

Optimistic About the U.S.

An Interview with Steven Rattner

EDITORS' NOTE Steven Rattner is the founder of Quadrangle Group LLC. He is also the former Counselor to the Secretary of the Treasury and lead auto industry advisor (popularly known as the "car czar"). He began his career as a reporter with The New York Times before becoming an investment banker at Lehman Brothers and Morgan Stanley. He joined Lazard Frères as a general partner in 1989 and, in 1997, became Lazard's Deputy Chairman and Deputy CEO. In 2000, Rattner left the firm with three other managing directors to found Quadrangle Group. While at Quadrangle, Rattner managed the personal and philanthropic investments of Mayor Michael R. Bloomberg, a role that he again occupies. He is a graduate of Brown University.



Steven Rattner

Do you project growth for the U.S. economy and how sustainable is it given the number of issues it's facing from around the world?

I don't see enough economic growth in the U.S. at the moment. The White House recently revised down its growth estimate for 2015. In general, most forecasters have consistently been too optimistic and all of that is very worrisome. Two percent growth is not going to provide the kinds of jobs and incomes Americans expect to have.

What needs to change and is the proper dialogue to create that change even happening?

Unfortunately, there is no silver bullet or single policy change that would reverse the growth picture.

What we really need are a whole series of steps in Washington to restructure inefficient programs, to deregulate, and to institute new ideas that would promote growth. While there is some dialogue about it in Washington, it's all just talk – there's nothing in this area that's actually happening in Washington.

Congress is essentially gridlocked, certainly with respect to these kinds of new initiatives, so it's very dispiriting to see a situation where we still face significant challenges and our elected leaders seem to be incapable of working together to institute some changes.

Does the stock market performance make sense in light of global economic issues?

It provides another example of how a very small group of people, the famous 1 percent, have done well over the past five or six years, and the rest of the country, the other 99 percent, has done a lot less well.

Corporate profits have been quite strong because companies have been very effective at holding down wage increases, so that leads to stagnant wages for most Americans and high corporate profits, which translates to high stock prices for people who can afford to own stocks.

When you juxtapose the stock market with income data and economic growth data, it gives a very stark picture of the disparity between the 1 percent and 99 percent.

Does employment and unemployment need to be looked at differently today?

The job picture is definitely changing, particularly in the manufacturing area where it's harder for us to compete globally with much higher wage scales than in many other countries, including Mexico, that have increasingly skilled workforces.

What it should be driving us to do is to focus on creating jobs in other areas where we are market leaders. These can be very good jobs in education, healthcare, IT, and other such services.

People come from all over the world to be educated in America or to receive healthcare, and these are all exports – these not only are jobs but they count as exports as well.

We shouldn't look down on those kinds of jobs or sectors – there are some very good growth opportunities there for the U.S.

Are you surprised by how quickly New York has become a tech center, and what advantages does the city offer in that space?

It's quite natural for New York to have evolved as a tech hub. Millennials prefer living in urban environments and there is no greater urban environment in the world than New York City. It's an attractive place for the young people who will create these companies and jobs.

Also, New York has a huge amount of intellectual capital. Not every aspect of the technology revolution involves content and media but a lot of them do, and New York has an advantage there.

In addition, when Mike Bloomberg was mayor, he made New York City a friendly environment for people to start these kinds of

companies. The most important thing he did was bring Cornell here to begin an engineering school that will create a pool of talent that these companies can take advantage of.

Will New York continue to attract talent as the cost of living continues to increase?

New York is expensive but so is San Francisco. Historically, businesses have been able to locate in New York City and still be highly profitable even with the higher costs in New York. The great advantages of talent, infrastructure, and transportation are all things companies need to be successful.

Will it be the public sector or private sector that drives change?

A combination of both, but life gets complicated when one entity is asked to accomplish too many things.

In our system, a company's foremost responsibility is to run an ethical business that produces product people want and creates value for shareholders. I don't think asking companies to be responsible for restructuring the American economy to deal with today's competitive pressures is their job. They should keep doing what they're good at. It's the job of people in public life to use the tools of government to move the economy in the right direction.

Are all of your roles connected? Where do you focus your efforts?

What I'm doing is somewhat interconnected in that I manage a very large pool of capital for Mike Bloomberg, which requires me to be informed not just about stock prices and earnings but about what is going on in the world. I read a lot and talk to people to keep track of what is happening because we invest in every kind of industry in every region.

What satisfies my desire to be a small voice in the wilderness on some of these issues is that I can take that knowledge and turn it into an op-ed piece or a *Morning Joe* appearance.

Is it difficult to remain optimistic today and do you feel the right issues are being addressed?

I'm an optimist at heart. There is no other country in the developed world that I would be more optimistic about than the U.S. Fundamentally, we are an incredibly hard working, resilient, and diverse country and my every instinct is that somehow we'll figure it out. ●