

STEVEN RATTNER: I, MOTU. I SAVE WORLD. YOU, IGNORANT.

Steven Rattner, the Master of the Universe who may have had to step down from the Obama Administration because of ties to a kickback scandal, tells us we're ignorant for thinking that Ben Bernanke might not be the best guy to run the Fed.

But much of the barrage of criticism is unfair, and some of it is simply ignorant.

For a guy calling others ignorant, though, what is supposed to be a defense of Bernanke (but is, instead, a defense of MOTUs generally) is really stupid.

Start with Rattner's endpoint—that, rather than putting together a systemic regulator free from the incestuous ties to the banks that the Fed has (or, better yet, reimposing Glass-Steagall), Congress should give the Fed that power.

In return, instead of looking backward, we should give the Fed the tools it needs so that the unwinding of the next AIG doesn't need to result in an unjust enrichment of stakeholders.

I'll leave you all to chew on that sentence for a bit, with its "instead of looking backward" refrain even while it calls for giving the Fed more power. But for the moment, keep in mind that Rattner's basically arguing **not** that Bernanke should be confirmed (the logic behind the timing of his op-ed), but that Bernanke should be confirmed **and** be given vastly increased powers.

Now, one of the reasons for that, presumably, is because (Rattner asserts) the Fed has "independence" from those it regulates.

[The Fed] “should remain adamant about its need for independence in conducting monetary policy”

But here are three of the lame-ass excuses Rattner gives for the mistakes the government’s MOTUs made last year and before:

- “The refrain from all quarters after the bailout of Bear Stearns in the spring was that the next floundering bank needed to be allowed to fail”
- “All of the regulators should have been more attentive to the irresponsible lending practices and excessive risk-taking of our major financial institutions than the free-market principles of the incumbents allowed. ... Regulators were not the only ones at fault; the constant push, particularly by liberals, toward the worthy goal of increased homeownership put people into homes they couldn’t afford.”
- Policymakers labored under “unfathomable pressure” last fall

Everyone was saying the next bank had to be allowed to fail, everyone was pushing increased homeownership, and policymakers were under unfathomable pressure.

Three of the five excuses Rattner gives his buddies are that they they were under some kind of pressure, and in two cases, that pressure was distinctly political (the “unfathomable pressure” in the last instance refers to time stress as much as everything else). In a piece arguing for the independence of the Fed, then, Rattner says they fucked up because they were under too much political pressure to make the decisions they did.

Which brings us to lame-ass excuse number four Rattner gives for his fellow MOTUs.

Once the Fed and the Treasury concluded (correctly) that an AIG bankruptcy posed unacceptable systemic risks, the government immediately lost any bargaining power to demand concessions [because, unlike GM and Chrysler, AIG] operate[s] at the nerve center of our financial system.

I presume this line is the reason why Rattner was recruited to write this op-ed by people who believe, first, that AIG is a nerve center that GM isn't, and second, that we shouldn't look backward. I presume that they believe that Rattner, having run the GM and Chrysler bankruptcies, would have the cred to say that his MOTU peeps are more important than those slackers driving the manufacturing base of this country. “Hey Rattner,” someone who likes to look forward must have said, “go do a piece claiming that we couldn't do with AIG what you did with GM.”

Now, set aside for a moment all the people who say this isn't true—that at precisely this period, the Fed and Treasury had maximum leverage, that the Fed and Treasury had leverage precisely because AIG was the card holding the rest of the house of cards up. Pretend for a moment this is true.

Notice what Rattner doesn't admit? Notice the lack of any discussion of the conflicts of

interest of those who made this decision, starting with Goldman Sachs guy Hank Paulson, who bailed out his former company in full. Rattner makes absolutely no mention about the issue for with the lack of independence for the Fed and the guy running Treasury was most egregious.

Which brings us, finally, to reason number five that Rattner's MOTUs shouldn't be blamed for the state of the economy.

[T]he Fed (and other regulators) made mistakes, but they were concentrated in the run-up to the meltdown rather than in the response.

Remember, this guy called us ignorant already by the time he got to this claim. The MOTUs made mistakes, he says, but they were all in the run-up to the meltdown, and so you should give them more power.

Of course, Rattner has dealt with approximately one week from September 2008. He has not dealt with all the things—like guaranteeing bonuses, or Maiden Lanes, the laughable stress tests, the refusal to cooperate with Congress—that have come since. In lauding his MOTUs for their response, he focuses on a few stressful days in time, but not on the more leisurely decisions Bernanke and others have made to sustain the very worst aspects of the system that broke in the first place. It's a scam, you see, to always define these problems as the nerve center of the universe so that only MOTUs can be trusted to regulate it.