Content Section
In Newsweek Magazine

Obama Campaign Backers and Bundlers Rewarded With Green Grants and Loans

Nov 12, 2011 1:30 PM EST

Where did green-energy money go? Straight to campaign donors. Read more about Peter Schwiezer and his book *Throw Them All Out* in the new *Newsweek* on sale Monday.

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When President-elect Obama came to Washington in late 2008, he was outspoken about the need for an economic stimulus to revive a struggling economy. He wanted billions of dollars spent on “shovel-ready projects” to build roads; billions more for developing alternative-energy projects; and additional billions for expanding broadband Internet access and creating a “smart grid” for energy consumption. After he was sworn in as president, he proclaimed that taxpayer money would assuredly not be doled out to political friends. “Decisions about how Recovery Act dollars are spent will be based on the merits,” he said, referring to the American Recovery and Reinvestment Act of 2009. “Let me repeat that: decisions about how recovery money will be spent will be based on the merits. They will not be made as a way of doing favors for lobbyists.”

Really?

It would take an entire book to analyze every single grant and government-backed loan doled out since Barack Obama became president. But an examination of grants and guaranteed loans offered by just one stimulus program run by the Department of Energy, for alternative-energy projects, is stunning. The so-called 1705 Loan Guarantee Program and the 1603 Grant Program channeled billions of dollars to all sorts of energy companies. The grants were earmarked for alternative-fuel and green-power projects, so it would not be a surprise to learn that those industries were led by liberals. Furthermore, these were highly competitive grant and loan programs—not usually a hallmark of cronyism. Often fewer than 10 percent of applicants were deemed worthy.

Nevertheless, a large proportion of the winners were companies with Obama-campaign connections. Indeed, at least 10 members of Obama's finance committee and more than a dozen of his campaign bundlers were big winners in getting your money. At the same time, several politicians who supported Obama managed to strike gold by launching alternative-energy companies and obtaining grants. How much did they get? According to the Department of Energy's own numbers ... a lot. In the 1705 government-backed-loan program, for example, $16.4 billion of the $20.5 billion in loans granted as of Sept. 15 went to companies either run by or primarily owned by Obama financial backers—individuals who were bundlers, members of Obama's National Finance Committee, or large donors to the Democratic Party. The grant and guaranteed-loan recipients were early backers of Obama before he ran for president, people who continued to give to his campaigns and exclusively to the Democratic Party in the years leading up to 2008. Their political largesse is probably the best investment they ever made in alternative energy. It brought them returns many times over.

Illustration by Oliver Munday for Newsweek

These government grants and loan guarantees not only provided access to taxpayer capital. They also served as a seal of approval from the federal government. Taxpayer money creates what investors call a "halo effect," in which a young, unprofitable company is suddenly seen to have a glowing future. The plan is simple. Invest some money, secure taxpayer grants and loans, go public, and then cash out. In just one small example, a company called Amyris Biotechnologies received a $24 million DOE grant to build a pilot plant to use altered yeast to turn sugar into hydrocarbons. The investors included several Obama bundlers and fundraisers. With federal money in hand, Amyris went public with an IPO the following year, raising $85 million. Kleiner Perkins, a firm that boasts Obama financier John Doerr and former vice president Al Gore as partners, found its $16 million investment was now worth $69 million. It's not clear how the other investors did. Amyris continues to lose money. Meanwhile, the $24 million grant created 40 jobs, according to the government website recovery.gov.

One might think that the Department of Energy's Loan Program Office, which has doled out billions in taxpayer-guaranteed loans, would be directed by a dedicated scientist or engineer. Or perhaps a civil servant with considerable financial knowledge. Instead, the department's loan and grant programs are run by partisans who were responsible for raising money during the Obama campaign from the same people who later came to seek government loans and grants. Steve Spinner, who served on the Obama campaign's National Finance Committee and was a bundler himself, was the campaign's "liaison to Silicon Valley." His responsibilities included fundraising, recruiting more bundlers, and managing Obama's relationship with a cadre of very wealthy donors. After the 2008 campaign, Spinner joined the Department of Energy as the "chief strategic operations officer" for the loan programs. A lot of the money he helped hand out went to that same cadre of wealthy Silicon Valley campaign donors. He also sat on the White House Business Council, which is made up of Obama-supporting corporate executives.