

Obama's car czar faces new lawsuits in kickback scheme

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On the same day that Wall Street celebrated a windfall from General Motors' stock sale last week, one of the chief architects of Obama's forced bankruptcy and restructuring of the US automaker was hit with two lawsuits. Steven Rattner is accused of participating in a kickback scheme to gain \$150 million in business from the New York State pension fund.

New York State Attorney General Andrew Cuomo filed the lawsuits against Rattner, the co-founder of the Quadrangle Group private equity firm, who was chosen by the White House to head the Auto Task Force. Cuomo is investigating illegal payoffs aimed at influencing investment decisions by pension fund officials who oversee \$130 billion in assets. Charges have already led to several guilty pleas from key players.

The attorney general is seeking a \$26 million settlement from Rattner and to bar him from the securities industry in New York for the rest of his life. The Securities and Exchange Commission has already obtained a less severe settlement with Rattner over the so-called "pay-to-play" allegations.

The *Wall Street Journal* reported that Rattner agreed to pay \$6.2 million in his SEC settlement. He is also banned for two years from associating with any investment adviser or broker dealer. Rattner settled with the SEC without admitting or denying wrongdoing.

On Monday, Henry "Hank" Morris—the former chief political advisor to former New York State Comptroller Alan Hevesi—pled guilty to securities fraud. He acknowledged that he had used his influence with Hevesi, who manages the New York pension fund, to steer investments to some of Wall Street's largest firms, including the Carlyle Group, HM Capital and Rattner's Quadrangle Group.

According to Cuomo's securities fraud suit, Rattner hired Morris for \$1 million as part of a scheme to win an investment for Quadrangle, which Rattner then headed. In 2004 and 2005, the state retirement fund channeled \$150 million to Quadrangle.

Rattner's former company reached a settlement with the attorney general's office last spring and agreed to cooperate in the probe of Rattner. Quadrangle issued a statement saying, "We wholly disavow the conduct engaged in by Steve Rattner. That conduct was inappropriate, wrong and unethical."

Rattner's evident involvement in the scheme underscores the criminal character of the Wall Street financiers who the Obama administration put in charge of destroying the jobs and living standards of auto workers. Selected by Timothy Geithner and Lawrence Summers—who were both deeply involved in the deregulation of the finance industry and the Wall Street bailout—Rattner wrote in his recently released book *Overhaul* that his lack of knowledge of the auto industry was not important. "This was not a managerial job it was a restructuring and private equity assignment," he wrote.

The crisis in the auto industry—provoked by the 2008 financial breakdown and the plunge in auto sales to the lowest per-capita rate since World War II—was used by Wall Street and the US government to destroy jobs and wages and transform the industry into a lucrative investment for the same speculators who provoked the catastrophe.

Rattner recently told investors that, after its restructuring, GM would soon "gush" profits. As for the lack of popular enthusiasm for an auto industry rescue, which benefited only Wall Street, Rattner told MSNBC, "The American people seem to have trouble processing the success not only of this [auto] bailout

but even the bank bailout. These are things that saved the country.”

Rattner left a career as a *New York Times* business reporter to go to Wall Street in the early 1980s. He rose through the ranks at Lehman Brothers and Morgan Stanley before landing the number two spot at investment firm Lazard Freres & Co. At Lazard 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.

According to *Fortune*, the man who demanded that auto workers accept poverty level wages and retirees do without optical and dental care lives in a “sprawling” Manhattan apartment building—also the residence of billionaire George Soros—which “overlooks Central Park and the Metropolitan Museum of Art (where he is on the board).” The magazine continued, “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.

With friends in such high places, Rattner has vowed to fight the lawsuits and accused Cuomo of “bullying” him. Rattner suggested Cuomo was resentful because Rattner and his wife had provided financial support for political rivals of the attorney general and now governor-elect of New York.

Having sought to loot the pension fund for thousands of New York state employees, Rattner worked with the UAW to offload GM’s retiree health care fund on the union, paid with GM stock. This was a key factor in boosting the value of GM shares last week. While the UAW officials cashed in—receiving more than \$3 billion during GM’s IPO—the union-controlled retiree trust is severely under funded and is expected to push through even deeper cuts in health care benefits.



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