

POTOMAC WATCH

[U.S. Edition Home](#) [Today's Paper](#) [People In The News](#) [Video](#) [Blogs](#) [Journal Community](#)

[Subscribe](#) [Log In](#)

[World](#) [U.S.](#) [New York](#) [Business](#) [Markets](#) [Tech](#) [Personal Finance](#) [Life & Culture](#) **Opinion** [Careers](#) [Real Estate](#) [Small Business](#)

[Leisure & Arts](#) [Book Reviews](#) [Letters to the Editor](#) [Political Diary](#) [Columns](#)

POTOMAC WATCH | May 24, 2012, 7:24 p.m. ET

Vulture Capitalism? Try Obama's Version

A profit-driven economy is preferable to one run by political favoritism.

By KIMBERLEY A. STRASSEL

LIKE THIS COLUMNIST



Article

Comments

MORE IN OPINION »



Save

Tweet 127



President Obama is no fan of Mitt Romney-style "vulture" capitalism. So what's his alternative?

All those Republicans grouching about the president's attacks on private equity might instead be seizing on this beautiful point of contrast. Mr. Obama, after all, is no mere mortal president. Even as he's been busy with the day job, he's found time to moonlight as CEO-in-Chief of half the nation's industry. Detroit, the energy sector, health care—he's all over these guys like a cheap spreadsheet.

Like Mr. Romney, Mr. Obama has presided over bankruptcies, layoffs, lost pensions, run-ups in debt. Yet unlike Mr. Romney, Mr. Obama's C-suite required billions in taxpayer dollars and subsidies, as well as mandates, regulations, union payoffs and moral hazard. Don't like "vulture" capitalism? Check out the form the president's had on offer these past three years: "crony" capitalism.

The case study is the solar-panel maker Solyndra, which was part of a green-energy sector that even by 2009 was flailing. The president took one look at the industry's utter lack of both profits and sellable products, and yelled "that's my baby!" The stimulus bill shipped tens of billions of dollars to the Energy Department to pour into green companies via grants and loans. It promised five million jobs.

The Energy Department's nuclear physicists were admittedly a bit flummoxed by the whole P&L thing, but they got their venture-capitalism groove on and in 2009 handed Solyndra a \$535 million loan guarantee. Even prior to disbursement, government accountants were warning that Solyndra was a lemon, but the White House didn't worry. After all, the IRS had only recently and conveniently tripled the tax credit (to 30%) for buyers of Solyndra products, which the government figured would help grease their start-up's skids.



Enlarge Image

Bloomberg

Items for auction at Solyndra headquarters in Fremont, Calif.

Unfortunately, the physicist-CFOs overlooked that whole "global energy market" factor—easy mistake! Foreign competitors were already piling into Solyndra's niche. Unable to compete, the firm went bankrupt last year. And, oh, the carnage! It was kind of like . . . GST Steel! Only worse. Solyndra laid off 1,100 employees. It provided no severance, not even back pay due for vacation credits. But a bankruptcy judge would later approve \$370,000 in bonuses for 20 employees.

Recent Columns

[Vulture Capitalism? Try Obama's Version](#)

[Strassel: Vampire Capitalism? Please](#)

[Strassel: Trolling for Dirt on the President's List](#)

About Kimberley Strassel

Kimberley Strassel, a member of the Journal editorial board, writes Potomac Watch every Friday. Ms. Strassel joined the Journal in 1994 and has worked as a reporter in Europe and as an editor and editorial writer in New York.

More in Opinion

[Noonan: Mitt Romney's Moment](#)

[Tom Manion: Why They Serve—'If Not Me Then Who?'](#)

[Michael W. McConnell: The Liberal Legal Meltdown Over ObamaCare](#)

[Deus ex Eurobonds](#)

[Our Man in Pakistan](#)

Most Popular

[Read](#) [Emailed](#) [Video](#) [Commented](#)

- [Facebook Shows There's a Sucker Born Every Minute](#)
- [Rove: Romney's Roads to the White House](#)
- [SpaceX Craft Rehearses Docking Moves](#)
- [Some Big Firms Got Facebook Warning](#)
- [Europe Girds for Greece Exit](#)

Latest Headlines

[Berry Growers' Hopes Sour](#)

[Suspect Arrested in Patz Case](#)

[Obama Taps New Top Nuclear Regulator](#)

[Auction of Reagan Blood Vial Canceled](#)

[Senate Approves Broader FDA Fees](#)

Mr. Obama railed against the high-dollar Silicon Valley investors who lined up in front of government to "suck" the remaining "life" out of the bankrupt firm, even as employees were left to . . . Oh, wait. He said no such thing. He was probably too busy doing damage control on his other government-subsidized energy bankruptcies, from Beacon to Ener1. Or running down the latest report of a government-funded, instantaneously combusting electric car. (Karma, anyone? Now at the low, low price of \$103,000. Fire extinguisher included.)

Speaking of cars, Detroit is the business venture Mr. Obama's team has been most flogging as a success. True, General Motors and Chrysler are still turning their lights on, though they'd have arguably been doing the same had they been left to go through normal, orderly bankruptcies like those that helped the steel and airline industries restructure to become more competitive.

To get to the same place, Mr. Obama's crony capitalism handed \$82 billion in taxpayer dollars to the two firms. That bailout money went to make sure the unions that helped drive GM to bankruptcy (and helped elect Mr. Obama) did not have to give up pay or pension benefits for current workers. They were instead rewarded with a share of the new firm. The UAW at GM meanwhile used the government-run bankruptcy to bar some 2,500 nonunion workers who had been laid off from transferring to other plants. How truly vulture-like.

Contract law was shredded, as unions were given preference over other creditors, such as pension funds for retired teachers and police officers. Congressmen used political sway to keep open their weak auto dealerships, forcing layoffs at stronger ones (vulture . . . vulture . . . vulture). Political masters obliged the industry to pour resources into unpopular green cars. The political masters were obliged to offer \$10,000 tax credits to convince Americans to buy them. (They still won't.) And the message to every big industry? Go ahead, run your business into the ground. The Capitalist-in-Chief has your back (especially if you are unionized).

So, take your pick. Mr. Obama's knock on free enterprise is that it is driven by "profit," and that this experience makes Mr. Romney too heartless to be president. The alternative is an Obama capitalism that is driven by political favoritism, government subsidies, mandates, and billions in taxpayer underwriting—and that really is a path to bankruptcies and layoffs. If the president wants to put all 3,545 green stimulus jobs he's created up against Bain's record, he should feel free.

Mr. Romney could make the comparison himself. Ronald Reagan ran against Jimmy Carter's own industrial policy, and to great success. Viewed in isolation, "vulture" capitalism has some PR downsides. Viewed against the alternative, it's a flat-out winner.

Write to kim@wsj.com

[JOIN THE DISCUSSION](#)

**MORE IN
Opinion »**

Email

Print

Order Reprints

Editors' Picks

Diller, TV Networks Headed for Showdown

Major TV networks' efforts to shut down the Aereo video-streaming service will be tested in federal court next week. The service has financial backing from Barry Diller, who made his name rebelling against conventional practice in television.

Video: A Do-or-Die Moment



Japanese Buyers Line Up for U.S. Shale Gas



Facebook Releases Instagram Clone



A New Zealand Vineyard



Some Stock Investors Get Defensive

[BACK TO TOP](#)**Customer Center:**

[My Account](#)
[My Subscriptions](#)

Create an Account:

[Register for Limited Access](#)
[Subscribe to WSJ.com](#)
[Sign up for WSJ Professional](#)
[Subscribe to WSJ Weekend - Print Edition](#)

Help & Information Center:

[Help](#)
[Customer Service](#)
[Contact Us](#)
[Global Support](#)
[Print Subscriber Services](#)

About:

[Content Partnerships](#)
[Reprints](#)
[Advertising](#)
[Place a Classified Ad](#)
[Classifieds](#)
[Advertise Locally](#)
[Conferences](#)
[About Dow Jones](#)
[Privacy Policy - UPDATED 10/18/2011](#)
[Your Ad Choices](#)
[Subscriber Agreement & Terms of Use - Updated](#)
[Copyright Policy](#)
[Jobs at WSJ.com](#)

WSJ.com:

[Site Map](#)
[Home](#)
[World](#)
[U.S.](#)
[New York](#)
[Business](#)
[Markets](#)
[Market Data](#)
[Tech](#)
[Personal Finance](#)
[Life & Culture](#)
[Opinion](#)
[Autos](#)
[Careers](#)
[Real Estate](#)
[Small Business](#)
[Student Journal](#)
[Corrections](#)
[SafeHouse - Send Us Information](#)

Tools & Formats:

[Today's Paper](#)
[Video Center](#)
[Graphics](#)
[Columns](#)
[Blogs](#)
[Topics](#)
[Guides](#)
[Alerts](#)
[Newsletters](#)
[Mobile](#)
[WSJ Social](#)
[Tablet Edition](#)
[Podcasts](#)
[RSS Feeds](#)
[Journal Community](#)
[WSJ on Twitter](#)
[WSJ on Facebook](#)
[WSJ on Foursquare](#)
[My Journal](#)
[Portfolio](#)
[WSJ Digital Downloads](#)

Digital Network

[WSJ.com](#)
[Marketwatch.com](#)
[Barrons.com](#)
[SmartMoney.com](#)
[AllThingsD.com](#)
[FINS: Finance, IT jobs, Sales jobs](#)
[BigCharts.com](#)
[Virtual Stock Exchange](#)
[WSJ Radio](#)
[Professor Journal](#)
[WSJ U.S. Edition](#)
[WSJ Asia Edition](#)
[WSJ Europe Edition](#)
[WSJ India Page](#)
Foreign Language Editions:
[WSJ Chinese](#)
[WSJ Japanese](#)
[WSJ Portuguese](#)
[WSJ Spanish](#)
[WSJ Deutschland](#)