets controlling ownership (with the government) in the companies going forward so they can, in theory, get all their money back and more. Capital gets almost completely wiped out. In the age old balance between capital and labor which Adam Smith and others have analyzed for centuries, the Obama administration has declared labor the winner and capital out. Of course the fact is, both are necessary. So where does the administration get the capital to support labor? From the government. From taxpayers. From you and I.

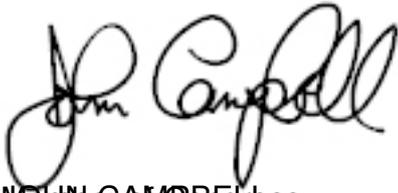
- In the end this will fail. Unions do not run companies well because they have an inherent conflict of interest with the company's objectives. This exact strategy was tried in the 1970s in Britain with the then failing British Leland under the most socialist of recent British Prime ministers, Harold Wilson. It didn't work and British Leland failed and was liquidated. Many of British Leland's brands were picked up by foreign makers in liquidation and live on today (Jaguar, Mini Cooper, Range Rover, MG) in new ownership. If I had to make a prediction, that is where I think this may all end up in the US.

- A merger was announced in bankruptcy between Fiat and Chrysler. I do not understand how this merger helps. Fiat is putting in no cash. Their own debt is junk-bond status in Europe so they have no ability to borrow money either. They have some nice cars, but they maybe have a sales potential of 150,000 units in the US in a good market. Chrysler is a million car a year company. 'Re-badging' foreign cars under domestic brands has been tried, and tried, and tried in this country and failed every time. No cash, no capital, and some potential incremental sales but only those come with incremental cost. I just can't understand why or how Fiat will save Chrysler.

- And then there's Ford. All of this may sound good for the one remaining independently owned major American auto company. But I have a concern on how all of this may affect Ford too. The UAW has always done "pattern bargaining" in the auto industry. They reach a contract agreement with one of the big auto companies and then make the other auto companies follow that "pattern." So, think about the future now. The UAW will be negotiating the GM and Chrysler contracts with itself. Then it will go to Ford and say take this contract that we agreed to pay ourselves, subsidized with taxpayer money. If Ford says no, the union then goes on strike and that leaves the union-owned companies, the only ones selling in the market.

This has never worked. This will not work. This should not work. This is pure socialism, undisguised. These companies will die a slow death this way. We would be better off having them sell or liquidate their parts off now so that some new innovative and fresh ownership can take great brands and good platforms and rebuild them without the liabilities of past mistakes. This is not an attempt to save these companies, but rather this is an outright attempt to nationalize them.

Until next week, I remain respectfully,

A handwritten signature in black ink that reads "Jim Campbell". The signature is fluid and cursive, with the first name "Jim" and last name "Campbell" clearly legible.

Member of Congress