

Amidst investigation into “pay-to-play” scheme

Steven Rattner steps down from Obama auto task force

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Steven Rattner, President Barack Obama’s Wall Street appointee to chair the “auto task force” that orchestrated the bankruptcies of US automakers General Motors (GM) and Chrysler, yesterday announced unexpectedly he will step down from the position. His post will be assumed by task force member and former investment banker Ron Bloom.

In a statement, Treasury Secretary Timothy Geithner indicated that Rattner’s decision to leave resulted from a “new phase” in the government’s involvement in the auto industry after GM and Chrysler emerged from bankruptcy. He said Rattner was leaving to return to private life and spend more time with his family.

However, Rattner’s former investment firm, Quadrangle Group LLC, is the subject of an ongoing “pay-to-play” investigation by New York state Attorney General Andrew Cuomo and the US Securities and Exchange Commission (SEC). Sources familiar with the probe and New York politics have speculated that Rattner stepped down because Cuomo’s investigation is intensifying.

During Rattner’s tenure as managing principal of Quadrangle, which controls over \$6 billion in assets, the firm gained access to a large investment from the state’s \$122 billion public worker retirement fund. The investment came after Quadrangle paid \$1.1 million to a close associate of then-New York State Deputy Comptroller David Loglisci.

Already, six suspects have been criminally charged in the case, among them Hank Morris, Loglisci’s friend who appears to have played the role of “fixer” in the deal. Sources have indicated that Rattner himself met with Loglisci prior to making a \$1.1 million payment to

a firm Morris controlled.

Quadrangle is one of about twenty large finance houses that allegedly concluded deals to gain access to the assets of the New York pension fund by offering forms of “finders’ fees” to associates of the New York comptroller’s office. At least two firms, including the powerful Carlyle Group, have already concluded out-of-court settlements with Cuomo. It is unlikely Rattner or Quadrangle will face criminal charges. A report in the AP on Tuesday cited sources stating that a similar settlement was being worked out with Rattner and Quadrangle.

Obama’s decision to place the jobs of hundreds of thousands of autoworkers, auto dealerships, and communities in the hands of an individual such as Rattner was no mistake. On the contrary, Rattner’s career as a financial deal-maker and asset stripper—including his firm’s attempt to gain control of a share of New York state’s retired workers’ pensions—made him an ideal candidate to oversee the plunder of the auto industry.

Rattner’s political connections go far beyond the petty offices of the New York state comptroller. Rattner maintains close personal and financial ties to New York City’s billionaire mayor and media tycoon Michael Bloomberg. He has also served as a major fundraiser for Hillary Clinton, John Kerry, Al Gore, and Obama himself. Rattner is married to Maureen White, former Democratic Party national finance chair.

His political connections and business history made Rattner a likely choice for “car czar,” the head of the auto task force announced in late February. In the restructuring of the auto industry, Rattner served as a direct representative of the finance industry and the

Obama administration. His role was to see through the bankruptcies of Chrysler and GM as the key component of a wide-ranging assault on the jobs and living standards of auto workers. This would serve, in turn, as a new salvo against the jobs, wages, and conditions of workers across the US, just as the Reagan administration's crushing of the PATCO strike of air traffic controllers had done in 1981.

Indeed, it has become unmistakably clear that the entire auto industry "bailout" was a carefully stage-managed affair, whose script was written soon after Obama had won the November elections. The Obama administration, along with former Bush administration officials, the Congressional leadership, and the media determined that restoring profitability in the auto industry could be achieved only through a program of layoffs, plant shutdowns, dealership closings, and wage, pay, and benefit cuts for remaining workers. This could be best achieved, it was determined, through bankruptcy court.

The most criminal role in the process was played by the United Auto Workers (UAW), an organization that years ago ceased to represent, in any way, the interests of the workers trapped within it. UAW executives were no doubt clued in from the beginning that bankruptcy was inevitable. In return for their campaign to demoralize and confuse autoworkers, the union executives were handed over major stakes in the restructured GM and Chrysler, which they hope will ensure their fat paychecks and perks for years to come—even as their impoverished rank-and-file union membership dwindles.

The UAW told workers that the only way they could save their jobs was to vote in favor of all the concessions that Rattner's auto task force was demanding on behalf of Wall Street. In fact, the real purpose of these votes was to defuse worker resistance and speed along the bankruptcy process once it was formally announced. Both companies emerged from bankruptcy proceedings after only six weeks (Chrysler on June 10 and GM on July 10), with courts briskly sweeping aside the claims of retired workers and aggrieved small investors.

It is telling that Rattner's replacement to head the task force will be Ron Bloom. Bloom, like Rattner, is a former Wall Street investment banker. In addition, he has intimate and long-standing ties to the union

officialdom that date back to his role in the brutal restructuring of the US steel industry in collusion with the United Steelworkers of America union in the late 1990s.

The class nature of Obama's auto industry "bailout" becomes most clear when it is juxtaposed to the far larger bailout of the finance industry. All told, the federal government has extended some \$62 billion to GM and Chrysler. But this was predicated on autoworkers accepting massive pay and benefit cuts, as well as an unprecedented round of plant closings, layoffs, and temporary shut-downs.

For the finance industry, the Obama administration has handed over approximately \$10 trillion—in direct cash infusions, guarantees on debt, and loans—with no strings attached.

The Wall Street executives, who earn more in their annual bonuses than many autoworkers will realize in a lifetime, have flatly rejected any limitations on their personal enrichment.



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