

Posted on Thu, Feb. 19, 2009

## PhillyDeals: PhillyDeals: The real problem: 'All that easy money'



By Joseph N. DiStefano

Can the government stop housing prices from falling, and companies from cutting workers, by pushing banks to lend more money to homeowners and companies, as **Treasury Secretary Timothy Geithner** suggested yesterday?

Washington "seems to be obsessed with the notion that the issues facing the economy are primarily a result of the banks' unwillingness to lend. This is nonsense," writes bank analyst **Christopher Mutascio**, of Stifel Nicolaus & Co. Inc., Baltimore.

"We believe the reverse is more accurate," he added. "The consumer is choking on all that easy money" and tough debt payments. Instead, Mutascio says, the government should help strong banks buy the weak ones.

In fact, **Wells Fargo & Co.** took government aid before buying **Wachovia Corp.**, **Bank of America Corp.** used it to buy **Merrill Lynch**, and taxpayer-enhanced **PNC Financial Services Group** just absorbed troubled **National City Corp.** But Democrats object to using taxpayer funds for job-destroying mergers, and Geithner has banned new deals for government-funded banks.

Bank adviser **Joseph Harenza**, head of **Griffin Financial Group**, of King of Prussia, points out that loans on the balance sheets of U.S. banks haven't actually fallen. They rose about \$300 billion last year, to \$4.7 trillion.

Then why the crisis? Banks account for less than a quarter of U.S. loans. Wall Street funds more, or used to, by selling loan-backed bonds. But these "securitized" loan sales have collapsed as losses hurt bond values over the last two years.

So government regulators want banks to take up the slack - which Harenza says isn't likely, until they get their own current bad loans and bonds off the books.

**Andy Greenberg**, co-owner of deal-data tracker **GF Data Resources L.L.C.**, of West Conshohocken, says the credit crunch is partly a supply problem. Middle-market companies have cut back their borrowing as the economy slows.

Big companies, under the same conditions, keep cutting workers. **Comcast chief operating officer Stephen Burke** told investors yesterday that the Philadelphia cable-Internet-phone giant severed 3,300 of its 100,000 workers last year as it combined regional offices in response to lower growth.

And **SEI Investments**, of Oaks, said it would lay off up to 10 percent of its 2,300 workers, as the loss-plagued mutual fund industry shrinks.

## Plugged in

In Delaware, where a **Chrysler L.L.C.** plant closed last year and a **General Motors Corp.** plant is endangered, a Wilmington company says it's going to start building the Philadelphia area's first locally assembled electric cars in March.

**Dick Johnson**, director of business development for Norwegian-owned **AutoPort Inc.**, told me his company will use

a \$94,000 state grant to train workers to put California-built electric-power systems and Taiwan-made batteries into **Toyota Scion** sedans at its

plant in the Port of Wilmington.

AutoPort now employs 70 people who prepare new GM vehicles for shipment to the Middle East and adapt **Ford F-150** trucks for use as Iraqi police vehicles.

It will use power trains from **AC Propulsions**, of San Dimas, Calif., which is also a supplier to **BMW's** electric **Mini-Coopers** and to the high-end electric-vehicle developer **Tesla Motors**.

"We'll build AC's backlog," currently including 15 vehicles, of which five are earmarked for the University of Delaware and the State of Delaware, Johnson added.

The UD vehicles will be modified to enable them to unload power from batteries under the front and rear seats to local utilities when they're not in use, using a system developed by UD **environmental engineering professor Willett Kempton**.

Like Tesla's, AutoPort's vehicles will be expensive, starting around \$70,000. AutoPort has asked Delaware to see if it can subsidize part of the price from federal economic-stimulus funds or the planned federal energy bill, Johnson said.

Philadelphia steel trader **Barry Bernsten's BG Automotive**, whose attempts to assemble a cheaper (\$16,000) electric car in Philadelphia were chronicled in this space last year, said he met with **Delaware Gov. Jack Markell** last week about a possible site for his plant there.

---

Contact staff writer Joseph N. DiStefano at 215-854-5194 or [JoeD@phillynews.com](mailto:JoeD@phillynews.com).

### Find this article at:

[http://www.philly.com/philly/business/20090219\\_PhillyDeals\\_\\_PhillyDeals\\_\\_The\\_real\\_problem\\_\\_All\\_that\\_easy\\_money\\_.html](http://www.philly.com/philly/business/20090219_PhillyDeals__PhillyDeals__The_real_problem__All_that_easy_money_.html)

Check the box to include the list of links referenced in the article.

© Copyright | Philly Online, LLC. All Rights Reserved. Any copying, redistribution or retransmission of any of the contents of this service without the express written consent of Philly Online, LLC is expressly prohibited.

