

## **Government General Motors Stock Sale; Taking Action against China; National Debt and National Security; Chicago Teachers' Strike; Middle East**

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CASONE: All right, let me ask you this.

LAFFER: Yes, sorry.

CASONE: Well, now I want to ask you -- there is a couple of things I want to ask you, because I always want to ask you the economic questions.

LAFFER: Sure.

CASONE: But you know, last week, I mean you have Bernanke basically, give us,

you know, quantitative easing infinitum (ph). And I'm curious what you made of that move. I mean he seems to be more than anyone, so concerned about keeping that money -- you know, the printing of the money flowing. Did you agree with the decision last week?

LAFFER: No, I don't, I think it's really silly. I think it's foolish. There was a great piece in "The Wall Street Journal" by John Taylor and George Shultz and John Cogan and a few others. That really outlined why Bernanke has done a foolish job, and it hasn't worked. Have you noticed the prosperity coming back to the U.S.? It hasn't. Then we've had three quantitative easings and one "Operation Twist", and we are still in a rotten shape. Bernanke has done nothing to make today's economy better, and he has done a lot to make future economies a lot worse.

CASONE: Well, one of the things somebody has done, and this could be a positive sign, as by keeping interest rates low, the thinking is, this will continue to spark, you know, a rebounding in the housing market. Which has, somewhat gotten better over the last three months if you look at the data. At the same time, jobs are ...

(LAUGHTER)

CASONE: Or, you are laughing.

LAFFER: A wishful thinking, Cheryl.

CASONE: But I mean at the same time, jobs are being created. I mean we still have no job creation. I mean the Fed can't print jobs.

LAFFER: No.

CASONE: What could he do on the unemployment side?

LAFFER: Lower interest rates, obviously, have not brought the housing market back. We've had lower interest rates for what -- five years now. And the housing market hasn't got much better. I think what's happening is just a few of the old houses are wearing out, so, finally, we get a couple of new ones built, but we are way, way, way below the levels we should be at. There is no boom in the housing market, there is no boom in the economy, and there are no jobs. And Bernanke has not been successful. But what he have done, Cheryl, is we have built up a huge national debt that we are going to have to deal with in the future, and what we have done is we have brought up a huge monetary base, bank reserves are way up, which we are going to have to siphon off at some time in the future, and that's when you are going to start seeing the problems coming back in big time.

CASONE: Well, if you have a job, you might want a loan.

(CROSSTALK)

CASONE: If you have a job you might want a loan. That is just me thinking. I don't know why ...

(CROSSTALK)

LAFFER: Well, they don't make loans to you anyway. The regulators are there saying --you were subpar, or whatever, you know how they do it, Cheryl.

CASONE: All right.

LAFFER: By the way, I want to compliment you on your last segment. It was really good. You did a great job and Pat Caddell, and Rich Lowry are phenomenal guests.

CASONE: Oh, that was ...

LAFFER: I really enjoyed it.

CASONE: That was the great segment. Thank you very much. I appreciate it. It's good to have you on this show, we will talk to you really soon.

LAFFER: My pleasure.

CASONE: Well, now we want to know what all of you think at home. Compliments for the host always work. Here is our question tonight, is our national debt a national security threat? Log onto Gerriwillis.com and vote on the right-hand side of the screen. I will share the results at the end of tonight's show.

All right. President Obama on the campaign trail today in Cincinnati, and his target wasn't just his opponent.

(BEGIN VIDEO CLIP)

BARACK OBAMA, PRESIDENT OF THE UNITED STATES OF AMERICA: Today, my administration is launching a new action against China. This one against illegal subsidies that encourage companies to ship auto-parts manufacturing jobs overseas. These are subsidies that directly harm working men and women on the assembly lines in Ohio and Michigan and across the Midwest. And we are going to stop it. It is not right, it is against the rules, and we will not let it stand.

(END VIDEO CLIP)

CASONE: And afterwards, Mitt Romney coming out swinging, saying the president is too little too late. Joining me now, Peter Morici, he is the University of Maryland professor at the Smith School of Business. Peter, the attack on China, I mean you and I have had many discussions about currency manipulation, I mean isn't this a little bit of old news, the president swinging out with today?

PETER MORICI, UNIVERSITY OF MARYLAND PROFESSOR: Well, the president promised in 2008, campaigning in the Midwest to do something about China's currency manipulation, and he has -- he has denied it has existed. I mean he's basically throwing a bone to the auto sector today, they bring a case two years from

now, we will have a finding. We still won't be able to ship cars to China, nothing will change. In this economic recovery alone, the deficit with China has more than doubled. It is now almost 350 billion a year. It is costing America three to 5 million jobs. It is a terrible situation, and it's Mr. Obama's fault.

CASONE: One of the things that Mitt Romney came out saying, he said look, this president has been "43 months failing to confront China's on fair trade practices. And his recent actions are too little, too late for American businesses and middle class families." You know, he also has been vocal about the issue of protection of our patents. The Chinese have had complete disregard for U.S. intellectual property. Do you think that any of that is going to change from either candidate?

MORICI: Well, I think that if Mr. Romney became president, there is a chance that it would change. We know that with Mr. Obama as president, it certainly is not going to change. Especially with his close relationship to the Silicon Valley. You know, companies like Apple, you know, have to invest in China, establish R&D in China. And then they -- in order to sell there, to get some protection, and then they become apologists for China. The worst offender in this -- by the way, when it comes to this is General Electric, who is chaired by the president's chairman of his jobs committee. And that's, Jeff Immelt. You know, he took stimulus money. Are you ready for this? To build windmills in the United States. Do you know what he got the towers from? He got them from a military contractor in China that was owned by the Chinese government.

CASONE: Look, Peter, they can do it cheaper. I mean that's the whole reason it's all --

(CROSSTALK)

MORICI: No, it was subsidized.

CASONE: ... complete disarray.

MORICI: It was a subsidized contract. It was part of the Chinese policy to maintain its military industrial establishment. Because the whole thing was, you know, he is complaining that Romney doesn't walk the walk. But he does. So he gives money to Jeff, stimulus money to build windmills here that are really made in China.

CASONE: All right, look, I know that you agree with Mr. Romney when it comes to getting tough on China. At the same time, we do, the markets do, as you know, depend on growth out of China. And they have had a little bit of a slowdown this year. Is that a concern for the U.S. economy?

MORICI: Well, it certainly does. The fact that China is slowing, but we're not growing more rapidly. See, I'm in favor of a world when we trade freely with China. And they grow rapidly, and we grow rapidly. And I think it is possible to accomplish that. Instead, we are headed on a path where China's policies cause us to grow slower and slower with each year.

CASONE: All right.

MORICI: Because and as a consequence, the stock market doesn't do well. I would like a situation where we trade fairly, we compete fairly, and we grow together.

CASONE: Peter Morici, you are so shy and timid, you know, I just ...

MORICI: I know.

CASONE: You really have got to -- you got to like liven up a little bit there.

[laughter]

Thanks for your ...

MORICI: Nobody wants to take my classes.

(LAUGHTER)

CASONE: Peter, thank you. It's good to see you again. Peter Morici.

MORICI: Take care.

CASONE: All right, coming up, the truth behind the new iPhone. Is it really shattering sales records? And next, General Motors asking Treasury to make a deal, so why didn't the government jump at the chance to get out of the car business? We've got details after the break.

(COMMERCIAL BREAK)

CASONE: Government and motors. Trying to shed its ties, Uncle Sam once and for all pushing the sale of the U.S. take in the company altogether. But saying goodbye is hard to do. The government's digging its heels. The proposal saying taxpayers would have faced a massive multibillion dollar loss. Joining me now with more, Mark Modica, associate fellow for the National Legal and Policy Center. This was a bad deal. I mean this was a bad deal for the taxpayers, of course, treasury said no to it.

MARK MODICA, NATIONAL LEGAL AND POLICY CENTER: Hi, Cheryl, well, they have been saying no. Actually, they could have foretold the stake almost a year and a half ago when share price was over 30, and we heard the same story. They're not going to sell at a loss. The fact is, they should get out of the auto industry, they should've done it as soon as possible. The decision hold on, is based on politics. Look, Tim Geithner worked for Goldman Sachs. He knows that a decision to sell stocks shouldn't be based on what you paid for the stock, it should be based on whether you should own the stock at this time. And right now, the government shouldn't own General Motors stocks. They should sell as soon as possible, should've sold almost a year and a half ago. When the value was up about 20 percent higher than it is now. Taxpayers have seen loss of about \$6 billion, I'm sorry, about \$3 billion more since that time, and we heard the same story then.

They didn't want to sell it at loss, stocks can go up, they can go down, get us out now.

CASONE: But Mark, I mean Treasury Secretary Geithner also knows that if you hang in sometimes the markets going to ebb and flow. Right now we've actually got an upswing for the market. So, if the taxpayer can and they can hold on, I mean that is the truth here. We're talking about the government. It's not -- you know ...

MODICA: Well, sure.

CASONE: We are not trading on the back of individuals, the U.S. government, they've got trillions of dollars, why not hang around for another year and let the investment grow a little bit?

MODICA: Yeah. It's called market timing. Do you want -- do you want -- should we have taxpayer money being market-timed in the market? You know, these are the same guys that went -- there were suggestions to put Social Security assets in the market, they said no way, we shouldn't risk taxpayer money. Well, why are they market timing their exit from GM? With this philosophy, you can sell GM and buy Apple and gamble some more with taxpayer money. The fact is, this is a political decision, General Motors knows this, General Motors knows that the government is not going to sell their space. This is all politics, public relations, they are not going to sell before the elections, they should sell, they should have sold before, and we will be lucky if we don't lose more money on it when the smoke clears.

CASONE: OK, Mark, you know, obviously, Fox Business reached out to the Treasury to get their comments on this report. And here is what they told us, they say that the government shouldn't be -- shouldn't be a long-term investor, but we have to maximize taxpayer returns. And they say we didn't do this to make a profit, we did it to prevent a collapse of the auto industry. Those Treasury -- assistant secretary Tim Massad to Fox Business. So, that is their take on this. That we are not looking to make a profit or any kind of timing we just want the auto industry just to stay stable, stable.

MODICA: Well, what they did it for was to save the UAW and protect cronies and politically (ph) for UAW. That is a fact. But once again, markets go up, they go down. To say that we are going to protect taxpayer investment and make an assumption that the stock has nowhere to go up is just arrogant. The stock can go down as well as up. And taxpayers should be up. The government shouldn't be in this business. Sell it now.

CASONE: All right, Mark Modica, you have major point, thank you very much, Mark. Good to have you on this show.

MODICA: Thank you.

CASONE: Well, still to come, everybody. My "Two Cents More" on the do not call registry. And thought the iPhone V already sold out in most places, an AT&T is saying, this is the best-selling iPhone ever, but where are the numbers to prove

that? We have details, next.

(COMMERCIAL BREAK)

CASONE: The new iPhone V shatter sales records, and at least one carrier says it's sold out, but why isn't it saying how many it's sold? The answer, next.

(COMMERCIAL BREAK)

CASONE: "In Focus" tonight, the new iPhone 5. AT&T today saying it has sold out all of their iPhone 5s, but did not release exact sale numbers. And that was just the pre-orders online. The iPhone 5 goes officially on sale this Friday, and already people have started camping out outside of Apple stores like they always do. So is it a blockbuster or is Apple just doing what he does best? Ginning up a lot of hyper on this latest product, and how can AT&T be sold out of one of the most anticipated products this year? Dennis Kneale has some answers. Dennis?

DENNIS KNEALE, FOX BUSINESS: Yeah. Well, you know, Cheryl. How is it that Apple may be the best run company in the world, could get these demand things so wrong? I mean the iPhone 5 isn't even out yet and already the first wave of this next Smartphone is sold out. Apple says it's all more than 2 million new fives in just 24 hours. Now, that is better than double the first orders of the predecessor, 4-s. Then the numbers get fuzzier. AT&T out this morning saying the fives have just set a new record for early orders, but stopping short of giving us any proof or numbers. And wait a minute. I mean why not have 4 million units ready instead of just 2 million? Is Apple really that clueless or might Apple be creating a product shortage intentionally to stoke a purchasing panic for the product? Apple put out a statement this morning, wasn't all that contrite about the supplies and the food, saying "iPhone 5 pre-orders have shattered the previous record held by iPhone four. That's -- and the customer responds to iPhone 5 has been phenomenal.

But one source inside Apple tells me, look, the shortage's real guy, this Apple person's as forecasting demand and matching the manufacturing to ramp up the media, so it's a very black art, and basically, Apple is simply too hungry to ever leave sales on tap and on the table. And to be sure, this is the broadest iPhone rollout. Yet, Apple is going to be a 9 countries by next week, it' will in another 22 countries a week later. And most major carriers, have the 5 from the get go instead of giving it first to AT&T or something. Now, Gerald, Apple has one more chance to get it right on the supply-demand equation, next month, when it is expected to unveil the new 200 mini-iPad (ph). We'll see how they do it, Cheryl.

CASONE: We'll be covering it, you know that, Dennis Kneale. Thank you very much, Dennis.

KNEALE: OK.

CASONE: I'll talk to you tomorrow noon, Eastern time on markets now.

All right. It is also worth noting, Apple stock grows. It's 50 today to a new high of

this under 700 bucks a share after announcing the blockbuster iPhone sales. There is the stock for you. Well, it is not just teachers that can't seem to come to an agreement. The National Hockey League says they are not going to bargain with the players union leaving nothing to stop a lockout. It will be the third lockout of a major sports league in less than two years. But the NFL started this season with no hiccups, but if you want a front row seat, you are going to have to shell out a lot of money.

And tonight's top five the most expensive NFL tickets still to go for this season. Number five, Green Bay Packers at the Seattle Seahawks next week's Monday night game going for \$407 a ticket. Number four, a rivalry matchup between heavy weights -- the Packers and the Chicago Bears. This game could be a game changer since it will be happening so late in the season. Tickets are \$432. Number three, I'm catching the theme here, the Packers at the Houston Texas -- what is going on here? (inaudible) are going for this Texas team and seeing them face off against the powerhouse will cost you \$434. That's in October.

Number two is a quarterback showdown, Peyton Manning and the Denver Broncos taking on Tom Brady and the New England patriots. That's also in October. That's going to be \$467 a ticket. And the number one most expensive NFL ticket for the season is the Pittsburgh Steelers versus Dallas Cowboys. That would be in December. Ticket prices \$480. Shockingly my (ph) team, the Cardinals, were not on that list. We will be right back with my "Two Cents" and more. And also we're going to have this -- the answer to the question of the day. Is our national debt a national security threat?

(COMMERCIAL BREAK)

CASONE: And finally tonight, it turns out the do not call registry may not be working. Nearly a decade after its creation, complaints about telemarketers and robocalls are skyrocketing. In April of this year, the government received more than 212,000 complaints, up from 65,000 a month back in 2010. The registry has more 209 million phone numbers, and it's supposed to be checked by telemarketers once a month. But according to the FTC, only about 34,000 telemarketers actually do that.

I don't understand why companies even do this anymore. Why bother? It can't help business by having people slam the phone down on callers. Annoying someone to me doesn't seem like the best business model. Well, that's my two cents more.

And that is it for tonight's WILLIS REPORT. Gerri will be back tomorrow with you. Everybody, I'm Sheryl Casone, have a great night.

END

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