



**“Obama Book Club” Meets At BookExpo America 2010
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White House administrations generate books like leaves grow on trees. Only 18 months into the Barack Obama presidency, and already the titles are flourishing in publishers’ catalogs. Two of the most anticipated such books – [**THE PROMISE**](#): *President Obama, Year One*, just arrived from Newsweek columnist [Jonathan Alter](#), and the forthcoming [OVERHAUL](#): *Inside the Obama Administration's Mission to Save The American Automotive Industry* by [Steven Rattner](#) who led the federal government’s restructuring of Chrysler and General Motors – were feted at the recent [BookExpo America](#). In a special “Author Stages” discussion, Alter and Rattner spoke with Chris Kenneally about how President Obama tackles the myriad challenges he has faced since his historic inauguration.

Q: My name is Chris Kenneally. As a former practitioner of the black art of journalism, it’s really, truly an honor to be here with both of these men who have practiced that art, as well, throughout their lives. And on behalf of the Book Expo America and Copyright Clearance Center, my employer, welcome, all of you, as well. To my left is Steven Rattner. Steven Rattner is the author of the forthcoming *Overhaul: The Inside Story of How the Obama Administration Masterminded the Rescue of the U.S. Auto Industry*. Steven, thank you for joining us.

RATTNER: Thanks for having me.

Q: And beside him is Jonathan Alter. He is the author of the bestseller, *The Defining Moment: FDR’s Hundred Days and the Triumph of Hope*. He is a national affairs columnist for *Newsweek* and an analyst for NBC News and MSNBC. And welcome, Jonathan.

ALTER: Thanks.

Q: Steven, your book is about the very specific example of the administration’s first year handling a very specific crisis, and that is the automobile industry’s crash, if you will. And *Overhaul* is a suggestive title. I thought about it. It has notions of mechanical overhaul. It’s not scrapping, which was something that at least could be imagined at some point. Tell us about the decision not to let things run their course and why it was felt necessary for the government to become involved.



RATTNER: Well, Rahm Emanuel has a famous saying, never let a good crisis go to waste. And this was a big crisis. There really was no way to let things just go along. If the government had not stepped in, both of these companies would have run out of money, they would have closed their doors, and they would have liquidated, and literally put a million-plus people out of work in a day. So the government had to do something.

And our instructions from the president, from Rahm Emanuel, from Larry Summers and Tim Geithner were to do the right thing. Don't just do the expedient thing, but fix these companies once and for all. And so the metaphor of overhaul is, as you say, is really to overhaul them and make them work. We thought about scrapping Chrysler. I talk about that a lot in the book. It was a very tough decision. But we ultimately concluded not to. And in the case of General Motors, we always believed it could be saved, but with a lot of work.

Q: OK, well as a veteran of Wall Street, you have been through a number of corporate reorganizations. You understand the corporate culture. And you will be expected perhaps to be on the side of some of the executives involved at the auto makers. And yet from what I have read, they come in for some of the strongest condemnation, some of the sharpest criticisms in your book. Tell us about that.

RATTNER: Well I'm a capitalist. I'm not on the side of any group of executives. I'm on the side of the system. And the system works by talented people succeeding and other people who don't – can't do the job being moved out. And when we got into these companies, and really GM more so, we found a company that was appallingly managed. I had never spent time at GM.

My background is more media and telecoms companies, many of which are very well managed. And I couldn't believe General Motors in terms of the quality of the decision making, the speed of the decision making, the financial controls. It was a company that really had really gone downhill over a long period of time and could only be fixed by changing the culture and the management.

Q: Well, at that point, when you became involved, which was of course the winter of last year, did the executives you spoke with understand the nature of the situation? Did they understand it was do or die at that point, or were they trying to put it off even at that point?

RATTNER: No, Rick Wagoner, back in November of '08, when he testified in front of Congress when they first ran out of money essentially said, this is not a problem of



our making. And he then went through the usual checklist that you hear from auto guys – the oil prices, the financial crisis, the Japanese transplants coming into their market, and of course the UAW, usually number one on their list of complaints. So they were in a complete state of denial.

And that was one of the things that most convinced us that we had to act very strongly. They were required – President Bush’s loans that he made, emergency loans at the end of ’08 required them to submit on February 17th of ’09 something called viability reports or viability plans. And when we read them, particularly again from General Motors, it was clear to us that they were in a complete state of denial as to what was going on, had no idea of the magnitude and extent of the changes that would be needed to fix it. And that was, frankly, when we knew that we had to make some very, very fundamental management changes as well as restructuring the companies.

Q: In fact many paid the highest price of all, and of course that would include Rick Wagoner, CEO of GM. And in your book you describe the moment when you have to inform him that he’s being let go. His response was remarkable. Tell us about that.

RATTNER: Well, first, I like Rick Wagoner. Rick Wagoner is a decent, honorable guy. He is an incredible hard worker. He was devoted to this company to the point of a lot of personal – both personal sacrifice and family sacrifice in his life. But again, I’m a capitalist. And the company had lost over \$40 billion in 15 months. And I think on that basis you have to have a new team.

Rick, when I spoke to him, I had laid the groundwork. It wasn’t as if this came completely out of the blue to him, although I will say that, from what I heard from other GM people, he didn’t quite appreciate the likelihood that we were going to want to make this change that I thought was pretty obvious. So he was a little bit in denial himself about his own situation. But we sat down and I said, look, Rick, you had offered to step aside, and unfortunately I think that’s going to be necessary. And we kind of went back and forth a little bit.

And then toward the end of the conversation, he said, well, are you going to ask Ron Gettelfinger – are you going to fire Ron Gettelfinger also – the head of the UAW? And he was trying to basically send a message to me that I should recognize that this was at least as much Ron Gettelfinger’s fault as his. And I said, look, I’m not in charge of firing Ron Gettelfinger. It was a very – a very strange conversation, obviously. But it again showed that he just he didn’t quite appreciate



– he didn't quite take the amount of personal responsibility for what happened there that I think he should have.

Q: What's remarkable about the experience for you would have been the speed that it went on. You came on board, as you say, towards the end of the year, officially not until February of 2009, as I recall. The bankruptcies for both GM and Chrysler lasted barely 60 days each, I think, less in the case of GM. What was it like to work at that kind of pace?

RATTNER: Well actually Chrysler was 42 days and GM was 39 days.

Q: Oh –

RATTNER: No, no, but your numbers were what we told the world we thought – GM would be 60 to 90 days, but it happened faster. It was – in the course of writing this book, I get to do this twice. I get to relive it in the course of doing the book. And I was sitting today looking at some of my notes and things. And it really was extraordinary. But again, I come back to Rahm Emanuel and the never let a crisis go to waste. We could not have done what we did with a small crisis with the automakers or with a little rough patch. It took the fact that these companies both ran out of money and were going to liquidate for us to have the clout, if you will, to get all the stakeholders to the table and convince them that they had to address this and they had to be responsive.

And I think although we completely followed bankruptcy law, we went through the whole bankruptcy process, including to the United States Supreme Court in the case of Chrysler, I believe that the judges in their own way understood the gravity of this too, and understood that they held in their hands the fate of the U.S. auto industry and felt an obligation to at least give us a quick decision – not a different decision, but a quick decision.

Q: Well one of the things that helped accelerate it or at least kept the momentum going was the fact that you were able to operate without the kind of oversight that might have been, in other cases, in existence. You really kept making those decisions fast and furious without having to refer to Congress, for example. Did that help?

RATTNER: Well that's the big distinction. We had plenty of oversight from Tim Geithner, from Larry Summers, ultimately from the president. But what we didn't have and what was the only way, in my opinion, that we were able to get this done is that we didn't have to go to Congress. TARP is a very, very controversial subject in America and in Washington. The Congress feels that they were kind of bullied



into passing it and in fact gave away authority over \$700 billion, delegated it back to the Treasury. And that's true.

And I guess in a way I don't blame them for being a little regretful they didn't keep more strings on it. But the fact is, if we had had to go to Congress, we would have ended up like the health care bill, like the financial regulatory reform bill, like everything you see going on there. In 1979, when Chrysler was bailed out the first time, it took over a year to get through Congress, and they put 26 conditions on it. We didn't have that luxury this time. And so one of my takeaways from this was that, without TARP, this would have never happened, and these companies, probably at least one of them, would have liquidated before people woke up.

Q: Interesting irony there. There have been accusations about a kind of creeping socialism, a phrase that you recoil from. And you very specifically address some of those attacks. In shortened form, tell us why you really don't see it that way at all, that this is not a creeping socialism to have the government as a shareholder of GM.

RATTNER: Look, we were not volunteers at this war. We were drafted. We didn't want to be here. This was not President Obama coming in and saying, gee, I'd love to take over an auto company this week. Wouldn't it be fun? We could all get new cars. That's not what this was about. This was about a company that was literally going to close its doors and liquidate.

And so we were what we call on Wall Street the investor of last resort. We were it. There's nothing between us and the cliff for these – we were the only thing between the companies and the cliff. And so we were dragged into it, in effect. And so when we went into it, my instructions were – it's kind of the opposite of Vietnam – my instructions were, get in and get out as fast as you can. And so we got in, we reconstituted the companies, we didn't want ownership in GM but it was the only responsible way for us to make our investment. If we had done it all as debt, the company would have been right back where it started, with too much debt, and it would have been back in bankruptcy.

So we took equity. But along with that equity, we imposed a set of conditions. No U.S. government official is on the boards of these companies, complete independent private sector people on them with no political connections, chairmen of the companies who had incredibly distinguished private sector business expertise, and Ed Whitacre, who's the chairman of GM, I found out later is a Republican, so that was great. I was really happy about that. So nobody could accuse us of anything. And then lastly, a commitment that we would get these companies public and get the government out as fast as possible, but certainly



within eight years, which was a kind of time period that we studied as being reasonable. So this is, as I say, the opposite of Vietnam in terms of how we approach it.

Q: Well we're talking about a book, *Overhaul* by Steven Rattner, *The Inside Story of How the Obama Administration Masterminded the Rescue of the U.S. Auto Industry*. And what I have read – the book is out October –

RATTNER: October.

Q: – that's right. What I have read gives us a glimpse of a portrait of President Obama, and it struck me that here's a man self-identified as a community organizer, kind of the very opposite of a corporate executive. And yet you draw out some really important points about his abilities as a chief executive that might serve as a model in the corporate environment. Can you talk about that? What are some decisions that he made specifically that you felt really showed his ability as a chief executive?

RATTNER: Look, I think decision making is almost as much about process as the decisions. And what I saw the president do, and look, I was on the team, but I'm now a free agent and I would speak my mind – I saw a really high-level quality of decision making. A lot of the comments – I helped him during the campaign with businesspeople, and a lot of the comments I got were, well, he's never run anything. He's a community organizer. How does he know how to manage?

And I was – I shouldn't say pleasantly surprised, but I was – I felt very good watching his management style. It was a little bit like Goldilocks and the Three Bears. It was not too hot, it was not too cold. He didn't dwell on things the way a lot of people felt President Clinton did, into the night and calling everybody. He didn't sort of operate on this 60-second timetable the way at least a lot of us perceived President Bush to.

He really was methodical and devoted the time but not too much. And he just – he listened. And we would present our recommendations, and he would listen to all sides, and he was very careful to draw all different points of view into the conversation. And look, this is not his area of expertise. And the last thing he wanted to be doing was sitting trying to figure out whether – what the GM bondholders should get as part of their consideration. But he sort of bellied up to the bar. He accepted his responsibility. And he kind of worked his way through a lot of stuff that was not his comfort zone.



Q: Are any of those traits uncommon in your experience on Wall Street or in the corporate world?

RATTNER: No. I think there are – I think somebody who’s got those innate qualities of judgment and management and decision making can move from one environment to another. They are different and there are different skills involved, but there are some – this is why, I guess, I supported him and I felt good about watching him. He didn’t have to spend 20 years at General Electric to be a good manager. It was just part of his DNA, if you will. And I think if he were motivated to go run a company, which I don’t think he is, I think he’d be a great CEO.

Q: Great. Well Steven Rattner, thank you very much indeed for talking about the book *Overhaul*, which will be out in October. And I wanted to throw in, too, Jonathan Alter with his new book *The Promise: President Obama Year One*. And Jonathan, having heard Steven speak just now about the very specific incidents or example of the automobile industry, does that ring true for you?

ALTER: Yeah.

Q: And I imagine it does. But what about it in a larger way is true for you?

ALTER: Well first of all, in the interest of full disclosure, you don’t have to be a rocket scientist – if you’re reading my chapter called “The Shovel Brigade,” which is about 10,000 words, 8,000 to 10,000 words on the auto bailout, you don’t have to be a genius to figure out that Steve is an important source for the chapter. And I can say as an outsider, who was not on the team but was trying to write about them as a journalist and historian, that I can pretty much vouch for what he said. I mean this turned out to be extraordinarily successful.

And at the time, I think a lot of people put the odds at 80%, as mu – 80% that it would fail. There were 100 ways that the auto deal could have gone wrong. And so I just – Steve is a better source on it than I was – than I am, but I used it as an illustration of one of several illustrations of Obama’s decision making style in year one. The reason I called that chapter “The Shovel Brigade” is that Ronald Reagan had a chief of staff named Don Regan who said that his job was to sweep up after the elephants at the end of the circus.

And Barack Obama and his team spent the better part of the first year cleaning up after the elephants. And the auto bailouts were only one example. There were the bank bailouts. There were – we’re now seeing it with the oil spill. That’s the legacy of the deregulation of the Bush years. And so one of the reasons, I think,



that he undertook health care reform over the objections of all the people around him – and this was one of the startling discoveries as I was researching this book – nobody wanted him to do it in year one.

Q: In fact they argued with him against doing it.

ALTER: Well they didn't argue strongly with him against it. When they learned that he wanted to do it, they backed him to the hilt and did what they could to make it happen. But Joe Biden said, you get a pass from the American people, given the condition of the economy. Rahm Emanuel told me, I begged the president not to do this. David Axelrod thought they should go with energy first.

Christina Romer, who is the chairwoman of the council of economic advisors and had done her dissertation on Franklin Roosevelt, which is what I covered in my earlier book, she pointed out that Roosevelt waited two years after he came into office before he introduced health – Social Security. And she said, let's deal with the economy first. But Obama decided to go ahead anyway. And I think one of the reasons was that he didn't just want to be the bailout president cleaning up after Bush. He wanted to do something that he thought would be in the interests of the American people.

So I asked, so why did you do this if all of your people basically didn't want you to? And he said, I told Nancy Pelosi that I'd go down 10 to 15 points in the polls, which he did, and that I might not be reelected. So I repeated the question, Mr. President, why did you do this? This is on the audio book. I bundled this Oval Office interview that I did with him in the audio book. And he said, if we didn't do it now, it wouldn't happen. So he felt that history was calling him to do something big that was beyond these very large bailouts. He didn't want to be remembered as the president who owned 60% of General Motors. He wasn't proud of that, as Steve said, that the government had to, because of the crisis, get so enmeshed in the private sector.

But one thing that he didn't predict and that I found very interesting is that the president and his people thought that the auto bailout would be more popular than it was. They knew that the bank bailouts were toxic, were political suicide, as he said to me. But they kind of thought that the American people would respond more positively to saving hundreds of thousands of auto-related jobs. And they weren't. And so the country kind of faced a fork in the road, and it went at least a little bit right in its reaction to the auto bailouts. There was a very negative reaction to the firing of Rick Wagoner. It did not play well with the public.



Q: Right. You mentioned Roosevelt. And very early on in the administration, there were attempts to kind of link him and the situation to Franklin Roosevelt. And we are now, more than a year and a half later – how does the comparison hold up at this point do you think, Jonathan? Is President Obama the Roosevelt of our time?

ALTER: It's too soon to call him the Roosevelt of our time. But with the passage of health care, which was the most significant piece of social legislation since Medicare and Medicaid in 1965, so 45 years – with the passage of that bill, he joined Roosevelt and Johnson as a president of great domestic achievement and a figure of history for reasons beyond the color of his skin. Now we all know that he was a historic president as the first African American president. I write a lot about that in the book, and I kind of take the reader through this history-making time. But the points on the board, as he called it, are very significant.

Now both Roosevelt and Obama resisted the pleas of liberals to nationalize the banks, and they moved in a more conservative or moderate direction on banking than their liberal supporters wanted them to. But Roosevelt waited, as I mentioned, two years before he introduced his signal Social Security program, and Obama did not wait. And also Roosevelt did not cooperate with Herbert Hoover during the transition. And Obama felt he had no choice but to cooperate on TARP and on other things with Bush. So there are a lot of very specific differences.

Also, Roosevelt was famously described as having a second-class intellect and a first-class temperament. A couple days after the inauguration, Roosevelt in 1933 went to Oliver Wendell Holmes's house to drink some bootleg champagne. I don't think nowadays if Obama went and smoked a joint a couple days after the inauguration I don't think it would go over too well. But when he left, that's what Holmes said, second-class intellect, first-class temperament. Obama has a first-class intellect. And it seemed in the campaign that he had a first-class temperament. Certainly it went over better than John McCain's erratic temperament, and it helped him get elected.

But we don't really know whether his temperament is matched to the times. It's still too early, and he doesn't have that connection to the middle class that Roosevelt had. When Roosevelt died and his funeral procession was making its way up Pennsylvania Avenue, a grieving man fell to his knees. And the man next to him helped him to his feet, and he said, did you know the president? And the grieving man said, no, but he knew me. And this aristocrat, this patrician really knew the American people, knew what they were going through, really connected to their problems. And Barack Obama has time to make that connection, but he hasn't yet.



Q: And the time is going away, it seems. Now the other presidential predecessor that Barack Obama himself very consciously linked to was Abraham Lincoln. It was an interesting detail, but you pointed out that at one of the inaugural dinners they served the same menu as at Abraham Lincoln's inauguration. Do you have any thoughts on how that identification is holding up today, the Lincoln-Obama pairing?

ALTER: Well, I don't think – I think that's more part of how Obama sees himself. And you remember Lincoln talked about with malice toward none, with charity for all, and to look for the better angels of our nature. And these are very important concepts for Obama. And a lot of people on the left want to see him land some punches. They want to see him go after the right wing. And I think he senses that Lincoln, who is his favorite president, didn't play the game that way. He was a very cunning politician, Lincoln was, and Obama is as well, but to try to be president of all the people. And so he hasn't been as combative as he might have been.

He also picked up from Lincoln the concept that Doris Kearns Goodwin called team of rivals in her book about Lincoln. And so he tried and failed, really, to put more Republicans in his government. And he tried to be bipartisan, particularly at the beginning. And that was not one of the areas where he succeeded, for reasons that we can talk about.

Q: Sure. Well, one of the things I wanted to ask both of you about is about President Obama, one of his distinctions is of course he's a best-selling author. And we're here at the Obama book club session, right? And the portrait that emerges in both of your works of this deliberate and yet decisive person who reads and absorbs everything that he reads and seems to be able to – I mean at one point says to Larry Summers, I read the memo. He just kind of has got it all in there. He doesn't have to review it with people. What do you think matters about President Obama in that he's a writer and a reader and how that shapes him as a president. Jonathan?

ALTER: Well, you know, he's – I just can't help but remember this. One time when I was interviewing him during the campaign, and he had used the phrase, the defining moment, in several of his speeches, including his speech on election night, which was the title of my earlier book. And I mentioned that to him. He said, I know something about selling books. I'm helping you move the merchandise. And then he did, when he mentioned that he was reading it after the election, that really helped the paperback. So he's – he bought his mansion in Chicago on the basis of the money that he made off of his books.



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But I think the key thing with Obama as an author is he has a sense of almost novelistic detachment about what's going on around him. And this is both very helpful – it gives him an emotional neutrality. In fact he strips emotion out of his analysis of things and sentiment out of his analysis. And it helps him as a decision maker to be able to step back and see the whole playing field, be detached and observant the way a novelist, a good writer is. But that detachment can also be potentially a problem, politically, if people think he's standing too far above them.

Q: Right. I'd like to ask Steven Rattner how that sounds to you. Does that sound about right? And did you ever speak with the president about some book he was reading at that moment?

RATTNER: He didn't – no, he didn't really talk much about what he read. I agree with Jon's conclusions. I don't know whether the premise is completely right, in the sense that he clearly has a first-class intellect, and that allows him to read and digest these long memos. And you reported the anecdote or repeated the anecdote that I experienced of him saying to Larry Summers as Larry was trying to explain to him what was in this memo, Larry, I read the memo. And he had. And he actually summoned up a number that was on the last page of the memo and repeated it for us, and maybe just to show us that he had read the memo. I don't know. So he clearly has that mind.

And the second thing he has, as Jon said is this – what I saw, which was very interesting, was the fact that he was very much the no-drama Obama that you read about was very much what I saw. We were dealing with these massive things, and I had one little piece of it. And I would go from – he would go from my issue to banks to Afghanistan to health care to all this other stuff – jobs. And so I was pretty stressed out about this thing, and he had seven of them to worry about. And yet we would sit in these meetings making these very, very important decisions. And he really was kind of no-drama Obama, as he's been written about.

But he also has what Jon referred to – and again, I don't know if it's by virtue of being a writer or not – that I'm not sure of. But he does have that sense of detachment and that ability, and a little bit of it is sort of a, I think, a sort of self-protective wall in a way that he's been in politics long enough that he knows everybody's out for something. And he trusts the people he trusts, and the rest of us are a little bit on the other side of that wall that contains him. And so I think he has a perspective and a detachment from it all that is exactly what Jon said. It's very helpful in making very analytical, dispassionate decisions. But whether it



allows him to connect with the average American is, I think, one of the questions that people are currently debating.

Q: Right. Steven, you mention all the challenges that the president has faced in the last year and a half. And Jonathan, there are so many in your book, to get to them all in this hour we won't be able to do. But I'd like to turn briefly, before we have some questions from the audience, to Afghanistan and to the deliberations around the policy that finally emerged in December and the irony, too, of having to give that speech at West Point and then only several days later to fly into Oslo to accept the peace prize. There was a book mentioned in that section too, *Ghost Wars*, and some of the lessons that he had absorbed from that. And I was just curious about how you feel he was aware of history as he was making those deliberations and those decisions. Vietnam, obviously, is one obvious thing, but even the history of Afghanistan itself.

ALTER: Well, he is a reader. And I actually list in the book a number of the books that he read in 2009. And he read about the history of Afghanistan in *Ghost Wars* by Stephen Coll, who he happened to go to college with. But the shadow of Vietnam hung very heavily over those 20 hours of meetings in the Situation Room about Afghanistan, which was the most detailed examination of a foreign policy situation since the Cuban Missile Crisis in 1962. In both Iraq and in Vietnam, there was actually no long process to challenge the assumptions of the war, and why are we there? Nobody really asked the question. We just slipped in inch by inch in both Vietnam and Iraq.

So he decided, as he put it to me, I want to slow everything down and look at this process over time. So he had the book that Rahm Emanuel and others – Tom Donnellan (sp?) recommended to him about Vietnam that's called *Lessons of Disaster* by Gordon Goldstein, which was mostly about McGeorge Bundy and the Vietnam War. The Pentagon had its own book by McMaster about how the Pentagon had been undermined during the war in Vietnam.

And then Obama in his speech at West Point, which was actually just the day after this interview that's bundled in the audio book that I did with him, he actually for the first time I think in modern history in my – to my knowledge, the first time that he explicitly rejected a historical analogy. He had done enough reading about Vietnam to say in that speech why Afghanistan was not like Vietnam and why the particulars that he had come to understand through the process and also by reading about Afghanistan made it a different kind of conflict, and that these analogies were too easy and why he was rejecting them, which is an intellectual exercise that I certainly hadn't seen before on the part of a president.



Q: Well one of the fun things about your book, and maybe I'll start this and then move into the crowd for some questions, is to think about all the characters that emerge and some of the stories you tell for the first time have gotten coverage on their on. Carla Bruni's conversation with Michelle Obama. As a Massachusetts voter, I was interested in the president's reaction to an anecdote about Martha Coakley that you might want to share with us. But do you have any favorite stories of your own regarding some of these characters? And they're such – to somebody who experiences most of this from the other side of the television set, they're such problematic figures – Rahm Emanuel, Larry Summers, General Petraeus, all of these characters, larger than life in many ways. Do you have a favorite story of your own?

ALTER: Well you're kind of asking me to choose between my children –

Q: Your children, right.

ALTER: – because I worked hard. I went through labor to deliver these stories to you, so I'm not sure that I have a favorite. But just to tell very, very quickly a couple that you mentioned – the Michelle Obama conversation with Carla Bruni, where Carla Bruni asks her, have you and your husband ever kept a head of state waiting while you finished your lovemaking the way Nicolas and I do? Found that pretty amusing.

Q: And I think it's been tracked down just who it was that was kept waiting at one point.

ALTER: No, no. Actually tabloids around the world were calling me. They had all – British tabloids somehow got it into their heads that it was the Queen of England they had kept waiting, which was not true. And I didn't say in the book who it was because for reportorial reasons, I was not at liberty to say who it was.

Q: You chose to be discreet.

ALTER: But the other – I did like the stories – I tried to sort of tell people what it was like when the cameras were off. And Steve's advantage is he was actually in the room for the auto decisions. I was not. So from – but I only used stories that I really knew had taken place, where I – so if I quote anybody, if I put quotation marks around anything, it's from somebody like Steve or another policymaker who has been in the room. And one of them that you mentioned with the Massachusetts election, after they sort of sensed that things were not going well, the president



wandered into David Axelrod’s office. Obama likes to walk around, management by walking around. Steve talked about the habits of good CEOs, and this is one of his good ones. He’s always restlessly kind of on the move around the West Wing. I was sitting in Axelrod’s office one day when he, he just kind of swept in that way.

But on another occasion, he comes in. Axelrod is reading the *Boston Globe* online. And he’s read that Martha Coakley has said to a *Globe* reporter, when asked why she wasn’t campaigning more with average voters, she said, what, stand in the cold outside Fenway Park shaking hands? I don’t think so. Fenway Park is a shrine in Boston. People pray there.

Q: And shaking hands with voters is –

ALTER: Yeah. And so Obama, being a smart politician, when he hears this, he grabs Axelrod’s shirt, and he says in a – with panic on his face, tell me she didn’t say that. Tell me that didn’t happen. And he knew in an instant that she would lose, even though the election was a couple weeks away, and that the dreams of his first year were at least for a time in tatters. And then he and Nancy Pelosi were able to build their way back up to the signing of the health care legislation at the end of March, which is at the very end of my book.

Q: Right. Well in the time we have left, I want to give an opportunity to anyone who’d like to ask a question of either Jonathan Alter or Steven Rattner, if you’d raise your hand, I can get down to you. Well, OK, right here. And tell us who it’s for, please.

M: Steven Rattner. Yes. I was wondering, for Steven, yes – what do you feel not as a prognosticator but in your opinion, the future of the industry is and what involvement the government will have in the future in the industry?

RATTNER: So I’m actually pretty optimistic about the state of these companies. And we now – it’ll be a year next Tuesday since we put General Motors into bankruptcy, a year since Chrysler came out, 11 months since GM came out. And both companies are actually doing materially better than we thought.

So in the case – and they had kind of opposite problems. GM’s problem was management, as we discussed before. They actually had pretty good cars. They had better cars coming down the pipeline, but they had terrible culture and terrible management. And Ed Whitacre has done a great job of shaking it up, bringing in new people, and so forth.



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Chrysler had the opposite problem. They – we did this alliance with Fiat, and we got Sergio Marchionne to become CEO, who is a world class auto CEO. But Chrysler had no products. It was owned by Daimler, and then it was owned by private equity. It's only a North American company. Chrysler had exactly zero cars that are on the Consumer Reports recommended list. So it had its hands full.

So they're bringing Fiat cars in here and they're going to be relabeled as Chrysler cars. And all that is going pretty well. They're introducing their new Grand Cherokee this June, this month, this coming month. They're going to have the Fiat 500 small cars at the end of this year, and so forth. And both CEOs have come in and have just cleaned house, changed the culture, changed the expense structure, and dramatically just toned up the operations.

The second thing – and that was all part of our hope, our expectation, but who knew? We had a kind of safety net under us, which was the fact that car sales were very depressed. Car sales in this country had been running 16-17 million a year. Last year they were about 9.3. And we believed that they would rebound. You need to sell about 15 million cars a year just to keep the fleet from aging, and so people can put off car sales for a while but they can't put them off forever.

And what we did in our restructuring, in our overhaul, if you will, was we took the cost structures of these companies down, using bankruptcy and other tools, so that they could actually break even at a 10 million car sale rate, and anything above that, they should be able to make money. So in the first quarter of this year, we sold about 11.3 million cars on an annual rate in this country, so it's inching back up. And General Motors had its first profit, its first quarterly profit since 2007 – \$850 million. And that was basically the math working, that you had car sales above 10 million, the costs were break even at 10 million, and so at 11.3 you made some money. So I feel pretty good about things. (overlapping conversations; inaudible)

ALTER: Can I just – I just want to say something on behalf – my book's out, Steve's is coming out this fall or summer – late fall. What he didn't tell you, maybe because our profession is in such bad odor is that Steve was a journalist and a really good journalist. And he has this wonderful capacity, both in the interviews that he did with me and in the magazine article in *Fortune* that he wrote about it and in his book, to make all of this not only understandable but exciting, because this was one of the major business-government developments of our time. And so I think the buying public is lucky that they're going to get an inside story by a guy who knows how to tell a story.



RATTNER: Can you – are you available to come on my book tour with me (inaudible; laughter) right at the beginning, maybe.

Q: In fact Steven, what I think I read was that this experience kind of reawakened in you your interest in writing. Is that true?

RATTNER: You know, it did. And Jon was very nice. And but I never had it in me. I don't know how people like Jon manage to have a day job and write books. And I never found the time to do that. And I always kind of thought it'd be great to write a book. And now I have some time, so I'm glad to do it.

Q: Right. Well I think we probably have time for one more question. I'm sorry. And we'll get to you – right here. Who is the question for?

F: For both of the gentlemen. It's really in regard to business and government and Obama's misstep or his tactics on the oil spill. What is he – what has prompted his lingering about taking action? Is it his relationship –

ALTER: Are you saying on the oil spill?

F: On the oil spill.

ALTER: Yeah. Well while we've been here, a little earlier today he held a press conference, and I'm going to have to watch it on tape because I don't know how he did. But basically, as somebody said, he's not Aquaman. He can't – the government doesn't have the technical knowhow to go a mile below sea level.

And but where he's screwed up is on what they now call the optics of this. And he need – Obama's not a gesture politician. And he doesn't like to do things just so they play well on cable TV. He does things on his own timetable and he believes in what he calls the politics of persistence. He takes a long-term view. And as he says – he said at one point, I don't get we-weed up about cable news. So if he can't do anything, and he thinks it's too early to point fingers because he wants them to, as he put it, plug the damn hole, not point fingers, his natural inclination was to hold back a little bit.

But that hurt him in this case. And he needs to make more concessions to the media world as it is, not as he would like it to be. And that's a real problem that he's struggled with throughout the year that we're seeing again. A lot of his supporters think that he could just kind of wave a magic wand. Oh, we voted for him, now it's his job to fix the country and make change. We're on Miller time



now. It's Obama who's going to save us. And so nobody showed up. Remember, he said, we are the ones we've been waiting for, during the campaign? Well at those town meetings last summer, the we didn't show up. It was the tea party that showed up and the conservatives.

So part of it is that the Obama supporters had, I think, a set of unrealistic expectations of him. And this oil spill would be an example of that. And we'll see whether he can make up for lost time and get on top of this, which he has not successfully done in the last month and a half.

Q: Yeah. Steven Rattner, very briefly, do you want to add to that, in particular to the earlier question about President Obama as a model of a corporate executive? Should he be more engaged? Should he accept reality rather than what he wishes it should be?

ALTER: Yeah. That's a good question. What would a CEO, a really great CEO do in this situation?

RATTNER: I think you said it really perfectly. I think it's this notion of separating the things that really amount to gestures versus the things that you can actually do something about. He knows he doesn't know how to plug an oil spill, and there's not a lot he can do by doing it. But I would just sort of end on a slightly related note, maybe. One of the things that I saw in my time in Washington and the White House is just the relentless stream of second-guessing and criticism that you're – that any of us were subjected to. And it's both from the left, as you pointed out, on the banks, but it's also from the right.

And no matter what you do, no matter what issue you're faced with, you've got people pulling you in every direction and saying you should be doing this or you should be doing that or you should be doing the other thing. And it is a very, very tough, unforgiving glare to live under. And I think while he may not get we-weed up about cable news, cable news is – does its best to get under his skin. And I think they do manage to, unfortunately, influence public opinion maybe in some ways more than they should about whether he's doing what he should be doing or what he shouldn't be doing.

He probably could have spent today more productively in Washington doing his day job, but he correctly figured out that he needed to go down there and conduct a little bit of a show of being on the scene. And some of that is probably unfortunate but necessary.



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Q: Right. Well listen, thank you very much, both of you, Steven Rattner, author of the forthcoming *Overhaul: The Inside Story of How the Obama Administration Masterminded the Rescue of the U.S. Auto Industry*, and Jonathan Alter, author of *The Promise*, soon to be on the *New York Times* bestseller list – *The Promise: President Obama, Year One*. Jonathan, thank you very much indeed.

(applause)

ALTER: Thanks a lot.

END OF RECORDING