



## Lessons Learned Oral History Project Interview

<b>Interviewee Name and Crisis Position</b>	Sadiq Malik <sup>1</sup> Member, Obama Administration's Task Force on the Auto Industry
<b>Interviewer Name</b>	Mary Anne Chute Lynch (Contractor) Yale Program on Financial Stability
<b>Date of Interview</b>	November 11, 2020
<b>Lessons Learned No.</b>	2020-24

### Introduction

The Yale Program on Financial Stability (YPFS) contacted Sadiq Malik by email to request an interview regarding his time as a member of the Obama Administration's Task Force on the Auto Industry, established during the financial crisis of 2007-09.<sup>2</sup> The group was charged with restructuring the industry, particularly Chrysler, General Motors, and Ally (formerly GMAC).

The Auto Task Force worked intensively from early 2009 through December 2009 to swiftly negotiate with the corporate leadership, unions, investors, and stakeholders, to save the auto industry and millions of jobs in the United States. Malik helped take General Motors through its bankruptcy reorganization, the largest industrial bankruptcy in US history. He also helped Steven Rattner chronicle the team's work in Rattner's book, *Overhaul: An Insider's Account of the Obama Administration's Emergency Rescue of the Auto Industry*.

Malik is currently Managing Director at Digital Bridge and [Digital Colony](#).

***This transcript of a telephone interview has been edited for accuracy and clarity.***

### Transcript

**YPFS: What were the dates that you were on the Task Force?**

Malik: March of 2009 to December of 2009.

**YPFS: The Auto Task Force addressed the auto parts suppliers, the auto finance companies, stakeholders, dealerships, and more. What guided the team's decisions and interactions?**

---

<sup>1</sup> The opinions expressed during this interview are those of Mr. Malik, and not those any of the institutions for which the interview subject is affiliated.

<sup>2</sup> A stylized summary of the key observations and insights gleaned from this interview with Mr. Malik is available here in the Yale Program on Financial Stability's *Journal of Financial Crises*.

Malik: At a very high level, the objective, the mission was to deal with the situation and the crisis as commercial entities would deal with it, to the extent that a commercial entity had access to capital and the ability to help navigate the crisis and the financial crunch that the auto industry was facing. That's, at a very high level, how we navigated that thought process as we dealt with the various groups in the value chain in the auto industry.

**YPFS: There were critics who said that General Motors (GM) and Chrysler brought their near bankruptcy on themselves. Chrysler had taken money from the government 30 years previously. What was your view on bailing out the auto companies?**

Malik: Personally, I think it is a very tough dilemma. Should the government or the public sector be involved in bailing out private enterprise? It's not an easy decision. However, the public institutions deal with the private sector in many other ways, both in good times and bad times. My personal view is that at some point—in some forms in certain situations, which are crises—the public institutions do have to step in, such as when the private sector stops functioning as it's meant to function.

That is exactly, I think, why the government exists—to make sure that if the private sector is failing, that they can step in to stabilize it. Otherwise, there would be chaos. My personal view is that if the private sector could have solved the problem, it should have been left it to the private sector. But, if the private sector was not willing to step in as at that time—given the liquidity crisis, the private sector was not willing to step in, especially with the size of the checks involved and the amount of damage at stake for the public sector—it seemed the government had to step in to help stabilize.

**YPFS: Steve Rattner said Chrysler and GM had the weakest financial operations he had ever seen, and they needed gigantic reductions in healthcare, labor costs and their manufacturing footprint, but they were in denial. How difficult were your negotiations with the companies?**

Malik: I wouldn't characterize them as difficult; I would characterize them as a discussion to help them understand and come to another way of looking at the situation. I think from the inside, they couldn't see the bigger picture with a 360-degree view because they were inside. Organizations, over time, can tend to become myopic and just focus on their own internal views. I think it was more about having a discussion with the management teams and giving them an opportunity to say, "Look, the world is falling apart. The crisis is intense. It could last longer than you think." Any crisis should be taken as an opportunity. You shouldn't let a crisis go to waste. So, what do you need to do to survive? You need to really think hard about your business. As Steve Rattner says, they may have all those points that Steve raised in his comment, but the

conversations weren't difficult. I think they required persistence on our part to help them understand how to view the crisis.

Frankly, I think once we had discussions with the management teams—I worked with GM specifically. I wasn't as involved in Chrysler and the auto supply businesses or the finance companies but specifically GM—we had to go back and forth. Their teams, the management teams, came to see that this is an opportunity to right-size their business so that it can function. The next time a crisis of this nature comes around, they can survive and thrive and not come back to the government looking for a bailout. That really was the down effect.

**YPFS: How did you end up working with the GM management team and not with some other aspect of it?**

Malik: We were a small team on the Auto Task Force doing the work. GM had three people on it; Chrysler had three people; the auto finance company had three people. It was divided apart, and we had to—like anything in the private sector when you're dealing with three different situations—you assign people. I was assigned to GM. It was just the luck of the draw.

**YPFS: Who was on your group?**

Malik: It was Harry Wilson, David Markowitz, and me.

**YPFS: You had a nickname. The Wall Street Journal reported in an article about the Task Force that dealt with GM, that it was an elite group, the “deals and diligence team.” Why did you get that name?**

Malik: I never heard that. I don't think we ever called ourselves that, but I can see why somebody would say that because we were doing a lot of diligence.

**YPFS: They put that name specifically on the group led by Harry Wilson.**

Malik: I can see why. Harry is into data. He is driven by numbers, and he is driven to find solutions. He's an in-depth person; he likes to focus on diligence and the issues, and then find a solution.

**YPFS: The government asked GM to go back twice and come up with better plans. Did you tell GM budget constraints, or did you have numbers you had to achieve for the Economic Council, or how did that all work out?**

Malik: When we came in, I think, GM had come around. The auto companies had already come once to the Treasury under President Bush, and a process was already in place. At some point the transition team of President Obama got involved, but I wasn't a part of that. Some of the people who were on the Auto Task Force were initially involved in that. They may have reviewed the

business plans and realized that they were sort of an ostrich head stuck in the sand. They were coming to us because the private market was not functioning. They couldn't go to a private source of capital, to the bank or alternative source of capital to help them, so they went with the government because they needed help.

The Auto Team asked, if we were the private sector, and somebody came to us to ask for a bailout, how would we think about it? That was the objective. We were critical, and we viewed the business plans from the lens of a private lender or a private person bailing them out. We wanted the management teams to make plans that were realistic and not impractical and would solve the problem and permanently fix the issues inside these companies.

**YPFS: Were you suggesting what those plans should be?**

Malik: Not at all. No. We were like any critically thinking person. We looked at the plans thinking, if the Treasury is going to bail out, the US government is going to bail out the auto companies—that really is taxpayers bailing out. From our perspective, we had a significant amount more pressure to do right by the taxpayers. It's not our money. It's the money of the taxpayers. When you look at those plans, you want them to be critically thought through.

We went back to the management teams and we questioned. It was more of us asking the right questions regarding the business plan. We were showing GM, the demand for cars is down by 40% or 50%. It's gone from 16 million to 10 million annual car sales in the US. If such a market were to continue for a while, what would you do? They would say, 'we will probably have to do X, Y, and Z,' and we would say, 'well hold on; have you thought about X? We would get out of these brands. Why are you getting out of one brand? Why not get out of three brands?' It was more of that type of critical thinking and questioning to make sure they were thinking about the crisis and solving the crisis in a more realistic manner. I think it gave them an opportunity—the management team—to say, 'Look, the crisis is bad; it can go longer; what do we need to do? Do we need to cut benefits? Do we need to rework our liabilities on our balance sheet? Do we need to rework our relationship with our suppliers, and the contracts we have with them? What about our relationship with our dealers?'

It was an opportunity for them to use the crisis as something that can get them to a more enjoyable path to success. We did not push them in any direction. It was more asking the right questions so they could get to the right plan on their own.

**YPFS: What was the process while negotiations were taking place? Did you report to Steve Rattner, the entire Task Force every day, or to whom did you report?**

Malik: Yes.

**YPFS: Did you meet with the auto company representatives every day?**

Malik: The [Auto Task Force] team would meet every day in the morning, 7:00 AM or 8:00 AM, and we would dig through daily agenda items. Everybody would update the team on what was happening, and then we would figure out what the schedule says to accomplish that day, and we'd go off and do it. The next day would repeat itself. That was generally making sure everybody is addressed and is bringing issues up to the team on a larger level, and people are having a quick discussion on coming up with the right solutions for that day. So, bottom line, this was just a meeting in the morning to update everyone within the Auto Task Force. The GM team, the three of us, would spend time on the diligence in the business plan, work with the management teams, and think about how to restructure the business. Given the crisis was so bad, we thought it was probably best to file for bankruptcy because that's probably the best way to restructure the business and the quickest way to do it. But the management team had to come around to this thinking on their own based on the analysis they did and the business plan they prepared.

**YPFS: How did you get to that point? Did you go out to Detroit? Did they come out to you or how often were you hashing this out with the auto management team?**

Malik: We basically had a schedule where, Monday morning we'd all meet in the Treasury, go through all our agenda items, and then fly out to Detroit Monday or Tuesday, stay there Tuesday, Wednesday, working with literally the senior executive; working on daily sessions with the management team. We'd fly from there to New York, where their lawyers were, spend a couple days there, digging through the legal aspects. It was two days in New York, two days, in Detroit, two days in DC, and a day spent traveling basically.

**YPFS: Their management was spread apart?**

Malik: The management team was mostly in Detroit, but GM's finance team was in New York. The finance team is still in the GM building in Manhattan, and we had financial advisors, legal advisors for the Treasury, and General Motors also had their advisors. A lot of them sat in New York, a lot of the legal work, the bankruptcy preparation happened in New York.

**YPFS: Did you think that was an effective method or would you recommend something else in a future situation?**

Malik: Given the type of issues that GM and Chrysler faced—these are very old companies that have been around forever. Over the years, they had all sorts of liabilities. They have a massive balance sheet, lots of leverage, lots of liabilities related to pensions, labor. They really had grown; they were big companies that had become small because of competition. All these foreign brands, which now had come to the US and set up factories—Toyota, Honda, the European

car makers, the Asian car makers—they had encroached on the market share of the US car companies. The US auto companies were meant for a time when they essentially controlled the market, which they no longer did.

Given the crisis and given the need for speed, I think doing the expedited bankruptcy reorganization was the fastest way to achieve a stabilized business. Otherwise, it would have taken forever. Getting to the other side was quickest with the bankruptcy, which I think produced a good outcome because rather than having it drag out over years, with the expedited bankruptcy, you were in and out in a month and you were done. They created a new GM, and it stabilized them, and they were able to move on with life. I think it that type of expeditiousness is good for the system, especially in time of a crises.

**YPFS:** **Half the board of directors were replaced at GM, a new chairman was brought in from outside the industry, and there was a new CEO. Are these things that you would suggest in any restructuring or in a future situation like that?**

Malik: Yes. I think the board is the most critical part overseeing the management team. They sign off on all the large strategic decisions. To create real change inside an organization, you need to start from the top and go all the way to the bottom. I think it is imperative to replace the board.

**YPFS:** **Half the board was replaced. Were you involved in interviewing those members?**

Malik: Yes. The Treasury was obviously the largest shareholder on behalf of the US taxpayers. We felt an obligation to, at least, vet the candidates. There were lots of people who wanted to serve on the board of GM as more of a public service. It was more because they felt this was a US institution, and this was somewhere they could add value. We wanted to put a world-class board together, so we interviewed some people, and with the existing board and the new board members, we were able to create what I would argue, was a world-class board.

**YPFS:** **What about bringing a chairman in from outside the industry? Do you think that's important?**

Malik: The board did have some members who were not from the industry. The point is that when there's a crisis, and there's an existing board, and the situation they're in has happened under their leadership, it's hard to leave that board intact. There's no way that a private investor would not have replaced the entire board in a company having to go through bankruptcy and looking for a circa \$60 billion massive bailout. If you were putting your own money into a company which was basically falling apart, would you leave the top people the same or would you try to create change?

It was important to replace the board, bring in new people with different perspectives, and yes, bringing somebody from outside the industry always helps, whether it's the chairman of the board or it's members of the board.

**YPFS: Did you consider any other options than the expedited bankruptcy?**

Malik: We looked at it from the private market view. Could you raise capital from private sources? Would they give capital without taking the company into bankruptcy? Honestly, nobody stepped up at that time, and we worked with the management team for different ways of running their numbers, but their cashflow profile, their financial profile was such that their liquidity needs were massive. There was so much in liabilities that if you just gave money, you're not sure if or how you would get your money back. Going through the bankruptcy path has allowed you to create more value and more ability to make your money back.

**YPFS: Through the government, \$80.7 billion went into the auto industry and taxpayers lost \$10.2 billion. What are your thoughts on that shortfall? Should the government have demanded more from the auto companies or the unions? The unions didn't take any pay wage cut.**

Malik: In hindsight, we could have done many things differently. But, at that moment, the overarching objective was to make decisions as a private investor would be trying to do. How would they deal with it? There were lots of liabilities, whether they were pension related, creditors who lent money, suppliers who were owed money.

We looked at some analysis on how Wilbur Ross and private investors in the steel industry during their bankruptcies, had negotiated terms post-bankruptcy, what sort of recovery was given to the creditors, the suppliers, pensioners. We thought what we came up with was consistent with the give and takes of any private market negotiation. Various stakeholders took haircuts. Some more than others. I'm pretty sure that the suppliers, who were owed money, got all their money back because if you don't do that, you basically bankrupt the suppliers, and if you do that, how do you get the parts? If you don't get the parts, how do you make cars? It was meant to be like a commercial decision process and as part of the back and forth the Treasury ended up with a certain stake in GM. GM did not make its money back. But Chrysler and the auto financial companies, they made their money back and maybe some more. And the GM case was interesting. There's a moral dilemma here because the government had a big stock equity stake in GM.

It was always an internal debate. Within the Treasury, there was a group of people who felt that the government should not be a big equity owner of large private businesses, because their view was that that kills private investment. Then, there were people who felt that, if you come to the Treasury to ask for

capital, the government is going to take all the appropriate protections for the taxpayers and if that meant a large equity stake, so be it. There was always this debate within the Treasury, and we had a big stake in GM on behalf of the taxpayers. The Treasury owned more than 50%. After I left, there was a team of people who were looking after the GM investment, and the other auto investments. It seemed what may have happened is there was a decision made that the government shouldn't stay involved, and they just sold all the stock. If you sell your stock too quickly, you lose the ability to make gains on future stock price increases. You'll crystallize your losses. I think that the Treasury decided to do that, not waiting for the stock price to go up.

**YPFS: Steve Rattner said that the White House under President Obama never tried to use the restructuring to advance any policy goals. Do you think that's advisable?**

Malik: Yes. I'm not sure if policy goals are the word. I would use the word political goals. I think, if you have a team of professionals dealing with a professional crisis, then you should leave them to do their job so they can do what's best for that particular situation, instead of trying to win political points, which can have second and third degree affects. In my position, I never felt any pressure politically from anybody to do anything. Our goal was: Do your job. Figure out what's the best way to help restructure GM, and work with the management teams to find the right business plan. That's what we did.

**YPFS: Do you think that's been the case with the current economic crisis, or what is your view now that you're in the private sector?**

Malik: Well, I think the current situation is—the country and the situation are very political. In this administration, there's a desire to achieve its goals—dealing with a crisis in a very political way and not in a scientific, professional manner. But that's where the country is at this point.

**YPFS: What do you think is needed in a nation's leader to be able to bring about a rescue such as you enacted, and what is needed from the Task Force members?**

Malik: I think the leader needs to be self-aware that there are professionals who deal with situations of this nature, and to find the right people to deal with the problem. Then, to the extent you tap into those people, you need to give them autonomy. There's oversight, but you need to give them the right governance structure within which they need to work, with a level of autonomy with the right checks and balances. It's not free autonomy. There must be some overarching objective, but you need to make clear that you are not going to let your political objectives get in the way of the right solution. The process must be played out. If you start interfering with the process of finding the right solutions for your own political objectives, everything falls apart. The leader



is self-aware, allows for finding the right experienced professionals to deal with a crisis, gives them the right level of autonomy to achieve their goals without political objectives.

**YPFS: Do you think enough changes or regulations have been put in place, or enough monitoring, to prevent auto companies or other sectors from repeating this scenario? What do you see as recurring issues that leave companies and the economy vulnerable?**

Malik: I think you cannot assume that this new crisis is the same as the last one. It's obviously a different crisis, and now the companies that are suffering are hotels and restaurants, travel industry related. It's a very different situation, and these companies did not suffer the same way in 2009. It's the type of crisis you face. I think management teams need to want their businesses to be ready for various outcomes.

And you never let a crisis go to waste. If you look at the 2009 crisis, at least what we faced then, and you look at the companies that faced that crisis and suffered the most—let's say the auto companies—they now, in this current crisis, have not suffered the same fate. Car sales went down but didn't go down for that long. The idea was that you restructure GM and Chrysler in a way that they don't come asking for capital again. This crisis has shown that the auto companies are in a much better position today. Their balance sheets are better, and if sales go down, they can weather it.

Frankly, I think the airline industry also went through restructuring in the last couple years. You would have thought that in the present day, they would be in a better position to deal with a crisis. To ask the hotel industry or the airline industry to be ready for a crisis of this nature, may be too hard a pill to swallow. Do you keep a year's worth of cash on your balance sheet because the world may come to a stop for a year? Shareholders probably will not be too happy about that.

**YPFS: For the benefit of future policy makers, national leaders, and world leaders, what would you advise and what would you do differently if the situation occurred again with any company? What are the lessons to be learned?**

Malik: The advice would be that a leader needs to be self-aware, know his or her strengths, have the right team around, and that team will need to have the right level of autonomy to make decisions, and the authority to proceed with the right checks and balances and the right objectives. In crises, that's how you need to function. But once the crisis is over, you've got to deal with why companies failed in a certain way because of that crisis? Is it a fundamental problem with our society, or is it a fundamental problem with that industry?

Those issues must be dealt with in non-crisis times through policy decisions to strengthen those companies.

What would I do differently? It's not what I would do differently, but it's an interesting observation. One of the reasons we were successful was because we could take part in the Troubled Asset Relief Program (TARP). The TARP program gave capital to the Treasury to use, hundreds of billions of dollars at their disposal to help stabilize the economy and different companies that were going through crises.

If that capital had not been passed by Congress and had to be approved every time you were bailing out a business, I don't think we could have done our job. Point being, that politics can be a tricky situation, and if politicians must make decisions on every capital investment during the crisis, no decisions might get made because of the political fighting. Not that I would do it differently, but that is an interesting observation that if there's a crisis the next time around, it probably is better to get some large level bailout money approved by Congress and put aside, so when the technocrats are doing all their work, and the Treasury Department, or the White House, or the economic team make recommendations, we can move quickly versus waiting for the approval from Congress.

**YPFS:** **How do you see this current situation playing out in comparison to that? What do you think a recovery is going to look like? Or are we going to go down worse?**

Malik: I think it's a different crisis. It is really the story of two halves. The people who are educated or well-off are doing even better, and the people who are not too well-off are doing worse because of the strange way this crisis has hit us. This is a more of a political policy question, which is how do you deal with this? It's more a question of how do you move people up on the education side? Is that an issue of technology displacing workers, which has been amplified in this crisis?

Amazon's doing great, but what this crisis is showing is certainly amplification of automation, technology, being more important in our lives. The skill set of the labor force needs to change to accommodate the change in the overall setup of the economy. We don't need the same skilled labor force that we did 50 years ago. We need a different type of skilled labor force.

That's really a massive policy question. How do politicians see that? I don't know how the crisis is going to play out. All I know is that this amplifies the need for policy around exactly what I said about training your labor forces and population to be ready for the demands of the future.

**YPFS:** **Do you think if there were an equivalent of a TARP fund, it might be different, or it wouldn't matter in this equation?**

Malik: They did a little bit with improving the safety net. They got some approvals. The reason you have a TARP budget is because of banking being in the regulatory system, and the U.S. Treasury can regulate those banks. Who in the government is there to look at airline industries, hotel industries, small businesses, and how will you bail out all that? Bailing out the banks is something you can do because you oversee and regulate that. That's what TARP was meant for—bailing out the financial industries. The auto industry was there for the ride because the autos had the finance companies and the finance companies were part of TARP, and through that, the ability to bail out GM and Chrysler. It's very hard for government to get involved in bailing out non-financial companies as those are not actively regulated like the financial industry is.

**YPFS: That is a dilemma.**

Malik: It's a different type of situation. I think what they're trying to do now is—and I am not an expert on how they're dealing with this crisis because I haven't focused on it—but it's to make sure that companies keep paying their employees, keep them on their payroll. That's what they did with the airline industry, give them some money so they can keep paying their employees. The employees are not laid off, and they keep spending money, and then maybe travel comes back, and over time, those jobs weren't lost. You don't have to fire people and then rehire them. It's a different way of dealing with it, and that's how they've tried to deal with it this time. But how many companies can they look at and bail out?

**YPFS: What is your assessment of the economic response to the COVID pandemic?**

Malik: I haven't studied it enough.

**YPFS: That's fine. Do you think there are specific lessons to be learned from the Global Financial Crisis of 2007 to 2009 that are vital to the current economic response?**

Malik: It's what I said earlier. It's how New York State, Governor Cuomo looked at the crisis and came up with solutions. Maybe that's another way of thinking about it—look within the states. Some states have acted a certain way and others have not. The issue is which states did the right thing?

**YPFS: What do you think are the most significant achievements of your three-person group and the Auto Task Force?**

Malik: I think one was being able to deal with the scale of the problem, size it and respond to it. Under time pressure, being able to find and look at the scale of the issue, which was massive, size the problem, find a solution, and aim for

that. I think that is what I'm most proud of and, I think, our team is most proud of.

**YPFS: Do you think that could be done today with what we're facing?**

Malik: Yes, absolutely. I think, when you're in a position of power, like the president and the executive branch, it really is to you to set the agenda for the country, set a vision and create a sense of calm when things are not calm. I think it can always be done. You can always do that, and you can't always do it better, but at least you need to try.

**YPFS: Are you saying that to look for a solution, they should look at the states and how they've handled it, or have a national vision? Where are you saying they should get the solutions, having a national policy?**

Malik: I think in many ways, people need a sense of calm, vision, and a high-level policy objective that they can work towards. It doesn't have to be 100 percent right because you're never going to get it 100 percent right. You're dealing with so many uncertainties in a crisis, that you will never get it 100 percent right. But, as long as you are being focused and thinking about setting a goal for a country, knowing that you may have to change it along the way because the situation changes, and giving the people you are representing at the executive branches, presidents and others, it's one of your key responsibilities to create calm in the country, to show that there's a far-out effect and execute towards [that goal]. People will understand and forgive you if you do it genuinely and try to find the right solution and the right structure. But, to keep it chaotic is not sensible at all.

Suggested Citation Form: Malik, Sadiq, 2020. "Lessons Learned Interview." Interview by Maryanne Lynch. Yale Program on Financial Stability Lessons Learned Oral History Project. November 11, 2020. Transcript. <https://ypfs.som.yale.edu/library/ypfs-lesson-learned-oral-history-project-interview-malik-sadiq>

Copyright 2020 © Yale University. All rights reserved. To order copies of this material or to receive permission to reprint any or all of this document, please contact the Yale Program for Financial Stability at [ypfs@yale.edu](mailto:ypfs@yale.edu).