



Lessons Learned Oral History Project Interview

Interviewee Name and Crisis Position	Steven Rattner ¹ Counselor to Secretary of the Treasury; Lead Advisor on the Obama Administration's Task Force on the Auto Industry
Interviewer Name	Mary Anne Chute Lynch (Contractor) Yale Program on Financial Stability
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Introduction

The Yale Program on Financial Stability (YPFS) contacted Steven Rattner by email to request an interview regarding his time as the Counselor to the Secretary of the Treasury and head of the Obama Administration's Task Force on the Auto Industry, established during the financial crisis of 2007-09.²

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 July 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. Rattner chronicled their efforts in his book, *Overhaul :An Insider's Account of the Obama Administration's Emergency Rescue of the Auto Industry*.

He is currently the Chairman and Chief Executive Officer of [Willett Advisors LLC](#), the investment arm for former New York Mayor Michael R. Bloomberg's personal and philanthropic assets. In addition, he serves as the Economic Analyst on MSNBC's Morning Joe and is a contributing writer to "The New York Times" Op Ed page.

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

Transcript

YPFS: You stated you were vacillating on participating in the task force team and it cost you \$400,000 in legal fees. What made you decide to do that?

Rattner: To vacillate or to do it?

¹ The opinions expressed during this interview are those of Mr. Rattner, and not those any of the institutions for which the interview subject is affiliated.

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

YPFS: **Yes, to get involved, to decide you were going to commit to it.**

Rattner: The country was facing a huge economic and financial crisis. I had spent my life in finance. I wasn't an expert on autos, but I just felt it was my time to serve.

YPFS: **You also mentioned that because of things like the legal fees, it is hard for people outside of government to become involved, and to bring in the brightest minds.**

Rattner: It was very hard. The legal fees were a piece of it and mine were probably higher than most because my financials were a little more complicated than most. But it was difficult for a lot of people. The vetting process was appropriately severe or tight, and so many people who wanted to serve or whom they wanted to serve, had some set of conflicts or issues or whatever. So, it was not easy to get to serve; for most people it was hard in one form or another. For me it was just complicated.

YPFS: **Do you think there is anything in a future crisis that the government could do to avoid that or even in general?**

Rattner: I think you have the challenge of tight vetting. The Obama administration, unlike the current administration was particularly tight about it. They could have probably been a little bit less rigid about some of the very, very minimal issues that came up as people were vetting.

YPFS: **Did you pick the task force team?**

Rattner: Basically, yes.

YPFS: **How did you decide what experts you needed to pull in?**

Rattner: We thought about it as a business plan that I worked on with early colleagues. We sat down and went through the types of people we needed, what the jobs were, how many people we wanted. We spoke to our superiors, presented it to our superiors, and got approval and then went out and hired roughly 15 people.

YPFS: **You stated in various talks at Brookings and in articles in publications such as "Fortune Magazine," that Chrysler and GM had the weakest financial operations of any you had ever seen and needed gigantic reductions in healthcare, labor costs, and their manufacturing footprint, but they were in denial. How did you get that message across to them to get the changes you needed?**

Rattner: A lot of patient coaching and coaxing, and when it was necessary, when it came to it, basically telling them this is the way it had to be. When you are a company and you are in distress, near bankruptcy, whatever you want to call it, and

somebody is offering you money, you do tend to respond to that and listen to what they have to say. There is an old expression on Wall Street, "He who has the gold makes the rules." And we had the gold, that is, the money they needed

YPFS: **You also mentioned that there was one group that worked with Chrysler and one group with GM. What was your role in those two groups?**

Rattner: Well, it was more than two groups. There was a group that worked with Chrysler, there was a group that worked with GM, there was a group that worked with the finance subsidiaries. We had a legal team, two lawyers. There was a group that worked—that was a liaison, if you want to call it that—with the White House on policy issues. So, we had probably five different groups that all reported to me, and I supervised all of them.

YPFS: **You were in an exhausting role.**

Rattner: Well, we all were. We all were. I was not working any harder than anybody else. We all had a lot to do.

YPFS: **You also mentioned there were three groups involved at the cabinet level, the sub-cabinet level, and the task force. What did the different groups contribute, and would you recommend that arrangement in the future or would you streamline it to fewer?**

Rattner: That arrangement was really, frankly, window dressing. It was important to show the constituents in the outside world that there was engagement in this project at the highest levels. And there was engagement at the highest levels, but it was in a more streamlined way through Larry Summers and Tim Geithner whom I reported to, and from them up to the president, Rahm Emanuel, the chief of staff, and so forth. We did have a couple of meetings, maybe two, with these other kinds of groups, and those, quite frankly, were to give some comfort to the outside world that there was engagement at high levels.

YPFS: **It was the task force then, that was mostly doing the work?**

Rattner: Yes. The task force did all the work.

YPFS: **Okay. What would you say is needed in a president or leader of a country that goes through a crisis like this to bring about such a rescue?**

Rattner: What is needed in a president or leader?

YPFS: **Yes, who is facing this, and what is needed from the task force?**

Rattner: I think that this was set up as well as it could possibly be. We had a leader, that is, the president, who understood the problem, understood it had to be dealt

with, understood it should be dealt with as little politics as possible, understood that we should not be looking for short-term, band-aid-type solutions, but for solutions that would be permanent and really fix these companies, fix the industry.

And then the last thing I would say is—and this is a bit of luck—we had, under the Bush administration, money, intended mostly for the banks, but it was available to us, and that allowed us to put money in these companies without going through Congress, and that was an important piece. So, I would say all those different pieces were integral.

YPFS: **It is interesting you mentioned Congress because other people have said that. What if that is not the case? What do you think could be done?**

Rattner: You mean, if you have to go to Congress?

YPFS: **Right. If you ...**

Rattner: Well, it is a disaster. If you have to go to Congress, you are sitting there in front of all these people and ... The best analogy is in 1978 or 1979, Chrysler also was almost bankrupt, and they did have to go to Congress. I think the total amount was a billion and a half dollars or something like that. And it took Congress a year and a half to deal with it, and they put all kinds of conditions on it, including the price of the electric car, which, at the time, was obviously kind of crazy. Fortunately, Chrysler was saved, but that is what it took.

And so, having a deal... I do not want to sound like I am some kind of authoritarian who does not believe in Congress, but once you bring in Congress to the equation, it makes it a lot more complicated. There is no question about it. Having the ability to do this solely on the president's authority made it possible.

YPFS: **Some people were nervous about the bankruptcy also. Whose idea was that to use the 363?**

Rattner: A group of us sitting and putting our heads together and saying, how do we get from here to there. And it became clear pretty quickly that having bankruptcy as part of it was really the only way to do it. And I think I have written pretty much everything you want to know in my book, but as I wrote, we did not know what the impact of bankruptcy would be on companies like these. Consumers might have stopped buying. And we thought about it a lot, but there was no alternative. Then we did our best—to use a Tim Geithner expression—'to put foam on the runway,' to try to put as much protection around what we were doing as we possibly could.

YPFS: **The government was also criticized at the time for being heavy fisted. Do you agree with that? Now, 10 years later, would you agree with that or did you then?**

Rattner: No, I would not. Yes, the government was criticized as being heavy fisted, the big arms of government, all that. As I said to you, I believe that the executive branch needs to have authority to act when there are huge problems. This was a huge problem. We had the authority to act, and so we did.

YPFS: **You also stated in “Fortune” that you were under strict instructions not to get involved in day-to-day management decisions. Do you think that was a good approach or do you think they should become ?**

Rattner: Yes. I thought it was a good approach. A number of my colleagues who were working in the trenches with these companies, were eager for us to guide, frankly, to get more involved in day-to-day management. But I think you have to know what you know and know what you do not know. And I did not feel we were day-to-day management. I thought we were restructuring guys and private equity guys and so forth.

And I think the decision not to put anybody from the government on the boards of these companies, not to do day-to-day management, I think that was exactly the right decision that was made for us and kept us on the better side of the line or appropriate side of the line for what we had to offer.

YPFS: **You also removed half of the GM board of directors and you replaced the CEO and brought in a new chairman from outside the industry. And you said this should be universal. Were you referring to all parts of that or just the new chairman?**

Rattner: No, if you have good board members, you have no reason to replace them. We had some good ones and some less good ones. All I was saying was that I liked the idea of having a chairman who’s separate from the CEO, which was very typical in Europe, in fact; less typical here. I thought it was a good idea. I thought it provided an additional governance check on the whole company.

YPFS: **And bringing in an outside CEO, do you think that is a big piece of it?**

Rattner: Well, we did not. I was back and forth about this. Basically, there were two conflicting pieces of advice or points of view. One was that with a company as dysfunctional as this company [GM] was—from a cultural and a management point of view—promoting an insider was unlikely to fix the problem. That was one point of view

The other point of view was that bringing in an outsider, especially on this kind of tight timeframe, it would be really difficult to find somebody who, at the end, actually, could do the job. And so, while I was there, we ended up

promoting Fritz Henderson to be the CEO. I think he did a decent job, but in the fullness of time, the board concluded – appropriately in my judgment – that the pace and degree of change was not sufficient and an outside replacement was needed.

YPFS: **There was criticism as to whether bondholders got a fair deal compared to union workers. What was your view at that time, and what is your view in retrospect. Is there a lesson to be learned by future leaders?**

Rattner: We felt that any restructuring needed to be done to the highest commercial standards, what we felt was best to make the company function. That included needing workers to make the cars. Obviously, that left all sorts of people unhappy, who felt they had been unfairly treated. We obviously did not feel they would be unfairly treated.

There were some lawsuits. There was one, for example, by the dealers that I had to testify at just recently. After 10 years, I had to testify in court in Washington and ultimately the government won that lawsuit.

There are still a few lawsuits, I think, floating around. There has not been a successful lawsuit against the government for anything we did. Every single thing we have done has been upheld in court to the extent it has gotten to court.

YPFS : **Also, the taxpayers funded, and the government was not paid back for some of the money that was loaned, a substantial amount. What are your thoughts on these results now? Could more have been done to get that?**

Rattner: No. I think that we used the government's money as efficiently as we could. I recall, out of the \$82 billion that we put into the companies, I think the government lost \$10 or \$11 billion. In return for that, we saved these companies. We saved a million jobs in the Midwest. We saved an economy from becoming even worse than it already was.

I think in terms of money that government spends, when you look at how much money the government spent on other parts of the stimulus program and things like that, I think they got incredible value for their money, and nobody got unjustly rewarded.

The important thing is that we made every stakeholder in those companies bear some of the pain, which is why there was some litigation. The dealers were paying. The suppliers were paying. The workers were paying, contrary to what some people think.

The shareholders were essentially wiped out, so they bore a lot of pain. A number of the other creditors bore very significant amounts of pain. So, we treated everybody, we think, fairly and in accordance with best practices.

YPFS: You deal with this all the time, do you not?

Rattner: That's what I do for a living.

YPFS: Do you think there were enough regulations put in place, or there are enough in place now to prevent future situations like this in the auto industry or the financial industry?

Rattner: Oh, you do not really put regulations in place to try to prevent private actors from making bad decisions. One of the important principles was for these companies to be in the private sector, and that is why we did not put government people on the board and so forth.

We did set some conditions on the loans to Chrysler and things like that, but for the most part we wanted these companies to operate as independent private enterprises. Obviously, they are subjected already to a whole range of government regulations in terms of fuel efficiency in cars, and how workers are treated in plants and things like that, and they had to conform with all those.

YPFS: You also wrote in “The New York Times” in September [2019] about the manufacturing shifting to Mexico and a drop in wage value of auto workers now. Where do you think the industry is headed?

Rattner: I think it is a tricky time. What I was worried about when I wrote the book, and when I wrote that New York Times piece, was jobs going to Mexico because the wages were so much lower. That is a trend. But in the last couple of years since I wrote that, I think there are other things to worry about.

Electrification, autonomous driving, all of those things, ride sharing, the Uberization of America, whatever. All those things are going to have fairly significant effects on the car industry. Decisions on how to handle that are in the hands of the car industry. Again, we very deliberately chose not to get involved and chose not to stay involved in addressing all those issues.

YPFS: For the benefit of future policy makers and scholars and national and world leaders, what would you advise or what would you do differently if this were to occur again or what things would you advise for them to set up right away or be aware of as they're going through this?

Rattner: I think there is a lot of things in that category for when you talk to the people who are doing banks and things like that. I think with respect to autos, I'm not sure there's too much you can do differently, if a company decides to get in trouble and run itself off a cliff, which is what General Motors did in effect. That is why the private sector is the private sector.

I think any benefit that you would get by having the government have tighter oversight over how these companies are managed, would be lost because it would diminish the general quality of the management. I think at the end of the day you just have to rely on the private sector and these companies to do the right thing.

And I would say in fairness to them, while they made a huge number of mistakes, and I don't want to diminish them in any way or minimize that in any way, shape, or form; they made a huge number of mistakes. But that said, they also were to some degree collateral damage from the overall financial crisis.

The fact that lending dried up, people stopped buying cars, all that kind of stuff was not really their fault. Obviously, they could have been prepared better, but the banks were not prepared better. Lots of companies were not prepared better. It was a once in a lifetime—hopefully—event.

YPFS: What about structuring a team, a government team to address an issue like that when it happens again? What would you advise?

Rattner: I would advise to do just the same thing we did. I really, honestly believe that the way we set this up with the instructions we got from the president to be commercial, to keep politics out of it, to not favor constituencies, were all the right advice. We got enormous support from the president, and I do not think I could ask for better on that front.

The only thing I would say, which as I said before, we were lucky to have access to the T.A.R.P. money, and the next time around, there probably won't be a T.A.R.P. fund and that will make this much, much harder.

So, if I had my dream, it would be to have access to something like a T.A.R.P. fund the next time you have to do this. As I said, I think that is not going to happen, but it would really be great.

YPFS: That would really be the best advice if it were to happen today. Do you think it will happen again?

Rattner: Someday, maybe. It happened to Chrysler 40 years ago, or I guess 30 years after what we did. So, in another 10 or 20 years, will people forget the lessons that have been learned here and go off and do something stupid? Yes, I think there is certainly a very reasonable chance of that. It probably will not be the same companies. It will be some other set of companies, some other industry, some other kind of financial crisis.

We had the Great Depression starting in 1929. Eighty years later we had the Great Financial Crisis. Sometime in the next 80 years we will probably have

another one, but I do not think it is imminent, and I don't see anything particularly that scares me.

There are some things I would like to see set up differently, but nothing that really scares me. I suspect in my lifetime, say in the next 20 or 30 years, I do not think there probably will be one.

YPFS: If there was one, would you serve again?

Rattner: Yes. Put it this way, I think my experience serving was about as perfect and as fulfilling, and as impactful an assignment as you could have. I have many friends who have gone into the government, and for whatever set of reasons, were not able to make too much progress on the issues they were working on.

I happened to get lucky, and I had an issue that I could make progress on, and we did. So, if I could find something like that, where I could help again, yes, I would certainly think about it. But as I said, I do not expect there to be another financial crisis for the foreseeable future.

YPFS: That's actually very encouraging that you do not think so. Do you think there is anything government policy makers or even lenders should be doing now to prevent that kind of situation?

Rattner: As I said before, there is some stuff which I am not an expert at. There is some stuff in the Dodd-Frank bill and how that legislation that was implemented, that in a perfect world you would like to see adjusted a bit to give more tools to the policy makers. But I am not an expert on that, so I would leave that to others.

YPFS: Okay. Is there any other advice that you would offer?

Rattner: Any other advice that I would offer ...

YPFS: For anybody who signs up to be on one of these task forces, or from any point of view? If someone is invited to be on a task force or selected, any advice you would have for them, what to be prepared for?

Rattner: Well, if it is somebody who's coming from the private sector and never been in government, which was my state of affairs, you really have to prepare for it. I had been around government enough that I think I was reasonably well prepared for it, but what you have to be prepared for is the fact that government is not the private sector.

It is the biggest bureaucracy in the world. There are many competing agendas. Politics always somehow gets in the mix. If you come from the private sector, you don't go to government thinking it's going to run like a company does or like Goldman Sachs does. It is a very different animal.

That is the advice I give lots of people who come to me and say, "Should I go to the government? I'm thinking of going to the government," or "What was it like?" Or anything like that.

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