If Rohatyn Is In It, It's No Damn Good

by Marcia Merry Baker

The infamous Felix G. Rohatyn once said that his specialty is "new institutions." This euphemism refers to his decades-long interventions in government functions, industry, pensions, and the like, to undercut national interest, and give over control and looting rights to his financial cohorts. From his record of designing and heading Big MAC—Municipal Assistance Corporation—in 1975, which devastated New York City, to his role with George Shultz in promoting "privatizing the military," to his 2005-06 consulting jobs on how to dismember the U.S. auto sector, Rohatyn has consistently acted to subvert the foundations of national economies. He talks the talk of "saving" cities, infrastructure, and manufacturing, by privatizing, re-structuring, re-inventing, public/private partnering, and you-name-it, but he walks the walk of theft and subversion.

The most recent instance of Rohatyn flim-flam, is the introduction into Congress this month, of his "new institution" proposal for a "National Infrastructure Bank Act of 2007." It is basically a national version of the Big MAC that raped New York City.

Beware: Felix Rohatyn is a sex maniac.

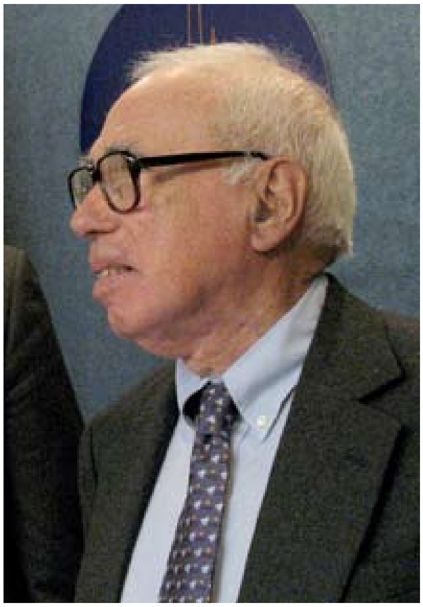
On bridges, in particular, New York City researchers are right now diving back into the 1970s Big MAC archives, to get the names, dates, and signatures on Rohatyn's Financial Control Board decrees that cut the maintenance on City-operated bridges. As the Aug. 3 *New York Post* pointed out, the repair negligence that started in the 1970s, is today evident in deteriorated, dangerous spans throughout the boroughs. A 2006 City report found that 84% of the largest crossings remain in poor or fair condition. But Rohatyn calls his Big MAC a success.

Beware: If Rohatyn's name is on it, it's no damn good.

With eerie timing, the "National Infrastructure Bank of 2007 Act" was filed in the Senate (S. 1926) on Aug. 1, the same day as the Twin Cities I-35W bridge collapsed into the Mississippi River during rush hour. The next day, the bill's co-sponsors, Sens. Chris Dodd (D-Conn.), and Chuck Hagel (R-Neb.) were in the media, repeatedy claiming that their proposal would fix such bridges and other decayed infrastructure. Dodd followed the Rohatyn script to the letter, saying that: 1) the FDR-era funding model is outmoded; 2) the post-World War II infrastructure Federal financing model is history; 3) today, neither states nor the Federal government has any money, so therefore, there must be the new, Rohatyn public/private model of financing.

The bill would set up a Federal bank, to sell bonds, especially to pension funds, private buyers, and government entities, and it would constitute a control board to decide on what projects get approved or rejected. The bill's language speaks of "a preference for projects which leverage private financing, including public-private partnerships. . . ." (from the House version).

The bill results from a Rohatyn campaign, beginning in 2004, at the Center for Strategic and International Studies, called Commission on Public Infrastructure. Commission members included Dodd and Hagel, as well as California Gov. Arnold Schwarzenegger (R), former Iowa Gov. Tom Vilsack (D), and officials from banks involved in public/private takeovers of government functions, such as Morgan Stanley.



EIRNS/Dan Sturman

Felix Rohatyn's latest infrastructure-looting project, the National Infrastructure Bank Act of 2007, would impose corporatist control on the underpinning of the nation, as Mussolini did.

Rohatyn: 'No' to FDR-Type Funding

On March 27, 2006, Rohatyn and his co-chair of the Commission on Public Infrastructure held a National Press Club event, along with 12 signators of a "Guiding Principles" document for public/private infrastructure funding. When confronted by the LaRouche Youth Movement, and *EIR*'s Paul Gallagher, on whether Rohatyn and the Commission would support the successful model of the FDR years of infrastructure-building, Rohatyn said, "We are not going to do what FDR did. Government and financing have come a long way since Roosevelt; we have state or local financing; we have pension funds; we have the securities markets, the bond markets. We're far away from the methods of the RFC" (FDR's Reconstruction Finance Corporation).

Now the Rohatyn anti-FDR model has finally reached Congress, just as the financial blowout, and infrastructure breakdown have become acute. On Aug. 1, Rohatyn issued a letter of support to Dodd and Hagel, for introducing the new "National Infrastructure Bank Act of 2007." Rohatyn eschewed the terminology of public/private partnerships (PPPs or P3s), since they have gotten such a bad name from the notorious rip-off cases of sale of public assets such as the Chicago Skyway, the Indiana Toll Road, and others, to private profiteers. Rohatyn wrote, with co-author former New Hampshire Sen. Warren Rudman, that the Dodd/Hagel bill will "help re-structure the federal role by allocating costs and financing more fairly and rationally. . . . The proposed Infrastructure Bank Act also will increase the ability of the private sector to play a central role in infrastructure provision. . . ."

Rohatyn's mentioning of "fairness" and "rationality" is a calculated diversion, to attribute today's U.S. infrastructure breakdown to the charge that funds would have been available to prevent this all along, if they had not been unfairly squandered in pork-barrel, earmarked pet projects. This line was followed to a tee by President Bush at his Aug. 8 press conference. The implication is, that a fair, tough, infrastructure-control bank is needed nationally, just like Rohatyn's Big MAC Emergency Financial Control Board, *that axed New York City's vital infrastructure*.

On Aug. 3, the House version of "The National Infrastructure Bank Act," was introduced as H.R. 3401, by Reps. Keith Ellison (D-Minn.) and Barney Frank (D-Mass.), chairman of the House Financial Services Committee. Rohatyn testified to Frank's committee March 23, 2007, saying, "Senator Warren Rudman and I co-chair a commission at the Center for Strategic and International Studies that has been working with members of the House and Senate from both parties on these ideas in which Senators Dodd and Hagel are heavily involved. We are hopeful that we will see some movement in this Congress." Using the buzz words, "public sector investment," Rohatyn said, "Private capital should be an integral part of the program. Tight outside controls should be applied to the operations of the fund, and it should be subject to the federal debt limit."

Private Funding? There's No Money!

The big, bad joke about the Rohatyn model of "private capital" is that, there is no money! Anyone who is gullible enough, or blackmailed enough, or just stupid enough, to take Rohatyn at his word about how private funding will save the day for public infrastructure, is a goner. The many-splendored bubbles of the financial system are now all blowing out at once, from the mortgage securities bubble, to the yen carry trade, to the leveraged takeover games. Major banks that loaned money for this stuff, are now swallowing billions in bad loans and unsaleable debt. Where's the "private sector" money to come from? It ain't there!

In reality, Rohatyn's talk of funding, and of benefitting private and public interests was, all along, just so much pretense for a grab of control over public assets. The best thing Congress can do now, is to consider the Rohatyn record, and don't be taken in.

Rohatyn's political and financial lineage traces back to the cartels and financial powers of the 1920s and '30s corporatists in Europe. His biographical timeline begins with his training at Lazard, under André Meyer, who was identified explicitly

Delphi Corporation
As of May 1, 2005
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If the foregoing correctly sets forth the understanding and agreement among the Advisors and the Company, please so indicate by signing the enclosed copy of this letter, whereupon it shall become a binding agreement between the parties hereto as of the date first above written.

Very truly yours,

ROTHSCHILD INC.

By:____________________
David L. Resnick
Managing Director

ROHATYN ASSOCIATES LLC

By: Felix Rohatyn
Name: FELIX ROHATYN
Title: PRESIDENT

Accepted and Agreed to as of
The date first written above:

DELPHI CORPORATION

Rohatyn's signature on the May 1, 2005 letter of agreement on the pre-bankruptcy strategy for the looted auto-parts maker Delphi.

by U.S. intelligence in the 1940s, as part of the Hitler-backing financial crowd, called "Synarchists." (See "Rohatyn's Fascist Roots Are Showing," *EIR*, June 30, 2006).

Over the 1960s through 1990s, Rohatyn was a senior officer at Lazard. From 1999 through 2001, he was U.S. Ambassador to France. After that, he resumed at Lazard, then moved to his own Rohatyn Associates, and thence in 2006 to Lehman Bros. His entire career is marked by service to special financial interests, and undermining national economic sovereignty.

The 1975 Big MAC episode reveals his character and intent. Keep in mind that in 2005, at its 30th anniversary, Rohatyn said that Big MAC was, "the most rewarding experience of my professional life. . . ." ("The Fiscal Crisis After 30 Years," *Gotham Gazette*, Oct. 10, 2005).

During the early 1970s, New York City, like many other major urban areas, was plunged into a revenue crisis, due to the downshift in the physical economy, from a production base towards a "services" base. With the right policy shift, an economic growth course could have been reinstated. Lyndon LaRouche and some others internationally, had proposals for this.

However, Rohatyn and key financial circles moved to create the scare story that New York City was hopelessly on the verge of bankruptcy, the Federal government would not be prepared to act, and so, Felix Rohatyn, called by New Yorkers, Felix-the-Rat, intervened. In June, he and his backers forced Mayor Abe Beame to acquiesce to a state-legislated Municipal Assistance Board, giving it emergency powers outside the control of the City Council. Almost overnight, deep cuts were announced in the city workforce, and their wages, in the name of "saving" the city budget and credit ratings, by paying down old bank debt, and newly issued "MAC" debt to bondholders.

Then, Rohatyn wrote a 111-page report demanding still greater, ongoing "emergency powers" for the private banking community to dictate city finances. On Sept. 6, 1975, the "Financial Emergency Act" was rammed through Albany, creating the Emergency Financial Control Board, which exists to the present day. Deeper cuts were made to government functions of all kinds—firefighting, hospital, sanitation, police, roadway and bridge maintenance, anti-drug treatment, and so on.

Felix Rohatyn was the driving force, and headed the Control Board for years. The principle involved was that the private investment in Big MAC bonds, and private control over the city's infrastructure and expenditures, was considered a "public/private" partnership—the calling card of Rohatyn to this day.

In reality, the devastation in the city became manifest even in the soaring disease statistics. During a 15-year, post-Big MAC period, 1979-93, while the *city population decreased*, the number of deaths attributable to five measured diseases (AIDS, TB, drugs, hepatitis, and syphillis) increased tenfold. These diseases were responsible for 1% of all deaths in 1979; by 1993, it was 10.5%. The death and morbidity rate went up as a direct result of Big MAC's infrastructure-cutting.

A study documenting this was published in March 2006, in the *American Journal of Public Health*, titled, "Impact of NYC's 1975 Fiscal Crisis on TB, HIV, and Homicide." (See *EIR*, Aug. 25, 2006, pp. 40-48, "NYC's Big MAC: Rohatyn's Model for Destroying Gov't.") The health specialists wrote a warning for today's lawmakers on infrastructure: "As city, state, and federal governments again face deficits and propose deep cuts in services, it seems particularly urgent to avoid a repetition of the 1975 decisions that so damaged New York City's health." They singled out Rohatyn by name, writing, "Felix Rohatyn, an investment banker and a chief architect of the Emergency Financial Control Board, noted that as a consequence of the cuts in municipal services, 'the direction and philosophy of a large unit of government were fundamentally and permanently changed as a result of the involvement (some would say instrusion) of the private sector in government.'"

Over the 1980s and 1990s, Rohatyn, at Lazard, was involved in the merger-and-aquisition mania that characterized the downgrading of industry and business under deregulation, outsourcing, and other practices of globalization.

But during the late 1990s, Rohatyn used his position as Ambassador to France, and then post-ambassadorship, to take his Big MAC model on the road, to try to herd mayors of desperate cities, into selling assets through public/private rip-offs. In January 1999, and then again in April 2002, he addressed the U.S. Conference of Mayors. In April 2000 in Lyon, France, he hosted the "Transatlantic Mayors Initiative," along with John Kornblum, then U.S. Ambassador to Germany, and subsequently Lazard director there. Rohatyn told the mayors to look to the "European investment" as the solution, namely his Synarchist banking cronies. He threatened that mayors must learn to work in partnership with the private and voluntary sector, and to "compete internationally in new ways," to find funds for their cities to stay alive. Sell your museums, airports, waterworks, toll roads, housing, etc.

'Mussolini Infrastructure Grab'

Over the 2000s, Lazard, and the whole swarm of big-name financial houses, moved into making a killing off infrastructure. Joint ventures of all kinds included Macquarie Bank/Macquarie Infrastructure Group—a leading Anglo-Dutch player, Morgan Stanley, Goldman Sachs, and others. The asset-grab was called privatization, or PPIs—public/private initiatives, or other euphemisms.

Nor is Rohatyn just involved in taking over hard infrastructure. On Oct. 9, 2004, he teamed up with George Shultz to address a conference on privatization of national security—i.e., turning the U.S. military into a neo-feudalist mercenary force.

This is the "Mussolini model for infrastructure," as Lyndon LaRouche called it in 2006. In the 1920s and '30s, the Benito Mussolini government was characterized by the most exteme privateering of bridges, ports, housing, and every kind of public works.

In February 2006, Lazard Asset Management launched its own Lazard Global Listed Infrastructure strategy, with a special focus on "North American infrastructure stocks," that refer to buying up formerly government-owned assets. Lazard's own description of this, in February 2006, states: "Infrastructure assets are the basic physical systems needed for the functioning of a country or community, including utilities, roads, airports, ports, railroads, and communications systems. Historically, a large component of global infrastructure has been developed and owned by governments, but there is an increasing trend to listed and unlisted public ownership. Infrastructure assets can have attractive investment characteristcs, including long duration, low risk of capital loss, and inflation-linked revenues. . . ."

In practice, several projects show what this looting opportunity has meant. Macquarie bought the 15-mile private toll road west of Washington, D.C. in 2005, and will soon charge $4.80 for a one-way trip. Macquarie is also part of the partnership that bought the Chicago Skyway in 2005, and Indiana Toll Road in 2006, where tolls have been hiked, and staffing cut. There are similar rake-offs from highways in Mexico, waterworks in Europe, airports, and other infrastructure internationally.

Assault on U.S. Industry

Besides infrastructure, the very means to maintain U.S. industrial society has been raided and dismantled by the Rohatyn networks. This is the story of the U.S. auto/machine-tool sector over the past three years. As of the late 1990s, the Big Three automakers, under Wall Street decision-making, de-structured in various ways. General Motors hived off its heavy industry and parts division from its assembly lines, into a new corporate entity named Delphi; Ford did the same with Visteon. This process, and ensuing changes, shed thousands of skilled workers by outsourcing and downsizing. Then, following the February 2005 announcements of GM's financial "troubles," the very continuation of the auto sector was at stake.

It was at this time that Lyndon LaRouche called for Federal intervention to save and re-establish the manufacturing base embodied in the Big Three, and throughout the auto/machine-tool industrial belt. Felix Rohatyn moved personally to consult on how to stop LaRouche, and take the industry down.

On May 1, 2005, Rohatyn signed on as chief architect of the Delphi pre-bankruptcy corporate planning (see p. 24 for his letter of agreement). Rohatyn said in the agreement that he would confer on preparations for "marketing the company" to outside funds. This is the template for what happened throughout the sector. Delphi declared bankruptcy on Oct. 8, 2005.

Rohatyn Associates LLC was officially involved with many other key parts of the embattled industry. They consulted with the United Autoworkers, recommending that they accept sharp cuts in their health care from Ford Motors and GM. They consulted on the pre-bankruptcy stategy for ruining Collins & Aikman, one of the major auto-supply companies.

At the center of the mobilization to save the heavy industry base of the nation, was the LaRouche Political Action Committee (LPAC) "Economic Recovery Act of 2006." There was an unprecedented number of resolutions from cities and states calling for Federal action, from Cleveland, in May 2005, to Detroit, and dozens of other locations, up to Fall 2006. But Rohatyn et al. strong-armed Congress, especially the Democrats, to refrain from intervening to save auto, despite intense constituency pressure. Now the nation's manufacturing capacity, as well as its infrastructure, has to be rebuilt on an emergency basis.

Since 2000, 350,000 autoworker jobs, out of the total of 1,350,000, have been eliminated. Over the past 18 months, 110,000 of those were lost. At the time Rohatyn started his official consulting to Delphi, 64 auto plants were slated for shutdown (from the Big Three, Delphi, and Visteon), and now 20 are gone, many just bulldozed.

Rohatyn's National Infrastructure Bank? If Rohatyn's name is on it, it's crap.