

# The Washington Post

*Democracy Dies in Darkness*

## Felix Rohatyn, Wall Street wizard who helped save NYC from bankruptcy, dies at 91

By **Bruce Nelan**

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Felix Rohatyn, whose finesse and dealmaking talents made him one of the most influential investment bankers of his era, who launched the boom in the mergers and corporate takeovers he came to loathe, and who was widely credited with saving New York City from bankruptcy in 1975, died Dec. 14 at his home in Manhattan. He was 91.

The death was confirmed by a son, Michael Rohatyn, who did not cite a specific cause.

Mr. Rohatyn (pronounced ROH-a-tin), who was born in Austria to a Jewish family prominent in business, spent a defining part of his childhood as a refugee from the Nazi advance across Europe. Intense, driven and discreet, he worked for almost his entire professional life as a banker and adviser to corporate clients at the New York firm of Lazard Frères & Co.

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He socialized for decades at the nexus of financial and political power, counting leaders such as French President François Mitterrand and U.S. Secretary of State Henry Kissinger as friends. His ambition to serve as treasury secretary in a Democratic administration was never fulfilled, but in 1997 Mr. Rohatyn succeeded socialite and Democratic Party fundraiser Pamela Harriman as President Bill Clinton's ambassador to France.

By all accounts, Mr. Rohatyn was temperamentally suited to negotiations at the highest levels of business and finance. Early in his Lazard career, he switched from a focus on foreign exchange dealings to corporate buyouts and mergers, even though he had to go to night school to learn how to read a balance sheet.

He quickly took the lead in negotiating debt-fueled megadeals and complex restructurings — which became the highly lucrative standard practice on Wall Street by the 1980s. He participated in the investment firm Kohlberg Kravis Roberts’s leveraged buyout of RJR Nabisco in 1986, which led to massive management payouts. (He would later criticize extreme levels of debt as a threat to the economy and criticize Wall Street for its culture of “rampant greed.”)

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Mr. Rohatyn was perhaps best remembered as the “wizard” who stepped in — unpaid — to rescue New York from death by debt.

The city had been swamped by \$6 billion in short-term obligations, and creditors were balking at its attempts to borrow more. When New York Mayor Abraham D. Beame (D) asked President Gerald R. Ford for help, he received a response summarized in the memorable New York Daily News headline “Ford to City: Drop Dead.”

At the invitation of New York Gov. Hugh Carey (D), Mr. Rohatyn took the lead role in what became the Municipal Assistance Corp., which included other business leaders but no politicians. He thought the assignment would last three weeks, but he continued overseeing the city’s finances for 18 years.

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In relatively short order, the MAC put together an alliance and a plan. The alliance consisted of banks, municipal employees unions, and city and state governments. Mr. Rohatyn persuaded the parties to accept a plan to refinance the \$6 billion in short-term debt into \$8.5 billion in long-term loans.

Over the next few months, Mr. Rohatyn helped persuade unions to invest part of their pension funds in MAC bonds and to agree to a 20 percent cut in the municipal workforce over five years. He also got bankers to defer \$1.6 billion in debt.

“He had the credibility in the financial markets to be dealt with seriously,” Eugene J. Keilin, who succeeded Mr. Rohatyn as MAC chairman, said in an interview. “At the same time, he understood that the object of the exercise was to keep the government in business,” Keilin continued, which made Mr. Rohatyn acceptable to the unions.

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Without the pressing threat of bankruptcy, Mr. Rohatyn’s insistence on limiting the city’s expenses gave him a reputation as an autocrat. His continuing control over much of the city’s budget angered some labor leaders and mayors.

Then-Rep. Edward I. Koch (D-N.Y.), who would be mayor from 1978 to 1989, accused Mr. Rohatyn of holding “sole and inappropriate” discretion over the city’s funds. “Who elected this guy to make those kinds of decisions?” Koch asked.

The MAC, which sold almost \$10 billion in bonds during its existence, paid off its outstanding debt in 2008 and shut down.

### **Lazard and ITT**

Mr. Rohatyn’s success in sorting out the crisis, as well as in making corporate deals for his Lazard clients, was mostly attributed to his singular abilities as a financier.

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His first large transaction was a roaring success: In 1962, Lazard bought Avis, then a small auto rental company. Mr. Rohatyn installed new management and a new slogan: “We’re No. 2. We try harder.” In three years, Lazard sold the rental company to International Telephone and Telegraph (ITT) for \$51 million — many times the price for which it was purchased.

Besides his mentor Andre Meyer, the French-born head of Lazard Frères, Mr. Rohatyn had another critical figure in making his reputation on Wall Street: ITT chief executive Harold Geneen.

Geneen was setting out to turn ITT into the world’s largest conglomerate, retained Lazard Frères and worked with Mr. Rohatyn on the mergers and acquisitions.

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In the 1960s and ’70s, they acquired more than 100 companies involving billions of dollars — and millions of dollars in fees for Mr. Rohatyn and Lazard. The work advanced Mr. Rohatyn’s public profile dramatically, and ITT gave him the first of his many seats on corporate boards.

His association with ITT also came close to wrecking his career. In 1969, he helped engineer the company’s merger with the Hartford Fire Insurance Co., one of the largest deals up to that time. The Justice Department determined that the arrangement was in violation of antitrust rules and tried to force ITT to divest Hartford.

Geneen designated Mr. Rohatyn as his point man and sent him to Washington to meet privately with Richard Kleindienst, the incoming attorney general.

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ITT worked out a favorable resolution with the Justice Department, but documents leaked to the media seemed to indicate that the ruling came in response to a large ITT contribution to the Republican Party. Mr. Rohatyn testified in hearings that he knew of no quid pro quo, but investigations and shareholder lawsuits over stock prices stalked him for years.

In 1972, Washington Post columnist Nicholas von Hoffman pejoratively dubbed him “Felix the Fixer,” which became an enduring nickname that Mr. Rohatyn despised. Others used the moniker as a compliment, owing to his legerdemain.

### **'Refugee's theory of value'**

Felix George Rohatyn was born May 29, 1928, in Vienna to a family involved in banking and brewery interests. His parents divorced while Felix was attending boarding school in Switzerland.

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His mother and stepfather, a dealer in precious metals, were living in Paris when the Nazis invaded France in 1940. They traveled with Felix to the south of the country, hoping to flee to North Africa and then to the United States. Driving on back roads, they found themselves caught behind a German checkpoint outside Marseille, without valid travel documents.

As their car got to the barrier, Mr. Rohatyn recalled, the German soldier in charge paused to light a cigarette and waved them through.

To pay their expenses, they used gold coins Felix had hidden in toothpaste tubes. As an investment banker, he said, he had “a refugee’s theory of value” — that is, all that really counts “is what you can carry in your head or a toothpaste tube.”

The family arrived in New York in 1942. Felix, who spoke French, German and Portuguese, quickly mastered English and graduated from high school at 16.

Before completing a physics degree at Middlebury College in 1949, he briefly worked at his father’s brewery in Paris. It was “backbreaking work” made worse by the hostility of communist co-workers who resented working with the manager’s son, Mr. Rohatyn later wrote in his 2010 memoir, “Dealings.”

“On several occasions,” he wrote, “heavy beer barrels came very close to smashing into me. I soon realized that neither beer nor France represented my future.”

His stepfather, who once had business dealings with senior Lazard partner Meyer, helped Mr. Rohatyn get a job as a Lazard trainee. “I had no idea what an investment bank did,” Mr. Rohatyn wrote in his autobiography. “But I did need a paycheck.”

Mr. Rohatyn’s first marriage, to Jeannette Streit, ended in divorce. In 1979, he married Elizabeth Fly Vagliano, who was active in nonprofit arts and education organizations in New York. She died in 2016. Survivors include three sons from his first marriage, Nicolas Rohatyn and Michael Rohatyn, both of New York, and Pierre Rohatyn of Sainte-Alexandre, France; a stepdaughter, Nina Griscom of New York; and six grandchildren.

On Wall Street, Mr. Rohatyn was viewed as a shrewd master in a profession involving large measures of greed and hubris.

“The ultimate power is the absence of desire,” he told People magazine soon after taking over the MAC. “I believe the most powerful man is a monk, because he is not corrupted by power.”

Even then, when he seemed at the height of his influence, he realized its limits.

“I raced home to see myself on the 6 o’clock news and left my car double-parked outside my apartment,” he said. “A cop came along. He said he knew I was trying to save the city, but he gave me a ticket anyway.”

*Freelance writer Simone Baribeau contributed to this report.*

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