



Gauntlet facing our 'auto state'

Obama rejects GM, Chrysler restructuring; bankruptcies 'probable' as Hoosiers brace

By **BRIAN A. HOWEY**

INDIANAPOLIS - Throughout the carnage that we've come to know as General Motors and Chrysler this past week came one little paragraph in Monday's edition of the New York Times.

It reported that the move GM Chairman and CEO Rick Wagoner "regretted most was GM's decision to kill the EV-1, an electric car it leased to customers in the late 1990s." That decision inspired the movie documentary "Who Killed the Electric Car?" which Howey Politics covered in 2007. It was a story of corporate hubris, the Bush-Cheney Oil presidency at its most obstinate state.

In February 2007, HPI observed: "Now, watch 'Who Killed the Electric Car?' the documentary about the



zero emission EV1 that everyone from GM to the White House caved on and tell me if you think this generation of political leaders has served America well, or whether we'll be condemned to repeat the blunders of the past."

Since then, we've witnessed gasoline price shocks which induced a credit crisis, a near collapse of Wall Street followed by a hemorrhaging auto sector that has brought 20 percent of the Hoosier economy into severe duress.

President Obama fired Wagoner Sunday and on Monday tried to avoid the mistakes of the past. He said he forced out Wagoner - who watched company's stock decline 90 percent and market

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Bayh cautious on Obama budget vote

By **MARK SCHOEFF JR.**

WASHINGTON - A few weeks ago, Sen. Evan Bayh set himself apart from most other Senate Democrats by voting against a \$410 billion appropriations bill that would fund government operations for the rest of the year.



Washington needed to tighten its belt at a time when American families were doing the same to weather the recession, Bayh asserted. Around the same time, he announced the formation of a group of moderate Senate Democrats who would try to shape policy by making deficit



"I'm not saying the governor would throw a wrench in anything. I'm just saying we're trying to keep everyone calm and focused."

- **SENATE PRESIDENT DAVID LONG**, on prospects for resolution of the *Unemployment Trust Fund bill*



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Sen. Bayh with candidate Obama during a campaign stop in Northwest Indiana during the height of the veepstakes when Bayh hoped to be part of the incoming administration. (HPI Photo by Ryan Nees)

reduction a top priority.

As another crucial budget vote approaches, the Moderate Dems Working Group won't be acting as a bloc, according to Bayh. This week, the Senate is considering a budget resolution that would serve as the blueprint for President Obama's priorities.

"Everyone's voting as they see fit," Bayh said in an HPI interview on Tuesday. Bayh said he is undecided on the budget, which is in the midst of 50 hours of debate on the Senate floor. A final vote should come later this week.

Progressive left-wing groups are urging Bayh to support the Obama budget. He also is taking heat from a potential 2010 Republican opponent, Dan Dumezich, who doubts Bayh's ability to stand up to Obama on spending.

Obama originally submitted a \$3.6 trillion budget that provided a framework for major reforms in health care, education and energy. It would produce a \$1.7 trillion deficit in 2009, which represents 12.3 percent of the economy. The deficit was projected to fall to \$533 billion, or 3 percent of the economy, by 2013.

Obama argues that his budget would transform the U.S. economy to avoid a setback like it is currently enduring. Republicans have criticized the plan for spending too much and pushing the deficit too high.

Last week, the Congressional Budget Office estimated that Obama's budget would produce a \$9.3 trillion deficit over 10 years, rather than the \$7 trillion the White House projected. Senate Budget Committee Chairman Kent Conrad crafted a \$3.53 trillion budget plan that trims some of Obama's spending while, according to Conrad, preserves Obama's policy initiatives and reduces the deficit by two thirds, to less than 3 percent of the economy, in five years.

Bayh will see how the budget debate unfolds this week before making his decision.

"The question is whether it goes far enough to get the deficit down," Bayh said. "Can we do better than the budget now before the Senate? I won't be able to answer that until we see how it's amended."

It could be a tough vote for Bayh. He has spent the first few



months of the new Congress emphasizing fiscal rectitude.

But the budget is essentially the launching pad for all that Obama wants to accomplish. Obama has said that it embodies "core Democratic principles."

Bayh calls Obama's approach to budgeting an improvement over President Bush's. "It's better than what we've seen in the last eight years," Bayh said. "This budget is more honest in the numbers."

Still, Bayh's willingness to oppose the omnibus spending package made him the target of groups on the left, like MoveOn.org and the Campaign for America's Future, who worry that Bayh will oppose Obama's budget.

On the right, Dumezich asserts that Bayh has been ineffective in cutting spending. The former state representative from Lake County anticipates that Bayh won't have much impact on the Obama budget. He cites the fact that only three Democrats voted against the omnibus appropriations bill.

"Did (the moderate Senate group) stop the bill? Did it change the bill? What did he accomplish? I think it's merely posturing," Dumezich said in an HPI interview on Tuesday.

Dumezich, a tax attorney, said that Bayh's focus on fiscal conservatism is timed to appeal to Hoosier voters now that Bayh is in an election cycle.

"What I'm seeing really doesn't lead me to believe it's anything other than election year shenanigans," said Dumezich, a former Schererville judge who will decide in the next two months whether to take on Bayh.

Bayh countered that the moderate Democrats were a factor, along with the CBO report, in encouraging Conrad to develop a Senate budget with a smaller deficit than Obama's original plan.

"The group has already had an impact," Bayh said.

If he runs, Dumezich will try to convince Hoosiers that Bayh and the Democrats aren't capable of resisting Obama on the budget.

"If you want to control spending, it's going to have to be a Republican in Evan Bayh's seat," Dumezich said.

Bayh said that he has not talked to Obama about the budget. Although Bayh disagreed with Obama on the omnibus appropriations bill, he has stood with him on several other votes, such as expanding a children's health insurance program and making it easier for workers to sue for pay discrimination.



Sen. Bayh with Obama during a July forum at Purdue University. (HPI Photo by Ryan Nees)

He also supported the \$787 billion stimulus bill. "At that moment, we had to act aggressively to get the economy done," Bayh said.

Bayh may have room to oppose the Obama budget because it is likely to pass with or without his vote. But his high-profile position on fiscal conservatism poses a risk for Bayh, according to

Dumezich.

"If it doesn't end up changing this spending in a material way, then he has failed," Dumezich said. ❖

Visclosky in the crosshairs

If there's an Indiana congressman getting some attention these days, it isn't necessarily Sen. Evan Bayh or even Obama loyal opposition in the form of U.S. Rep. Mike Pence.

National news media are beginning to concentrate on U.S. Rep. Pete Visclosky and the growing PMA scandal that some Washington reporters are describing as the next Jack Abramoff. The story centers of lobbyist Paul Magliocchetti, a protégé of the powerful Rep. John P. Murtha, who built his lobbying firm into one of the 10 biggest in Washington. The New York Times reported this week that former PMA staffers say prosecutors are concentrating on Magliocchetti's use of straw campaign contributors.

Visclosky received \$369,750 from PMA in 2007-08. During the 2008 election cycle, when Visclosky had only token Republican opposition, he raised \$1.757 million and disbursed \$1.61 million.

The Washington Post reported that one PMA lobbyist, Richard Kaelin, was a former chief of staff to Visclosky and a former Visclosky assistant on the House Appropriations Committee. ❖





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share decline from 33.2 percent in 1994 to 18.8 percent last month - so the company could achieve a new "vision."

"I am absolutely confident GM can rise again" with fundamental restructuring, Obama said, adding that his Treasury auto team will "work with GM to produce a new business plan" that will "clean up balance sheets" and allow the auto maker to "not only survive, but to succeed." He added that the "U.S. has no interest in running GM, no intention."

The silence from Indiana's ruling structure from Congress to the Statehouse for much of the following 24 hours was eerie. After President Obama rejected General Motors' and Chrysler's restructuring plans and thrown the two embattled companies 60- and 30-day lifelines, the Indiana congressional delegation was largely mute.

On Tuesday, U.S. Sen. Evan Bayh emphasized a GM collapse "could have a devastating impact on Indiana."

But Bayh also stressed that the auto industry can't

"The good news is that yesterday's report demonstrates that the Administration still believes that Chrysler can be viable," Donnelly said. "These next 30 days will be essential for Chrysler to make its case, and I'll continue to be a tireless advocate for the industry and the workers of Kokomo."

Informed and reliable sources tell HPI that several leading Democrats are resigned to the fact that Chrysler is probably doomed and GM's bankruptcy is almost a foregone conclusion.

On Tuesday, new GM CEO Fritz Henderson was acknowledging that GM's bankruptcy was "more probable." He added, "We will either do it out of court or we will do it in court but we will get the job done in terms of recreating and reinventing General Motors as a competitive enterprise, one that wins in the marketplace."

Republicans react negatively

U.S. Rep. Dan Burton took to the House floor Monday night and decried "socialism." U.S. Rep. Mark Souder told the Fort Wayne Journal Gazette's Sylvia Smith that the Obama plan was "unbelievably bad news for Fort Wayne" because Obama wants to downsize GM and direct the industry to switch to smaller vehicles. Souder said. "That means fewer pickups, fewer SUVs, fewer station wagons - things we build in America, particularly things we build in Indiana. Not only is it our GM pickup plant, but our parts people. They don't make parts for smaller cars. Those are mostly made overseas or in non-union states where people don't get health care, don't get pensions and get less pay." Had President Obama done nothing, the outcome most likely would have been worse: outright bankruptcy.

On Tuesday, Gov. Mitch Daniels observed, "I said three months ago that I was skeptical but hopeful and here three months later the taxpayers are out \$17 billion. I can't tell we're any closer to an answer."

Daniels told HPI last week he has purposefully tried to give President Obama space to govern. He reiterated that on Tuesday. "I'm not being critical," he said. "The government isn't good at running car companies. Now they are firing CEOs and boards and now we're going to tell them what

kind of cars to make. It doesn't feel like we're headed for a better outcome than if they had simply gone to a court that had the ability to make the real changes that the political process has so far flinched from making. But I continue to hope. Certainly we need those companies on their feet or some important remnant of them. So we'll just hope that progress that hasn't happened so far will happen and we won't see a continuing tossing of good money after bad."

It was striking response in a state that is so heavily



President Obama with his Auto and Treasury team during Monday's announcement at the White House on Chrysler and GM. (White House Photo)

keep returning to the federal well. "This can't be perpetually a taxpayer bailout," he told HPI. On saving auto industry without burdening taxpayers: "They're somewhat in conflict but not irreconcilable."

On the auto industry: "They've got to have a plan that will work," Bayh said, adding that it will be important to keep pressure on bond holders to "make sacrifices necessary for a sustainable plan."

U.S. Rep. Joe Donnelly looked for the positive.



dependent on the auto industry; a state that pioneered the American car. It is a state where its higher paying salaried and assembly line jobs have kept Indiana's dismal personal income numbers from being even further in the tank (17th nationally in 1965 down to 39th in 2007). The Detroit Free Press reported last year that Indiana has 111,665 auto industry jobs with an annual payroll of \$5,225,028,840. That includes 12,622 in assembly (11 percent); 66,538 in parts (60 percent); 5,014 in auto wholesale (4 percent); 4,865 in parts wholesale (4 percent); and dealerships 22,626 (20 percent). Indiana ranks fifth in total employees following Michigan with 241,883, California with 189,749, Ohio with 159,061, and Texas with 137,191.

Epic staredown

What occurred in the White House foyer on Monday was part of an epic staredown between President Obama, GM bondholders and the UAW. "They're going to have to squeeze money out of both sides," said Pat Kiely, president of the Indiana Manufacturers Association. "The gun was pointed at labor, management and bondholders. Management got shot first" when Obama demanded and received the resignation of Wagoner.

Bondholders didn't believe that Obama would politically risk bankruptcy, a poison word to Wall Street and the American consumer. But on Tuesday, Obama did just that, suggesting potential bankruptcy for GM. He said it could "quickly clear away old debts dragging them down" and added, "What I am not talking about is a company broken up and sold off and no longer exists. Nor will the company be stuck in court for years unable to get out." That comes despite the fact that Delphi Corporation has been stuck in bankruptcy since 2005.

The Fort Wayne Journal Gazette's lead paragraph on Tuesday read: The Obama administration's maneuvers Sunday and Monday mean that General Motors Corp. probably will declare bankruptcy in two months, an industry analyst said Monday.

So that epic game of chicken will play out over the next two months.

New York Times columnist David Brooks sees a president imperiled. "Corporate welfare rarely works when the government invests in rising firms," Brooks wrote. "The odds are really grim when it tries to subsidize fading ones. (In the '80s, Chrysler already had the successful K-car in the pipeline.) The most likely outcome, sad to say, is some semiserious restructuring plan, with or without court involvement, to be followed by long-term government intervention and backdoor subsidies forever. That will amount to the world's most expensive jobs program. It will preserve the overcapacity in the market, create zombie companies and thus hurt Ford. It will raise the protectionist threat as politicians seek to protect the car companies they now run."

Brooks concluded: "It would have been better to keep a distance from GM and prepare the region for a structured bankruptcy process. Instead, Obama leaped in. His intentions were good, but getting out with honor will

require a ruthless tenacity that is beyond any living politician."

Sine die

The original March 31 deadline for GM and Chrysler to restructure played into the Indiana General Assembly's April 29 sine die timeline, which is already facing at least a \$1.4 billion budget shortfall. Massive GM, Chrysler and auto supplier layoffs would only fuel a further revenue decline. The two different 30- and 60-day extensions mean that most of the resolution will happen after sine

die.

Kiely said that an outright collapse of the two auto makers could push the state's jobless rate 5 percent higher than the current 9.4 percent, which has begun to flatten out. "If that would happen, it would make it worse than 1982," Kiely said. "That's not going to happen, but I don't expect us to get back to where we were. Both companies are going to have smaller footprints."

How bad will it get?

The potential contraction in Indiana is a matter of interpretation. The Fort Wayne Journal Gazette cited Sean McAlinden, executive vice president for research and chief economist at the Center for Automotive Research in Ann Arbor, Mich., who suggested that the GM plant in





Fort Wayne might expand its assembly line in the coming weeks. The Indianapolis Star seemed to back up Rep. Souder. It reported that the Fort Wayne GM plant along with the three Chrysler transmission assembly plants in Kokomo are all "vulnerable."

The mood in Kokomo over Chrysler's future was somber. It has more than 5,000 workers at three plants there. Kokomo Mayor Greg Goodnight put on a brave face, telling the Kokomo Tribune, "I think the fact they gave them 30 more days was good — if they didn't think this could happen, it would have been an obvious 'no.' I think that's the way we should look at it."

But making the rounds around City Hall was the Chrysler viability statement released by the White House on Monday and the analysis was dismal. On scale, it noted that "Chrysler cannot afford to dedicate enough R&D to each product platform to maintain competitiveness." On quality, its scores "lag competitors." On Product mix:

"Chrysler does not have a product pipeline to cover the smaller car segments which are projected to grow in share." On manufacturing: "Chrysler has not invested significantly in common architectures and flexible plant manufacturing capacity which will be critical to long-term profitability." Quality ratings: Chrysler has low quality scores across all its brands. Every one of Chrysler's brands is in the bottom quartile based on JD Power APPEAL scores. Chrysler has lost 5 percent of its market share height of 16.2 percent in 1998. On financing, in the first quarter of 2008, 34 percent of Chrysler's buyers "were subprime or near subprime."

Shortly after Obama spoke, Chrysler Chairman Robert Nardelli announced a merger was at hand with Fiat. But MSNBC's Joe Scarborough asked on his Monday show, "Do you know anybody who drives a Fiat?"

"It's going to be the equivalent of kicking a 70-yard field goal," Michael Robinet, vice president of CSM Worldwide, said of Chrysler's prospects (Fort Wayne Journal Gazette). "Chrysler will have a difficult time surviving by themselves. They could potentially survive with Fiat," said analyst Rebecca Lindland of market researcher HIS Global Insight in Lexington, Mass. (Indianapolis Star). Detroit Free Press columnist Mark Phelan also had doubts about a Fiat rescue, saying the deal "answers many questions about Chrysler's long-term prospects, but does nothing to address its immediate woes."

Kiely said the "broader question is, what's it all mean when it's finished? We don't know." He said that Indiana is "getting hit radically on the transportation side." The higher pay Detroit 3 assembly line and supplier jobs are being replaced with lower paying warehousing, logistics and call centers. It comes as manufacturing processes continue what he called "dramatic improvements" in productivity

with product lines now involving 35 to 40 percent fewer employees than a decade ago.

"It's not NAFTA, it's ingenuity," Kiely said. "The sheer factor is that what America is going to learn is we're not going to have high wages if we're America.com. The thing about manufacturing is that nothing else out there brings in those kinds of jobs and wages."

Talking to auto workers

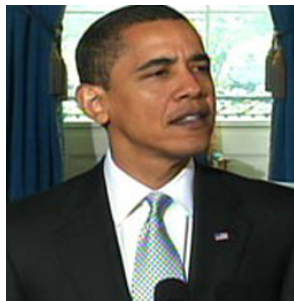
Obama talked directly to the auto worker and average Joe Hoosier on Monday. "The U.S. government will stand behind your warranty," Obama said, addressing one aspect of bankruptcy many feared. Obama added that he would look at other programs such as sales and excise tax breaks for anyone buying a GM or Chrysler car or truck this year. Another option would be tax incentives for a person trading in an inefficient vehicle for a new fuel economizing model.

Obama addressed auto workers in Michigan, Ohio and Indiana directly. He said, "Many of you have been going through tough times. I won't pretend those tough times are over. What I can promise you is I will fight for you." The president reminded them that he began his career as a community activist in Chicago during the last major economic downturn in the early 1980s helping "working families in the shadows of shuttered steel plants" in Illinois and Indiana. He likened the auto industry downturn to a tornado or hurricane that has hit a community. He vowed to help "cut through the red tape and make sure our full resources are available."

In a press briefing later Monday, senior White House officials told Midwestern reporters, "What we tried to do today is lay out in a very clear way what we thought the necessary path forward was for these two companies. The President is very passionate that it be an industry of the future, profitable, and without government funds."

The White House officials pledged to support "auto communities" and said that Ed Montgomery, a noted Michigan State University labor economist, had been appointed to steer "substantial" resources to cities like Kokomo and Elkhart. The senior officials added that the "challenges and tough times affecting those areas have been going on for a significant amount of time. There is a recognition of that and that it's not going to get better overnight, next week or even in the next year. There is a firm commitment within this administration to work with workers and communities affected by the auto industry; to help support them and bring jobs."

Regardless of your political party, ideology, or work status, the one thing that just about everyone will agree with is that Indiana faces a long road back if it wants to remain an "auto state." ❖





A couple of critical Thursdays at Statehouse; CIB on frontburner

By **BRIAN A. HOWEY**

INDIANAPOLIS - The next two Thursdays will go a long way toward shaping the final outcome of the Indiana General Assembly when it comes to the Capital Improvement Board bailout, the biennial budget, and perhaps even local government reform.



Senate Appropriations Chairman Luke Kenley has scheduled a briefing on a CIB solution at 5 p.m. today.

This Thursday, the Senate Appropriations Committee will hear HB1604, originally a hodgepodge of Allen and Vanderburgh county wants. Informed and reliable Senate sources tell HPI that it will

be the vehicle for a CIB bailout that will not only benefit Indianapolis, "but every community in the state." It is being driven by Senate President Pro Tempore David Long and Sen. Kenley. The source said that everyone - the Pacers, Colts, CIB, Indianapolis - "all have to have skin in the game." The source said that dealing with the Pacers has been much more "cordial" than dealing with the Colts.

What is unlikely is a downtown casino for Indianapolis. The source called that the "least likely option" and said that Indianapolis Mayor Greg Ballard and the City-County Council will be called upon to play a major role. "Everyone is being asked to share the pain," the source said. "And we're almost out of time. It has to happen this week" due to the biennial budget unveiling next week.

Over the weekend, House Speaker B. Patrick Bauer's called for an expansion of the Capital Improvement Board to include regional representation. "We begin with wondering if that is a structure which should be in charge of that whole operation," Bauer told the Indianapolis Star. "Maybe there should be a regional structure. Other counties are participating, giving their tax to this thing. So I think that might have to be wholly redone, especially (given) their unbalanced treatment of the very entities that are involved."

The Senate source said that a regional CIB is not currently in the mix of amendments, but added that Bauer's suggestion is credible and deserves to be taken seriously.

Pat Kiely, the president of the Indiana Manufacturers Association who handled the CIB transition for Mayor Ballard, noted that all contiguous counties outside of Indianapolis (except Morgan) contribute to Lucas Oil Stadium. "We've already gone outside of Marion County," Kiely said. "If this is going to be a regional CIB, some outside representation wouldn't hurt. The CIB has been the backyard playground for every administration."

Kiely added that a solution to plug the \$20 million funding gap will require sacrifice across the board. "You're going to have to get a lot of people to give," Kiely said. "One thing that hasn't been on the board, there's a lot of union contracts over there. If anyone ever looked at them, they are pretty good contracts."

The danger facing the CIB bailout is an intense and growing sentiment among out-state legislators of the perception of giving more to Indianapolis.

The Kenley biennial

On Thursday April 9, Senate Appropriations Chairman Luke Kenley will unveil his new biennial budget and a vote is probable that day. Essentially, the budget becomes the state's economic stimulus package. The state is facing a \$1.4 billion spending gap, sources tell HPI.

What will be fascinating about this second Thursday is how Kenley and the Daniels administration juggles the influx of federal stimulus dollars to supplant state dollars. Therein lies an avenue for a 1 to 2 percent increase for public education increase as well as the ability to plug the funding gap without draconian cuts from state operations that even Democrats say are lean.

The third significant issue is the unemployment trust fund where the Senate provided the framework to fill a \$2.5 billion shortfall that would raise \$328 million through higher employer taxes while saving \$544 million by trimming worker benefits while ending "fraud, waste and abuse." The Daniels administration is determined not to remedy this fund bankruptcy on the backs of employers. But segments of organized labor - like the Northwest Building Trades Council - are angry. "They're trying to balance it on the backs of working-class people," said Randy Palmateer, business manager of the Northwest Indiana Building and Construction Trades Council (Times of Northwest Indiana). "This is the most anti-worker bill I've ever seen."

Dave Fagen, who backed Gov. Daniels' re-



Senate Appropriations Chairman Luke Kenley will unveil the new biennial budget on April 9 and a vote will quickly follow. (HPI Photo by Brian A. Howey)



election, told the Times HB1379 "singles out the construction industry" where many members work on a seasonable basis. He called it a "bad economic model."

Senate President Long told the Fort Wayne Journal Gazette over the weekend that all four legislative caucuses "have to come together and find a way to get to yes."

Long said that Daniels has been active "behind the scenes." The president added, "He's ready and willing to speak about it, and at our request we've tried to make sure that the rhetoric is as calm as possible. I'm not saying the governor would throw a wrench in anything. I'm just saying we're trying to keep everyone calm and focused."

Government reform feint

An event that could have happened this Thursday was the revival of SB452 - which contains the five government reform bills on elections, libraries, townships, schools and counties - was reposted and was to be heard upon adjournment Thursday in the House. Sources tell HPI the bill was refiled by the crafty House Government Regulatory Reforms Chairman John Bartlett as the sponsor, while State Rep. Dan Stevenson, an ardent proponent of eliminating townships, as a co-sponsor. This prompted a great deal of excitement over the revival of a bill Bartlett thought he had killed a month ago.

But late Tuesday afternoon, Bartlett got up before the House and said, "We're not going to rehear it." That lead to all sorts of people wondering what happened. Speculation centered on whether Bartlett was seeking to flush out Republican no votes to join State Rep. Tim Neese, who was the only Republican to vote against the bill.

Sources tell HPI that State Rep. Ed DeLaney had struck a deal to have the Marion County fire consolidations heard in SB269, but with that, essentially, Speaker Bauer was only going to allow DeLaney to have a dog and pony show before the caucus killed that bill, sources have told Howey Politics. ❖

Crawford head Kennedy-King fundraiser

INDIANAPOLIS - House Ways and Means Chairman Bill Crawford and other community leaders will launch a \$3M fundraising campaign this Saturday to build an educational kiosk and amphitheater at Dr. Martin Luther King, Jr. Park (1702 North Broadway Street) in Indianapolis. The kiosk will feature individuals and events that have furthered the mission of world peace.

Initial plans include an eternal flame and a video system to view King's Mountaintop speech and the historic speech given by Sen. Robert Kennedy on April 4, 1968 in Indianapolis on the evening King was assassinated. Sen. Kennedy's six-minute, unrehearsed speech of peace and non-violence is credited as a major factor in Indianapolis avoiding the rioting that took place in 76 cities across the country. A number of events are taking place in and around the park beginning Thursday to commemorate the 41st anniversary of King's assassination and promote peace, diversity and community building.

Events include: Town Hall Meeting "Building Strong Neighborhoods through Valuing the Racial, Economic and Cultural Diversity within the Community" on 4/2/09 at 6:00 p.m. hosted by Citizens Neighborhood Coalition at IPS School #27, 545 E 19th Street; Interfaith Prayer Service for Peace on 4/3/09 at 11:30 a.m. at King/Kennedy Peace Memorial at MLK Park (Rain location IPS #27); Resource fair, entertainment and cookout on 4/4/09 from 3:00 p.m. - 5:00 p.m. hosted by Kroger at 16th and Park Streets; Free screenings of Ripple of Hope documentary from 3:00 p.m. - 6:00 p.m. at Indy Parks Building at MLK Park; Memorial Service and ceremonial groundbreaking to kick-off capital campaign for future King-Kennedy Educational Kiosk at 5:00 p.m. at the King/Kennedy Peace Memorial (Rain location IPS #27).

For More Information, contact: Peter Okefor, Indiana Ways and Means Committee, pokeafor@iga.state.in.us, (317) 232-9874. ❖

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Commuting and the redistribution of wealth

By **MORTON J. MARCUS**

INDIANAPOLIS - My excitement must have been evident to everyone on the street. I was being pulled in a rickshaw though the Indianapolis streets Mayor Ballard had designated as the local Chinatown. There



Morton Marcus
Column

was a bicyclist providing the muscle power. He was about my age, an older fellow who needed the job, probably to supplement his diminished pension.

This particular job, as I understood matters, had been arranged for him by his medical insurance company

in one of those public-private partnerships that are so popular. The company said that the exercise would do him good and that meeting people would lift his spirits. This would lower his insurance rates.

If not, the exercise would kill him and help keep insurance rates low for everyone else. It's what they call a win-win situation in health care. One way or another, the insurance company benefits and passes the gains onto others. Or so I'm told.

However, the rickshaw ride was not the source of my delight that day. I was reading the spreadsheet I made from my latest downloading of data from the U.S. Bureau of Economic Analysis. It was making my skin tingle with delight. I decided to share my glee with the bicyclist.

"Did you know," I said, "that Marion County gets only 20 cents back for every dollar that flows out with commuters? In total, this county sent out \$13.3 billion in 2006 and got back just \$2.6 billion. That's a net outflow of \$10.7 billion."

I expected a gasp of astonishment, but my words must have overwhelmed him.

"**Yes,**" I continued, "only two other counties have a worse return from our open county borders: Howard (Kokomo) and Martin (Crane). But don't think much of it because all three are bunched so closely together you can say they're tied.

"At the other end of the spectrum is Sweet Ol' Brown County where they see \$12.45 flow in from commuting (not tourism) for every dollar flowing out. Furthermore,

there's Washington (Salem), Morgan (Martinsville) and Parke (Rockville) also up there with high ratios of inflows to outflows of earnings (what people make by working for themselves or someone else).

"Now you might think that I'd call them parasite counties because they seem to be sucking the blood out of some nearby urban area, but I'm not doing that. It would be impolite. After all, some places have nothing to offer other than residential services in exchange for jobs. And

there's nothing wrong with specializing in housing people and giving them and their families a quality of life they may not be able to get in the urban setting."

My listener did not seem to be listening. Yet I had to believe that he was as enchanted as I by the data. Thus, I proceeded to whet his appetite.

"Indeed," I intoned, "fully 40 of our 92 counties derived more than half of their earnings from commuters bringing back their compensation from somewhere else. By contrast only four counties (Martin, Gibson, Ripley and Ohio) had more than half of the earnings generated within their borders leaking out to other places."

I watched closely, but he just kept pedaling in a rhythmic fashion. Not to let the matter go, I said, "You know

I have the data for each of our 92 counties right here. I could tell you about any one or several that might interest you."

He pedaled on, ignoring my offer. Exasperated, I waited until we were stopped at a traffic light and hopped down from the rickshaw. Seeing me on the ground, he said, "Four dollars."

As I paid him, I saw the sign, "Deaf driver - please do not distract with attempts at conversation." I knew he wasn't indifferent to those data.

Who could be? ❖

Mr. Marcus is an independent economist, speaker, and writer formerly with IU's Kelley School of Business.



Indianapolis Mayor Greg Ballard went to China, but didn't bring back a Chinatown for his city. (HPI Photo)



Holy Studebaker, has it come down to this?

By **DAVE KITCHELL**

LOGANSPORT - Would it damage our national psyche if General Motors or Chrysler filed for bankruptcy?

Would it hurt our national image if either or both went out of business? What industry replaces the jobs if both do go the way of the Edsel?

How far is down for the automotive parts suppliers and the skilled workforces that built cities like Kokomo?



Those thoughts keep competing for attention in my conscience as this ongoing saga that is our American auto industry – at least, what's left of it – unfolds.

Give credit to Ford, where the assembly line that made the company iconic keeps on rolling without the aid of federal bailout money or federal insis-

tence that the company mend its evil ways.

Ultimatums given both GM and Chrysler were viewed as tough medicine on Wall Street Monday. That elixir of motor oil and moxie Barack Obama served up is the dose of reality the industry needs. But will the cure be enough?

There's a part of me that says GM and Chrysler are just too big to fail. In this age of branding, both brand names are so well known it would be foolish to walk away from either corporation. Yet thousands of employees have, and so have customers.

There's a part of me that harkens back to 1975 when Melvin Butler, a retired Rockwell vice president and stock investor, asked me what I thought of buying Chrysler stock at \$9 a share after it fell from \$34. I was 17 then and told him the company had a future and it would be back.

As it turned out, I was right then and my gut tells me Chrysler still has a future, even if it's in bankruptcy court without federal assistance, or with a merger partner named Fiat.

But there's also a part of me that asks, "Is Chrysler the 21st century version of PennCentral and are we trying to save something that really shouldn't be?"

It's easy to pile on Chrysler, and I say that with a disclaimer. My family spent more time riding and driving in Chryslers when I grew up than any other vehicle brand. Chrysler supported families in Kokomo a half hour from my house, and consequently supported many families in my community. My father sold food to the Chrysler executive dining room. He drove Dodges, Chrysler Newport and a St. Regis. He was a Chrysler man to the core.

Times have changed. Chrysler, the pentagonal icon that sponsored comedian Bob Hope's specials for years, has become a loser in the trade wars. While trade agreements allowed many U.S. corporations to thrive, Chrysler's market share has plummeted, though buoyed by Jeep and its minivan line.

My deepest fear is that if Mercedes Benz can't save Chrysler with its German engineering and generations of capital and reputation, then how can Fiat?

The road map for Chrysler in 30 days has to include a passion for this Italian firm that is more like Chrysler in Europe than Toyota, GM, Rolls Royce or Jaguar. And speaking of Jaguar, so many American-European auto marriages fail. Ford and Land Rover and Jaguar have gone their separate ways.

Indiana has been down this automaker shut-down road before. Just over 50 years ago, Studebaker Corporation had enough employees with families to fill Notre Dame Stadium in South Bend. Today, all that's left is a museum for enthusiasts. A half century ago Iraq and the Baghdad Pact were front page news and the subject of editorials. Funny how history has a way of ironically repeating itself.

The good news for Chrysler is that its problems are small compared to GM's. Turning GM around is like turning around a battleship. Turning around Chrysler is like turning around a destroyer.

If GM and Chrysler are to be turned around, Hoosiers have to do their part to support the cause. We all have to ask ourselves the big question, which is does the survival of either or both companies depend on a federal bailout or bankruptcy reorganization? If the answer is yes, Indiana should commit its best mechanical engineering minds from Rose-Hulman, Purdue and Notre Dame to bring the next generation of cars to Indiana. It should commit to test tracks and research and development that builds not just green cars, but the best cars. It should promote the fact that the Indianapolis 500 has always been a Mecca for the world's best automotive minds, and Indiana is an automotive brand all its own that give a checkered flag to the future of an American cornerstone industry which has had a checkered recent past.

If we can't save this once vital part of our economy in a state where foreign automakers have delivered more jobs than Chrysler and GM have, then maybe it is time to say to both automakers what Ralph Nader said about the Corvair: It's "unsafe at any speed."

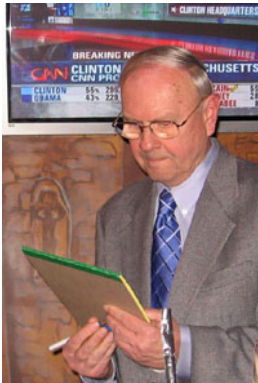
Consumer Reports doesn't list any Chryslers among its recommended vehicles, and that's a shame. If you're a soccer mom or a column writing dad, you have to love those minivans. That's one race Chrysler won going away. Now as for racing the clock in the next 30 days and keeping transmission plants with high-paying jobs in Kokomo open, gentlemen, start your engines. ❖



President Obama's Notre Dame controversy

By JACK COLWELL

SOUTH BEND - With universities throughout the nation seeking the prestige of having the new president of the United States as commencement speaker this spring, President Barack Obama honored the University of Notre Dame by selecting it as the site for one of only three commencement addresses. Notre Dame will present the traditional honorary degree to its commencement speaker.



Now, some of those who opposed the election of Obama and disagree with him on issues, especially on abortion, and others who dislike Notre Dame, finding it not Catholic enough, choose to misinterpret what this "honor" stuff is all about.

Obama was not invited because Father John Jenkins, the university president, and others in the Notre Dame administration want to honor Obama for his support of what those on one side of the abortion issue call "a woman's right to choose."

But you would think so in hearing from some on the other side who resent his opposition to what they call "pro-life."

Obama was invited because it has been a tradition at Notre Dame to have presidents as commencement speakers. Presidents Dwight Eisenhower, Jimmy Carter, Ronald Reagan, George H.W. Bush and George W. Bush spoke at commencement. They weren't invited because Notre Dame wanted to honor their positions on issues or because those presidents agreed with all Catholic teaching. Indeed, if the speaker had to be Catholic, no president would have spoken at commencement. John F. Kennedy, the nation's only Catholic president, did not as president deliver the commencement address.

If the tradition of inviting presidents is to continue, the university cannot play politics, inviting just Republicans because of the split between the parties in their platforms on "pro-choice" and "pro-life." There will be protests on May 17 outside the Joyce Center commencement site. Maybe inside, too, though hopefully of a nondisruptive nature.

Protests at commencement are nothing new. When George W. Bush delivered the 2001 address, protesters included those objecting to his enthusiasm for the death penalty as governor of Texas, some disagreeing on environmental policies and the Indiana American Atheists. Atheists? For God's sake. Yes, protests sometimes are more

directed at Notre Dame than at the speaker.

Some Notre Dame detractors already are complaining that the university won't be paying enough of security costs for Obama. Similar complaints came during Bush's visit.

People who complain about Notre Dame not paying enough perhaps forget that commencement is one of the many events in addition to football that draw throngs of visitors who spend big money to help the local economy. The graduates also have spent a lot locally during their years here.

And Notre Dame is the largest employer in St. Joseph County, also keeping construction going when it halts elsewhere. Nothing got out of hand in protests at the 2001 commencement. There was a pointed remark about the death penalty by the valedictorian, and one student knelt in the center aisle, saying the rosary, back turned to the president, as a protest on the death penalty and other disagreement.

There will be protests again; certainly lack of applause by those with a strong dislike for Obama. It would be a shame for the graduates and their parents if there is anything disruptive. In a letter to the Observer, the Notre Dame student newspaper, Sean Lyttle, a law student, urged protesters: "Do not turn our special day into a political circus.

"No one will say, 'Notre Dame invited President Obama to speak, so the Church must think abortion is okay now.' People are much smarter than that," Lyttle wrote. "However, if you choose to hijack our graduation with large-scale protests, people will say, 'How sad. How embarrassing.' It is our day, not yours. Show a little respect."

There will be a lot of respect shown for Obama, even if not universal. After all, he won the mock election vote among Notre Dame students last fall by an 11.5 percent margin. Many students and faculty members worked to elect Obama. And he won the Catholic vote decisively last November, enabling his victory.

This does not mean all those Notre Dame students or all those Catholic voters throughout the nation were "honoring" Obama for his views on abortion. Nor is the university doing that. ❖

Colwell has covered Indiana politics over five decades for the South Bend Tribune.



Mark Phelan, Detroit Free Press: The presidential task force's requirement that Chrysler LLC complete its deal with Fiat SpA or shut down in 30 days answers many questions about Chrysler's long-term prospects, but does nothing to address its immediate woes. The task force has seen through Chrysler's charade that it's a viable stand-alone company. While General Motors Corp. has the global scope and resources to merit further assistance, Chrysler needs help only Fiat is willing to provide. The immediate obstacle is that no Fiat-engineered vehicle can come out of Chrysler's North American factories before mid-2011. The Auburn Hills automaker can look forward to a promising range of fuel-efficient small cars beginning then, but nothing to alter the nosedive its sales are in today. Chrysler sales have fallen 49% so far this year, steepening a trajectory that took them down 30% in 2008. I'm told Chrysler has made extraordinary progress in reducing the cost of developing and building new vehicles. It's barely possible those improvements will lower Chrysler's break-even point to a level that's attainable in 2009, but there's no disguising the fact that Chrysler has no new vehicles coming this year. Barring a dramatic and immediate upswing in the economy, Chrysler will continue to lose money, and both its private-equity owners and Fiat have made it clear they do not intend to pump cash into Auburn Hills. Some Fiat executives have suggested they might rush some of their European-built vehicles to Chrysler's aid, but a small infusion of European-built cars won't ignite sales or profit. Chrysler has said it needs another \$5 billion in government loans immediately to stay in business. That's likely just the first installment before its alliance with Fiat pays off. ❖

Bob Greene, CNN: The phrases have become part of the national lexicon: "What's good for General Motors is good for America." And: "As GM goes, so goes the nation." Both are inexact translations of what GM's president in the middle of the 20th century, Charles Wilson, once said. His true words, according to many sources, were: "For years I thought what was good for the country was good for General Motors, and vice versa." So the meaning was the same, even as Wilson's sentences themselves were paraphrased. And perhaps the most instructive part about it -- during this week in which the current head of General Motors, Rick Wagoner, is leaving the company under pressure from the White House -- is the context in which Wilson was praising the power and the patriotic symbolism of GM. He was appearing at a congressional hearing because a brand-new president of the United States -- Dwight D. Eisenhower -- had selected him to become secretary of defense. Wilson, who still had significant holdings in GM stock, had been asked, as he sat before Congress in 1953,

if he would be able to make decisions for the country that might not be in the best interests of his old company; his instinctive response was that the question was largely irrelevant, because the welfare of the United States and the welfare of General Motors were in essence the same thing. Now another new U.S. president has made it clear that if the federal government is going to continue to provide billions of dollars in loans to the nation's wounded auto industry -- and to General Motors in particular -- then the federal government has to have a say in the way GM is run.

As is Detroit itself, as it reels anew from what the plummet of the industry that defines it has done to the city. Monday would have been a day when residents throughout Detroit and its suburbs would have hurried to their front doors at dawn to pick up the morning paper and read about Wagoner's departure. But there were no Detroit newspapers at Detroit's front doors Monday. It was the first day of the new incarnation of the Detroit Free Press and the Detroit News. Staggered by the grim economy, the two Detroit papers from now on will publish online and provide a smaller newsstand product, but under brutal financial pressures will only deliver to subscribers' homes on Thursdays, Fridays and Sundays. So on this astonishing Monday in the history of General Motors, and the history of Detroit, the front steps were bare. ❖



Doug Ross, Times of Northwest Indiana: Indiana Superintendent of Public Instruction Tony Bennett -- no, not THAT Tony Bennett -- wants students to get every bit of the minimum instructional time they're entitled to. It's a sensible policy, one that's hard to argue with. Unless you're Mr. Obstructionist himself, that is. Mr. Obstructionist also goes by the name of House Speaker Pat Bauer, the South Bend Democrat who is becoming adept at building coffins for good ideas. The state schools chief said half days split between instruction and teacher training or parent-teacher conferences would no longer count as full days toward the 180-day school calendar mandated by the state as a bare minimum. "One of the things we absolutely must project is a sense of urgency about the state of education in Indiana," he said. Despite this, House Democrats childishly passed legislation Thursday that would overrule Bennett. House Minority Leader Brian Bosma, R-Indianapolis, joked that he has advised Bennett not to make major policy decisions until after the legislative session ends. Those of us with slightly longer memories will recall the lawmakers' reactions when former Bureau of Motor Vehicles Commission Joel Silverman announced just after the General Assembly's final day in 2005 that 12 license branches would be closed. The lawmakers squawked loudly. If Bennett waits until after the session to make a major policy decision, he'll want to wait longer than Silverman did. ❖



Obama selects Dungy

WASHINGTON - Former

Indianapolis Colts coach Tony Dungy has been invited to join a White House faith-based advisory council (Indianapolis Star). Dungy publicist Todd Starowitz confirmed today that President Barack Obama had invited the former coach to join the Advisory Council on Faith-Based and Neighborhood Partnerships. He said Dungy had not decided whether to accept. White House deputy press secretary Bill Burton declined comment. Americans United for Separation of Church and State has criticized Dungy's selection, citing his 2007 support for efforts in Indiana to ban same-sex marriage.



Daniels announces plan to hire 2,000 youths

INDIANAPOLIS - Governor

Mitch Daniels has announced a new program designed to create 2,000 summer jobs. The Young Hoosiers Conservation Corps will be open to people who are 24 years old or younger and whose family incomes are at or below the poverty level. The work will involve restoring natural wildlife habitats, building trails and rehabilitating historic buildings at about 100 Department of Natural Resources sites. The program is being funded through \$24 million in federal stimulus funds.

Congressmen, Daniels get funds from banks

WASHINGTON - The backlash

over bonuses by banks and financial companies taking bailout money not only upset Americans, but lawmakers (Walker, WTHR-TV). Now 13 Investigates has uncovered Indiana politi-

cians not only in Washington but here in Indianapolis taking campaign cash from those same banks. Huge banks, propped up by billions in taxpayer dollars, are still managing to find cash to spread around on Capitol Hill. "They have continued to spend in 2008 \$114 million on campaign contributions or in lobbying expenditures," said Craig Holman, Congress Watch. Indianapolis Democrat Andre Carson, who serves on the House Financial Services committee, late last year took donations from Goldman Sachs (\$2,000) and Huntington Bank (\$1,000) - banks with a combined \$11 billion in so-called TARP funds. In a statement, Carson told us: "The financial services sector can attest to the fact that I am no rubber stamp for this industry." But he is not the only one with bailout bank donations. JP Morgan contributed \$5,000 to Gov. Mitch Daniels (R) a month ago, as well as to Indianapolis Mayor Greg Ballard (R). Hoosier Democrat Joe Donnelly took a \$1,000 donation from Goldman Sachs as recently as late January. But no more. "What we've done is for anybody who's participating in the programs, we are not involved with at all," said Rep. Donnelly. Indiana Senator Evan Bayh (D) is among those with campaign money from bailed-out banks - a \$1,000 donation from KeyBank about a month ago.

Lugar food security bill passes committee

WASHINGTON - U.S. Sen.

Dick Lugar's Global Food Security Act, S. 384, unanimously cleared the Senate Foreign Relations Committee today. Cosponsored by Sen. Bob Casey (D-PA), the bill seeks to improve the effectiveness and expand the reach of U.S. agriculture assistance to the developing world. First, it creates a Special Coordinator for Global Food Security and that would be in charge of developing a food security strategy. Second, the bill authorizes additional

resources for agricultural productivity and rural development. Their plan draws from the experience of U.S. land grant colleges and the contributions they have made to U.S. agriculture.

Cantrell sentenced to 78 months in prison

HAMMOND - A federal judge

has sentenced former Lake County power broker Robert Cantrell to six and a half years in prison for stealing from taxpayers.

Carson, Chamber to host stimulus event

INDIANAPOLIS - The Greater

Indianapolis Chamber of Commerce has partnered with U.S. Congressman André Carson to host an open forum regarding recently announced Small Business Administration programs funded by the American Recovery and Reinvestment Act (ARRA). Chamber members are encouraged to participate in the discussion on Wednesday, April 15 from 3:30 to 5 p.m. at the Julia M. Carson Government Center. A question and answer session will follow the panel discussion.

Puppy mill bill advances in committee

INDIANAPOLIS - An Indiana

Senate committee has advanced a bill to regulate large-scale dog breeding operations in the state, but some want stricter requirements on breeders (Indianapolis Star). The committee changed a House-passed bill on Tuesday to eliminate specific care standards, such as sanitary conditions and an hour of exercise a day for dogs. Instead, dog breeders would fall under certain regulations from the U.S. Department of Agriculture.

