

Head of Obama's auto task force linked to investment fraud

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Steven Rattner, the leader of the Obama administration's auto task force, was one of the executives involved in an alleged kickback scheme with New York State's pension fund, according to a source cited in the *New York Times* and *Wall Street Journal*.

Quadrangle Group, the company Rattner co-founded, gave \$1.1 million to an associate of the New York State Deputy Comptroller shortly before getting a large investment from the state's \$122 billion pension fund, according to a complaint filed by the Securities and Exchange Commission.

The SEC complaint alleges that in 2005 a "senior executive" at Rattner's former private equity firm, Quadrangle Group, met with then-New York State Deputy Comptroller David Loglisci. The executive allegedly agreed to pay Loglisci's associate, Hank Morris, \$1.1 million as part of a kickback scheme to secure the pension fund investment. The pension fund's investments are overseen by the office of the comptroller.

An unnamed source told the *New York Times* and *Wall Street Journal* that Rattner is the man the SEC alleges to have personally met with Loglisci, and agree on a "finders fee" for Morris. The SEC has not yet taken any action against Rattner or his company.

The accusations are related to a long-running investigation into the New York State Common Retirement fund under Alan Hevesi, the former New York State Comptroller. The SEC alleges that about 20 Wall Street firms made illegal payments to officials in order to receive investments from the fund.

In total, Rattner's company paid \$1.125 million in "finders' fees" to an obscure Wall Street firm for negotiating the \$100 million investment. 95 percent of

those fees went to one individual, Morris.

Such "finders' fees," which pay a percentage of a major financial transaction to the party that negotiates it, are not strictly illegal. However, the SEC alleges that Loglisci used his position to steer the pension fund's assets to whoever offered to pay his associates the most money.

The SEC alleges that this transaction was set up at a meeting between Loglisci and a high-level executive at Quadrangle, supposedly about acquiring the rights to an independent film, entitled "Chooch," which Loglisci had co-produced. The SEC's complaint claims that once a deal on the film had been arranged, "Loglisci approved the proposed deal with the investment management firm" on the finders' fee.

Last month, both Loglisci and Morris were arrested on more than 100 counts, including "money-laundering, enterprise-corruption, and bribery charges," according to the *Wall Street Journal*. Their boss at the time, former New York State comptroller Alan Hevesi, was barred from office after pleading guilty to a charge of defrauding the government in 2006.

The SEC claims that Morris and Loglisci were working together to earn millions of dollars in payments in exchange for directing the pension fund's investments to the highest bidder. The two were involved in a "web of corrupt actions for both political and personal gain," according to New York State Attorney General Andrew Cuomo.

Rattner's former company manages, among others, the fortune of billionaire New York Mayor Michael Bloomberg. Rattner is Bloomberg's personal friend, and the mayor's strong endorsement helped him obtain his post as head of the auto task force.

Rattner's wife, Maureen White, previously served as

finance chair of the Democratic National Committee. Rattner has been a central figure in Democratic politics and a leading fundraiser for Al Gore, John Kerry, Hillary Clinton and Barack Obama.

The Obama administration quickly came to Rattner's defense on Friday. White House press secretary Robert Gibbs said that the Administration has "full confidence" in Rattner. "He's not accused of doing any wrongdoing," said Gibbs. "And he's not likely to face any criminal or civil charges as it relates to this," he added.

Gibbs also admitted that the administration knew about the scandal prior to appointing Rattner. "The pending investigation was something that Steve brought up to us," Gibbs said.

Obama has surrounded himself with people such as Rattner: Wall Street speculators, hedge fund managers, and the like. Rattner, as head of Obama's auto task force, has led the drive to dismantle the US auto industry and to demand even more concessions from workers by means of state-mediated bankruptcy.

In Steven Rattner is manifest the peculiar concoction of immense wealth, bought-and-paid-for politics, semi-official corruption and complete hostility to the working class that pervades the whole of Obama's auto task force. (See "Obama's auto task force: a collection of Wall Street investors and asset strippers")

These are people who grew unfathomably wealthy over the past few decades, in whose activity business and criminality are all but indistinguishable, who inhabit a world where money can come out of nowhere and all rules can be broken. And they are being brought in to "fix" the American auto industry.



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