Obama’s auto task force: a collection of Wall Street investors and asset strippers

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President Obama's auto task force has a March 31 deadline to approve updated restructuring plans by General Motors and Chrysler LLC under terms of the federal loan agreement. The task force—which has the power to revoke the loans and has not ruled out the use of the bankruptcy courts—is pressing for sharp reductions in the wages and benefits of autoworkers and a drastic downsizing of the auto industry.

The selection by the White House of the personnel to oversee the restructuring of the industry makes clear that its aim is not "saving" the auto companies, in the sense of preventing mass layoffs and protecting the jobs and living standards of autoworkers and the millions more connected to the industry.

On the contrary, the Obama administration has chosen representatives of America's financial elite, including former private equity investors and corporate asset strippers involved in previous restructurings, including in the airline and steel industry, where tens of thousands of workers were robbed of their jobs, wages and pensions.

As the *World Socialist Web Site* has noted, the near bankruptcy of Detroit is being exploited to destroy the gains of generations of autoworkers in order to make the auto industry a lucrative investment for the same Wall Street financiers who are responsible for the economic crisis. This attack will be used as a precedent for an offensive against the wages and conditions of the entire working class, in the US and internationally.

The task force is headed by Treasury Secretary Timothy Geithner—a key architect of the of the original Wall Street bailout under the Bush administration who, to the joy of Wall Street on Monday, laid out plans for another massive taxpayer-funded bailout of the banks.

Sitting along side Geithner will be National Economic Council Director Lawrence Summers. As treasury secretary under former President Clinton, Summers pushed for the deregulation of the finance industry and cuts in capital gains taxes. Both he and Geithner have repeatedly sought to limit restrictions on executive pay for financial institutions involved in the federal bailout, including at AIG.

A key adviser to the task force is billionaire investor and Democratic Party fundraiser Steven Rattner—a man with no experience in the auto industry. Rattner left a career as a *New York Times* business reporter to go to Wall Street in the early 1980s, where he rose through the ranks at Lehman Brothers and Morgan Stanley before landing the number two spot at investment firm Lazard Freres & Co., where he was an integral player in media mega-deals, such as the sale of Paramount Communications to Viacom.

In 2000, Rattner co-founded a private equity firm, Quadrangle Group LLC, which manages New York Mayor Michael Bloomberg's $13 billion-plus personal fortune and advises him on his media empire.

Rattner, a man who is insisting that GM and Chrysler workers accept brutal wage and benefit cuts, is immensely wealthy. According to *Fortune*, Rattner's "sprawling" Manhattan apartment building—also the residence of billionaire George Soros—"overlooks Central Park and the Metropolitan Museum of Art (where he is on the board). He has a horse-farm in North Salem, New York, in northern Westchester County, near his friend, New York City Mayor Mike Bloomberg, and is building a 15,575-square foot house on the water in Martha's Vineyard"—where he often pilots his private jet.

On his way up the financial ladder, the *Washington Post* reported, Rattner also became a central figure in Democratic politics and a leading fundraiser for Al Gore, John Kerry, Hillary Clinton and Barack Obama. His wife is former Democratic National Committee finance chairwoman Maureen White.

Perhaps the most significant figure on the task force is Ron Bloom—Geithner's senior adviser. Bloom's importance stems from his origins as a Wall Street investor and his experience in the restructuring of the US steel industry, which several commentators have suggested should be the model for automakers.

Bloom has been praised by the United Auto Workers union as well as such liberal publications as the *Nation*, as "labor's man" on the auto task force. Throughout his career, however, he has not defended the interests of ordinary workers. On the contrary, he worked for—and made a handsome fortune serving—the labor bureaucracy, protecting the income and privileges of top union officials during various restructurings that have left hundreds of thousands of workers without jobs and pensions.

After graduating from Harvard with an MBA in 1985, Bloom, like Rattner, worked for investment banker Lazard Freres under the tutelage of the firm's senior partner, Felix Rohatyn. The latter led the attack on city workers as chairman of Municipal Assistance Corp during the bankruptcy of New York City in the mid-1970s and advised Chrysler and the government during the 1980 bailout, which resulted in the destruction of thousands of jobs.

Bloom rose in prominence in the investment firm during a period when the unions dropped any resistance to the government-backed attacks by the employers and aligned themselves with the efforts to drive down the living standards of US workers to compete against economic competitors in Japan and Europe. It was during this time that manufacturing industries were systematically starved of investment, while vast profits were made through corporate takeovers and the crudest forms of financial speculation.

At Lazard, Bloom specialized in a scheme known as "workers' buyouts," or Employee Stock Ownership Plans (ESOP), in which the pension funds of workers were essentially raided in an effort to induce investors to take over failing companies. Bloom was involved in two failed ESOP attempts in 1989 involving the bitter Eastern Airlines strike and an effort by the Air Lines Pilots Association to buy United Airlines.

Soon after the United deal fell apart, *Fortune* reported, Bloom and another former partner at Lazard Freres, Gene Keilin, set up an "investment banking advisory boutique" that advised unions in such deals. In 1994, for a fee said to be $22 million, they helped the United pilots' union craft the successful buyout of United, in which the union got 55 percent of the company's stock in exchange for $4.9 billion in wage and benefit concessions. In the end, rank-and-file workers lost everything when their stocks were wiped out when the company declared bankruptcy.

In 1996, Bloom left his firm and became an adviser to the United Steelworkers union, one of his former clients. This position, the *Pittsburgh Post-Gazette* reported, "enabled Mr. Bloom, 53, to become one of the principal architects of the restructuring of the steel industry earlier this decade."

Citing the comments of Leo A. Keevican, a Pittsburgh attorney and investment banker who has known Bloom for more than 20 years, the *Pittsburgh Post-Gazette* said Bloom counseled the USWA to "focus on making steelmakers profitable rather than on the number of jobs." While his union roots make him sympathetic to the plight of workers and retirees, Keevican said, he's "a Harvard M.B.A., so he understands capital... Ron understands this will involve enormous pain for everybody."

Another *Post-Gazette* article noted, "The United Steelworkers has done much to stabilize the industry with ingenious actions that have both prodded and cooperated with management." Specifically, the newspaper noted, the USWA has "pushed for mergers among more than 80 steel companies big and small, the better to face the real competition—government-subsidized steel corporations overseas. That effort has included going to Wall Street to help finance the mergers. While this has meant sacrificing thousands of jobs, it has kept work from going overseas, saving slots for USW members and the wherewithal to provide benefits for retirees."

The union has also "agreed to relax work rules so that workers could be shifted more easily from one role to another" and "worked with management to deal with ‘legacy costs,' the increasing burden of pensions and health care for retirees."

During this time steelmakers unloaded billions of dollars in pension obligations onto the government's Pension Benefit Guaranty Corporation—where they were sharply reduced—and cut off more than 200,000 workers from their supposedly guaranteed medical care.

The union-backed concessions opened the door for various asset strippers to buy up failing companies and reap vast fortunes. One such figure was Wilbur Ross, a New York financier who took over LTV, Bethlehem, Weirton and other old-line companies and consolidated them into the International Steel Group. After the slashing of tens of thousands of jobs, the 17 top companies reported an after-tax profit of $6.6 billion in 2004. Ross sold International Steel to the Indian entrepreneur Lakshmi Mittal for $4.5 billion in 2005, pocketing billions.

Ross, who has carried out similar raids in the auto parts and coal mining industry, was the owner of the Sago Mine where 12 West Virginia miners were killed in 2006 due to unsafe conditions. He praised Bloom for his work with the USWA, saying, "Unlike what a lot of people think about labor leaders, (Bloom) has an extremely good understanding of the economics of business," adding that Bloom and other union leaders helped convince workers of the need to change quickly to make the business work.

In remarks to a steel industry conference in 2004, Bloom said the best route for creating and sustaining viable companies was a partnership between labor and "providers of capital." We recognize, he said, "in a capitalist society, over time, if capital does not earn a return it will stop showing up."

It was during this time that Bloom helped negotiate the setting up of a Voluntary Employees' Beneficiary Association, or VEBA, to relieve Ross's companies of most of their obligations for retiree health care benefits. A similar deal then followed between the steelworkers union and Goodyear Tire & Rubber, in which a union-run VEBA fund was set up to take over retiree health care while Goodyear removed a $1.2 billion liability from its balance sheet.

In 2005, Bloom's old firm, Lazard Ltd., was hired by the United Auto Workers union to review GM's finances in order to reduce its health care payments. A UAW spokesman, Paul Krell, told Reuters at the time that Bloom was involved on an informal basis to help the union review GM's finances. Krell called him "an old friend of the UAW."

The Goodyear plan became the model for the retiree health fund negotiated by the UAW bureaucracy in 2007—another scheme in which workers have been stuck with virtually worthless stock and will now face a drastic reduction in health care benefits.

Bloom, Rattner, Geithner and Summers are now in charge of the restructuring of the US auto industry. This can only mean that the most brutal attacks on workers are being prepared; attacks that can only be opposed by mobilizing the strength of autoworkers, independently of the UAW, and in a political struggle against the Obama administration and the financial elite for which it speaks. Such a fight must be based on unifying autoworkers in the US, Canada and internationally to take the auto industry out of the hands of the corporate executives and speculators that have run it into the ground, and placing it under the democratic control of working people, as part of a planned socialist economy throughout the world.