



Written by [Charles Scaliger](#) on December 30, 2009

GMAC Will Get More Bailout Money

GMAC Financial Services, the former financial arm of General Motors, is set to receive yet more federal bailout funds as the year draws to a close. According to a Reuters report, GMAC will get roughly \$3.5 billion in additional federal government money to help cover losses on the mortgage market. Mortgage-related assets, considered the key to GMAC's return to profitability, comprise roughly a third of GMAC's total \$178 billion balance sheet.



The bank has already received about \$12.5 billion in bailout money, amounting to around half of the bank's total equity. A government analysis ("stress test") some months back concluded that GMAC would need to raise about \$11.5 billion to remain solvent, but the banking behemoth has been unable so far to raise any private capital.

Thus yet again, the federal government is seeking to overturn the verdict of the free market, which long ago decreed that both GMAC and its former parent corporation, GM, have failed and should be allowed to liquidate. The fact that GMAC has been unable to change any minds in the private capital sector speaks eloquently to this conclusion; the smart (i.e., private) money wants nothing more to do with the former Detroit colossus.

But government, in its arrogance, has asserted, as it has so often before, its superior judgment, trying to accomplish coercively (by conferring taxpayer dollars forcibly obtained) what the free market could not do by consent: save an ailing supergiant whose time has passed and whose assets are gone. In the short run, such actions may keep the likes of GMAC and other corporate beneficiaries of the public weal on life support, but in the long run, it will exhaust the resources of the nation as a whole.

Photo: AP Images

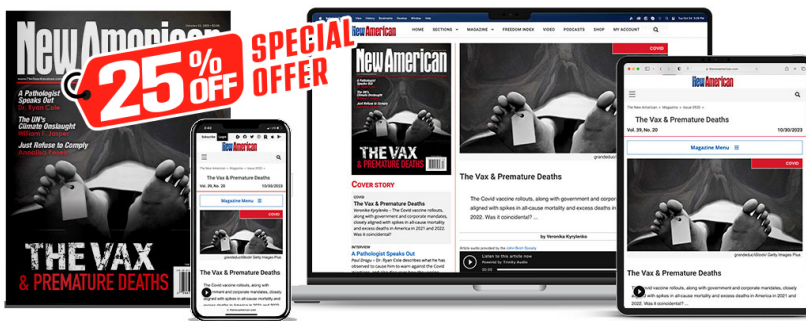


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