

# Romney's Audacious Corporate Raid

**Exclusive:** Wall Street's audacity in pushing one of its own, Mitt Romney, to be President has the look of a classic corporate takeover, targeting a struggling U.S. and plotting to install new management for restructuring. But that usually means the big boys get the profits and everyone else the sacrifice, says Robert Parry.

By Robert Parry

The Washington Post's political "fact checker" Glenn Kessler has given the Obama campaign "four Pinocchios" for calling Mitt Romney "a corporate raider" who plunders struggling companies, but [a new article](#) by Rolling Stone's Matt Taibbi explains why the description fits the venture capital approach of Bain Capital.

Taibbi's article describes how Romney in the 1980s pioneered the strategy of taking over vulnerable companies, burdening them with massive debt, bleeding them with extravagant fees, forcing them to lay off workers and then sometimes driving them into bankruptcy all while he and Bain Capital walked away with millions of dollars.

Taibbi sees Romney as a pioneer in another way, a founder of the new state-less world for the ultra-rich, a builder of an "archipelago" of privileged enclaves from which the extravagantly wealthy can live far from the average folks left behind in the old-style nation-states whose resources are drained to benefit the "archipelago."

"Obama ran on 'change' in 2008," Taibbi wrote, "but Mitt Romney represents a far more real and seismic shift in the American landscape. Romney is the frontman and apostle of an economic revolution, in which transactions are manufactured instead of products, wealth is generated without accompanying prosperity, and Cayman Islands partnerships are lovingly erected and nurtured while American communities fall apart.

"The entire purpose of the business model that Romney helped pioneer is to move money into the archipelago from the places outside it, using massive amounts of taxpayer-subsidized debt to enrich a handful of billionaires. It's a vision of society that's crazy, vicious and almost unbelievably selfish, yet it's running for president, and it has a chance of winning."

In other words, the buccaneers of "financialization" and "corporate restructuring" have set up their own pirate kingdom and have dispatched one of their own to govern the conquered masses.

## Defending Romney

However, the Post's Kessler has chosen to defend Romney's business approach, saying it's unfair to call Romney a "corporate raider." Kessler bases his complaint on the fact that Bain Capital avoided hostile takeovers of targeted companies, preferring instead to win over the management. Kessler insists on reserving the "corporate raider" tag for takeovers that aggressively overthrow the old management.

But "corporate raider" can also apply to a private equity firm that swoops in on a vulnerable company, secures a controlling stake and then bleeds it of resources, what led Texas Gov. Rick Perry to famously describe Romney as a "vulture capitalist."

Kessler's interpretation of "corporate raider" didn't even fit with the definition he himself cited from a Web site called Investopedia, which defines the term as:

"An investor who buys a large number of shares in a corporation whose assets appear to be undervalued. The large share purchase would give the corporate raider significant voting rights, which could then be used to push changes in the company's leadership and management. This would increase share value and thus generate a massive return for the raider."

Everything in that definition would apply to what Romney's Bain Capital did with the companies it took over. It assessed the potential value of the beleaguered companies, bought a substantial equity stake, forced management changes designed to raise share value (usually abrupt layoffs of employees), and achieved big rewards for Bain by either selling its stake in the slimmed-down firm or taking it public. Bain even made money if a company went bankrupt.

What Taibbi adds to this understanding of Romney as a more genteel "corporate raider" is that Bain Capital's piracy would eschew the messiness of boarding the targeted vessel with swords, grappling hooks and muskets in favor of simply bribing the old management by offering a cut of the loot. Taibbi wrote:

"Romney and Bain avoided the hostile approach, preferring to secure the cooperation of their takeover targets by buying off a company's management with lucrative bonuses. Once management is on board, the rest is just math. So if the target company is worth \$500 million, Bain might put down \$20 million of its own cash, then borrow \$350 million from an investment bank to take over a controlling stake.

"But here's the catch. When Bain borrows all of that money from the bank, it's the target company that ends up on the hook for all of the debt."

And, since some of the old managers are in on the plunder, the ultimate victims are the workers down the line, who face savage job cuts and loss of benefits. Also suffering are their communities which have to grapple with shuttered plants, more unemployment and the social stress that comes with joblessness.

However, Romney and his fellow Wall Street financiers lack sympathy for these “losers” or even an understanding of their plight because the “winners” have transferred the equity of the doomed or downsized company into the “archipelago” of the ultra-rich, into their cloistered communities of gated mansions and global villas, into the world of this new aristocracy.

Indeed, there is something audacious about the Romney presidential candidacy, especially coming so soon after the bailout of Wall Street in 2008 and the transferring of trillions of dollars in its bad debt onto the American public.

Now, one of Wall Street’s own is the presidential choice of a major party, as if the struggling United States were just the latest of Bain Capital’s targeted companies, one which is now expected to accept the pleasure of having one of Bain’s “turnaround artists” installed in the CEO suite.

### **Seeking ‘Balance’**

At such a pivotal moment for the United States, Kessler and other “independent fact-checkers” seem most nervous that they will end up on the wrong side of the new order. Even as Romney’s campaign disses the very idea of “fact-checking,” Kessler and his cohorts scramble to “balance” their occasional recognition that Romney’s campaign is lying wholesale with a determination to find a similar number of retail exaggerations by the Democrats.

So, when the Obama campaign dared to call Romney a “corporate raider,” Kessler rushed in tossing around “Pinocchios,” applying a narrow definition of what a raider is and missing the larger point that just because Bain Capital has used the more polite technique of bribing the old management doesn’t change the consequence of the plundering, at least not for the rank-and-file workers and their towns.

As Taibbi noted, “The new owners of American industry are the polar opposites of the Milton Hersheys and Andrew Carnegies who built this country, commercial titans who longed to leave visible legacies of their accomplishments, erecting hospitals and schools and libraries, sometimes leaving behind thriving towns that bore their names.”

By contrast, Taibbi wrote, Romney “is a perfect representative of one side of the ominous cultural divide that will define the next generation, not just here in America but all over the world. Forget about the Southern strategy, blue

versus red, swing states and swing voters – all of those political clichés are quaint relics of a less threatening era that is now part of our past, or soon will be. The next conflict defining us all is much more unnerving.

“That conflict will be between people who live somewhere, and people who live nowhere. It will be between people who consider themselves citizens of actual countries, to which they have patriotic allegiance, and people to whom nations are meaningless, who live in a stateless global archipelago of privilege – a collection of private schools, tax havens and gated residential communities with little or no connection to the outside world. Mitt Romney isn’t blue or red. He’s an archipelago man.

“Perhaps that change is coming whether we like it or not. Perhaps Mitt Romney is the best man to manage the transition. But it seems a little early to vote for that kind of wholesale surrender.”

Among the first to run up the white flag, however, are “independent fact-checkers” like the Post’s Kessler.

**Robert Parry broke many of the Iran-Contra stories in the 1980s for the Associated Press and Newsweek. His latest book, *Neck Deep: The Disastrous Presidency of George W. Bush*, was written with two of his sons, Sam and Nat, and can be ordered at [neckdeepbook.com](http://neckdeepbook.com). His two previous books, *Secrecy & Privilege: The Rise of the Bush Dynasty from Watergate to Iraq* and *Lost History: Contras, Cocaine, the Press & ‘Project Truth’* are also available there.**

---