

# Why is Ron Bloom representing Detroit's retirees?

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Ron Bloom, a vice chairman of Wall Street investment firm Lazard Ltd, has been quietly advising the union-controlled Detroit Retirees Committee as it prepares to oversee large cuts to retiree pensions and health care benefits.

A review of Bloom's career sheds light on the relationship of the finance industry and the trade unions, which operate—not as defenders of workers—but as business entities in control of huge investment funds connected to pension and retiree health care benefits.

Bloom has participated in more than 100 bankruptcies and restructurings, which have robbed hundreds of thousands of workers of their jobs and pensions. Bloom's career includes experience as an investment banker and high-level advisor to the United Steelworkers (USW) and United Auto Workers (UAW) bureaucracies during the restructuring of the steel and auto industries.

Bloom attended Harvard Business School before taking a job with Lazard Freres & Co. One of Bloom's main areas of focus at Lazard was working to preserve the financial interests of the union executives in corporate bankruptcies and other types of restructuring. Bloom specialized in schemes known as Employee Stock Ownership Plans (ESOPs), which were used to get rid of pension liabilities owed by failing companies in order to induce new investors to buy the companies out.

Under the ESOP schemes, workers were forced to invest pensions in stock to "save" the company. Meanwhile, union bureaucrats were given seats on the board of directors, where they told workers to accept layoffs, pay cuts and a ban on strikes to keep their "worker-owned" corporation afloat. Invariably, the companies went bankrupt and workers lost their pensions. Bloom was a leading innovator of such

duplicitous forms of class warfare.

In the early 1990s, Bloom set up an "investment banking advisory boutique" to advise unions involved in workers buyouts and similar schemes.

In 1996, Bloom began serving as a senior adviser to the USW. In an article, "Meet Obama's Car Czar Turned Manufacturing Overlord: Ron Bloom," the *Wall Street Journal* wrote that Bloom left investment banking "to work as a top adviser to Leo Gerard, the union leader who now is president of the United Steelworkers. In a dramatic overhaul of the struggling US steel industry during the 1990s, Bloom and Gerard worked on dozens of bankruptcies and workouts, some of which forced steel workers to give up pay and job security to restructure the industry."

Citing Pittsburgh investment banker and long-time Bloom associate Leo Keevican, the *Pittsburgh Post-Gazette* wrote of Bloom's role in the steel industry restructuring that he advised the USW to "focus on making steelmakers profitable rather than on the number of jobs," and stated that Bloom is "a Harvard MBA, so he understands capital."

"Ron understands this will involve enormous pain for everybody," the *Post-Gazette* wrote.

In April of 2002 and February of 2003, Bloom worked on the takeover of LTV Steel and Bethlehem Steel by International Steel Group, setting up a Voluntary Employees' Beneficiary Association (VEBA) for employees of LTV and Bethlehem while slashing tens of thousands of jobs. Beginning in September of 2003, Bloom worked on behalf of the USW to extract concessions from workers at Goodyear Tire and set up a VEBA there.

Under a VEBA, the company dumps any future obligations to pay retiree benefits by setting up a fund—worth only a fraction of what it owes—which it

hands to the unions, which are then in charge of overseeing medical benefits. This gives the union apparatus a direct incentive to cut the benefits of retirees and have these workers die as soon as possible, thereby allowing the union to pocket the surplus. This is precisely the sort of maneuver Bloom has built his career around.

When it sought to carry out the destruction of auto workers' jobs and living standards, the Obama administration selected representatives of the financial elite, including corporate raiders and asset strippers with experience restructuring the airline and steel industries. Among them was Bloom, who was appointed to Obama's Auto Task Force to restructure General Motors and Chrysler in 2009—a process in which he worked with the UAW to destroy thousands of jobs, slash benefits and halve the wages of new workers.

Bloom, who had worked to set up VEBA's at the Detroit automakers in 2007, helped work out the deal in 2009 whereby the UAW accepted 50 cents on the dollar to relieve the corporations of their retiree health care obligations.

After spearheading the Obama administration's restructuring of the American auto industry, Bloom was re-hired by Lazard as a senior advisor.

“What I've tried to do my whole career is work on situations where there are multiple stakeholders and the solution isn't obvious, but if people work together, they get a better result,” Bloom said. “That's very consistent with what Lazard tries to do.”

The bankruptcy of Detroit is following a similar scenario. The VEBA included in Emergency Manager Kevyn Orr's Plan of Adjustment will be used to transfer a half-billion dollar slush fund to the unions, which will have responsibility for cutting benefits. From the get-go, the VEBA will be massively underfunded, guaranteeing that there will be severe cuts for 23,500 retirees and their families.

Bloom's role in advising the Retiree Committee in Detroit also points to the close involvement in and support for the bankruptcy operation by the Obama administration, which sees Detroit as a test case for the destruction of public employee pensions and benefits throughout the US.

The fact that such a man has been chosen by the unions to “represent” retirees only underscores the fact

that the court-approved committee does not defend the interests of the retirees, but those of the union executives. That is why a struggle to defend the hard-won pensions and health benefits of retirees requires the mobilization of the working class independently of the unions and the Democratic Party. Such a movement must reject the demands of Wall Street and intransigently defend the social rights of the working class.



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