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Dennis Kneale: Investors pondering whether to place a wild bet on GM staying out of bankruptcy, they got a clear message today. Don't do it. Six senior executives with General Motors are dumping their entire holding in car maker. The stock trades at a buck fifteen a share. It looks like a sign of surrender to me.

This even as Ford Motor Company is floating three hundred million new shares of common stock. Ford just priced three hundred million shares at four dollars and seventy five cents a piece. That plan pummeled the shares of Ford today, down seventeen percent. Ouch. Shares of Ford now trade at about five bucks.

So does this mean the end of the auto industry is near? Are these guys really throwing in the towel? Jim Shroyer is former global sales chief of Chrysler who also ran marketing at Ford. Peter Flaherty is with the National Legal and Policy Center. Peter, lets start with you. Gotta tell you, Bob Lutz, that man loves that company and he just disposed of all of his shares. He obviously thinks that GM is going into Chapter eleven and the shareholders get crushed.

Peter Flaherty: Well that's right. Whether GM goes into bankruptcy or stays out of bankruptcy the future for the company is very bleak. I don't think that Bob Lutz and his colleagues are geniuses. I don't think they can parlay this move into an investment newsletter. They are just facing reality. The government has this plan where they will issue sixty billion new shares of stock and the existing equity holders will get to split up one percent of what is left. The US government and the United Autoworkers grab the rest of the company.

Dennis Kneale: That is ugly. That is ugly indeed Peter. Hey Jim, whatever happened to the idea of the captain going down with the ship?

Jim Shroyer: Well, you know bankruptcy is an ugly thing. I mean it is like a series of bad trips to the dentist. But when it works you can get a great set of teeth coming out of it. But the people that get hurt the most and feel the most pain in a bankruptcy are the shareholders. And you see that today, so yes Bob sold his shares for a little over a buck. But in bankruptcy of course they would be worth zero. So if you are him, why not.

Peter Flaherty: But this is not a real bankruptcy. Well, of course this is not a real bankruptcy. It is a Barack Obama political bankruptcy. In a real bankruptcy a judge would be the referee for the competing claims. But in this case we have a pre-packaged bankruptcy that is probably imminent, where the United Autoworkers are getting preferred status.

Dennis Kneale: Are just getting handed a huge chunk of the company.

Peter Flaherty: Even though on the pecking order they are at the same level of the unsecured creditors. So you know they will come out of this but the things that got this company into trouble in the beginning have not been addressed and that is why the company ultimately is going to fail.

Dennis Kneale: Jim, you would agree with that wouldn't you? You say these companies can yet prove that they can make a profit on small cars.

Jim Shraye: Dennis I told you last time we were on I think that this is a historic chance to make them succeed. I really do think that through a managed or prepackaged bankruptcy we get the labor costs down the union to be realigned costs and now they are going to be a part owner. They are going to have to be a part owner of getting their own costs down. That is a historic opportunity for small cars in the United States.

Dennis Kneale: Peter.

Peter Flaherty: What you are going to get is government workers in union controlled plants building cars designed by environmentalists. The result may look a lot like the Yugo.

Dennis Kneale: Peter talk about the corruption you see coming in this process.

Peter Flaherty: Well I think we are on the verge of massive corruption. When you dump this much money into a company that is essentially union owned and allow them to dump all this money into something called the VEBA which I believe has always been the point of these bailouts, to save the VEBA, even if there are no more unionized auto workers in this country...

Dennis Kneale: Right. The retirement plan for the employees yeah.

Peter Flaherty: ...is to preserve another generation of union boss jobs and political influence even after there are no more auto workers.

Dennis Kneale: Yeah. It is going to be fun to watch. Look, Jim and Peter I appreciate you being here very much. We will see you again soon.