

RATTNER'S BAILOUT

One key to reading Steve Rattner's long narrative on his role in the auto bailout is this passage:

I was stunned by the suggestion that the government, GM's only source of fresh capital, was somehow out of bounds for asking for the resignation of a CEO who had lost \$13 billion of taxpayer money in three months and was now asking for more. But rightly or wrongly, the concept of Washington extending its iron fist to an industrial icon proved unnerving to more than just the *Wall Street Journal* editorial page.

It's a thoroughly uncontroversial statement, presented as it is out of context. Of course the government had a right to ask Rick Wagoner to step down. Of course it made sense to ask for the resignation of a failed CEO sucking at the federal teat.

What didn't make sense, of course, is that similar demands were never made on Rattner's own industry, the finance industry, when it not only sucked far more federal dollars but laid the final straw that broke the auto industry's back. And Rattner, who describes the outraged response to his complete lack of automotive experience as well as his close friendship with Jimmy Lee, who managed the Chrysler negotiations for JP Morgan Chase, seems utterly oblivious to that double standard (in spite of the frequency with which it was raised by those complaining about the bailout). Rattner mocks the arrogance of GM's top management—with their private elevator—but doesn't note that the auto execs, but not the bank execs, were forced to give up some of those perks by the government.

Which is another way of saying that the rest of the narrative tells of Rattner's team's shrewd use of financial arm-twisting to pull off the

fast-track bankruptcies, without giving much confidence that the auto task force ever came to understand the auto industry well enough to weigh what came next. Did the auto task force really not understand the auto supply chain going into the bailout, with its huge impact on the economy? Did the task force really not know that Chrysler had no product in the pipeline? Did the task force really only weigh Fiat based on Sergio Marchionne's "drive to win" and Fiat's "advanced products ... small, stylish cars and fuel-sipping engines," with no consideration of Fiat's own quality problems, not to mention how long it takes to adapt a European car to the US market? Was the task force unaware that GM's huge debt load came partly from attempts (however inadequate) to conduct a turnaround? Did the task force really not account for the political meltdown that dealer shutdowns would cause—and did they really not factor the need for shutdowns both into brand turnaround and the need for bankruptcy? Does Rattner really believe the halo effect of a car like Prius or the Volt is no more than PR?

In short, even after the auto task force pulled off what I consider a least worst solution, I'm not convinced Rattner, at least, fully understands the market.

Which means this is a very informative narrative about how the banksters pulled off the auto bailout—a perfectly targeted story for Fortune's readership. But just as much it is a testament to the ignorance of the banksters—not only about the real economy, but of how their own management is just as horrible and arrogant as that of the auto industry.