



Stimulus Grants for Batteries and Green Cars

Last week, the Obama administration revealed the 48 recipients of \$2.4 billion in federal grant money supposedly designed to stimulate domestic production of batteries and other "green" car components while saving or creating jobs. But critics are already blasting the handouts, calling them politically biased, useless, and even unconstitutional.



"I want the cars of the future and the technology that powers them to be developed and deployed right here in America," Obama said in a speech from a manufacturing plant in Indiana, defending his administration's interventionist economic policies and claiming that the money would create tens of thousands of jobs across the country.

Meanwhile, Vice President Joe Biden traveled to Michigan — which will receive more than half of the total money available under the program — to make the announcement in Detroit. "We're going to get left behind," he said, noting that America must "get ahead of this curve."

Operated by the Department of Energy (DOE), the program is part of the larger \$787 billion "economic stimulus" plan officially known as the American Recovery and Reinvestment Act. Companies receiving the handouts are expected to match whatever funds they are awarded by the government, except under certain circumstances. At least 70 percent of the money is also supposed to be spent by September of next year.

Related to the grants are \$25 billion in loans from the federal government approved in 2007 and reauthorized last year known as the Advanced Technology Vehicle Manufacturing Loan Program. "These are complementary applications in the sense that if an award recipient is building one factory with the proceeds from this grant, they may build another factory with proceeds with a loan program," DOE senior advisor Matt Rogers told ABC News. "The same company may show up in both lists from time to time."

Among the recipients of the grant money are General Motors, receiving almost \$250 million; Ford, which will get about \$100 million; and Chrysler, which was awarded \$70 million. Of the \$2.4 billion, about \$1.5 billion will go toward batteries with another \$500 million for other parts. Around \$400 million will be spent on plug-in hybrid and all-electric cars, training technicians, and other associated expenses.

The single largest grant — \$299.2 million — went to Johnson Controls for production of lithium-ion battery packs. The second biggest winner was A123 Systems, raking in \$249 million for battery projects. Other recipients include subsidiaries of foreign companies and a dozen universities and



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colleges, to, among other things, “increase consumer awareness.”

But despite the administration’s efforts to portray the program and government spending in general as the key to reviving America’s economy, opponents have attacked it from all angles.

Critics allege that politics played a large role in the disbursement of funds. Others complain that much of the money will be spent abroad. Supporters of the free market object to the whole notion of government-guided economic production, while constitutionalists argue that the federal government does not even possess the authority to confiscate taxpayer dollars or drive the nation further into debt for such purposes.

An article by McClatchy Newspapers entitled “‘Red’ Kentucky loses out as energy grants go to battlegrounds” reported that “high ranking officials traveled to Florida, North Carolina, Pennsylvania and Missouri. With the exception of Missouri, all were battleground states that went to Obama in the presidential election. Missouri went for Sen. John McCain by fewer than 5,000 votes out of 2.9 million cast.” Only 25 states will directly “benefit” from the grants.

The story also quoted Donald Gross, a political science professor at the University of Kentucky. He suggested that opposition to the stimulus package by politicians like Senate minority leader Mitch McConnell could have played a role in nixing grant applications for manufacturers in the reliably Republican state — the third largest auto producing state in the nation. “Just as McConnell, when he ran for office, talked about how his position could bring money into the state, that same position could be detrimental if you have the wrong people in the executive branch,” he said. “If, all things being equal, you have a choice between giving a project to a state and a locale where they have been helpful, then you have a state that creates trouble, you’ll give to the one that is helpful. It puts him in a difficult position in trying to get money for Kentucky.”

Some critics were concerned instead about the money flowing abroad. “French engineers, Korean physicists, Japanese toolmakers, Mexican autoworkers and Indianapolis battery assemblers all could share in America’s electric-car bounty,” explained an article in the *Indianapolis Star* entitled “Electric-car grants to bring jobs — but where?” According to the story, “loose rules” will allow firms using federal grants to import what they need from abroad.

“The U.S. is already running a trade deficit in most green products,” explained senior economist Alan Tonelson at the U.S. Business & Industry Council. “There’s no reason to expect it will be any different (on electric cars). We’re already quite reliant on foreign-made content.”

Other experts quoted in the story, such as the president of American Plastic Molding, Floyd Coates, agreed despite the fact that they may benefit from the money. “The taxpayers’ money is being used to develop long-term jobs in China,” he said. His company recently sealed a deal with Saft America, part of a French battery manufacturer that was just awarded nearly \$100 million in a joint venture under the grant program.

LG Chemical, a South Korean company, will receive more than \$150 million in federal money to build a battery factory. When lawmakers were considering the stimulus bill, there was talk of a strict “buy American” provision. It was excluded from the final bill for a variety of reasons, but it is clear now that a significant portion of the taxpayer money being doled out will end up in other countries.

DOE officials defended the grant application and selection process, saying it was rigorous and based solely on merit. Each application was inspected by three to five experts such as university professors, then by a panel that chose the best 20 percent of applications to receive funding.



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Regardless of whether the DOE's selection process was fair or reasonable, giving away tax money to sectors of the economy that the market refused to support is foolish, not to mention unconstitutional and a waste of wealth. Another problem exacerbated by the plan is the reinforcement of the notion that success is now to be decided by government bureaucrats and political connections — not the merit of one's goods or services and the value they add.

The notion that government spending will "create" jobs is also ludicrous; it simply transfers resources from where they should be to where they are not needed, destroying jobs in the process. The DOE should be abolished and the whole "stimulus package" should be promptly returned to its rightful owners — U.S. taxpayers.



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