Creditors, unions renew effort to loot Detroit Institute of Arts

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A number of major Detroit creditors filed a motion in federal bankruptcy court on Wednesday urging the court to order the city to cooperate with investor groups interested in buying some or all of the collection at the Detroit Institute of Arts (DIA).

This group of creditors, led by bond insurer Financial Guaranty Insurance Co. (FGIC), is unhappy with the terms of the so-called "grand bargain" proposed by Emergency Manager Kevyn Orr. FGIC and the others stand to take losses if the deal goes through as is.

Under the terms of the "grand bargain," twelve regional and national foundations, the state of Michigan and the DIA itself have pledged $816 million over twenty years to "save" the museum, through privatization, as well as to bolster pensions. The tentative agreement includes major cuts in pensions for city employees, forcing thousands into poverty.

FGIC was joined by fellow bond insurer Syncora Guarantee Inc., various European financial institutions and the city's largest union, the American Federation of State, County and Municipal Employees (AFSCME) Council 25, in the court filing. These creditors, whose motion was anticipated, argue that the appraisal carried out last year by Christie's art auction house placed far too low a value on the DIA's holdings and that the city must be forced to sell off artwork or find other means of "monetizing" the collection, to help pay the city's debts. Christie's evaluated several thousand works that the City of Detroit purchased from the 1920s through the early 1950s and put their market value at between $450 million and $870 million.

FGIC, presumably with the knowledge and cooperation of AFSCME and other city unions, hired investment bank Houlihan Lokey—one of the world's largest privately owned investment banks--to carry out an analysis of the DIA's collection, based on publicly available information, and prepare a catalogue for prospective buyers.

Four investor groups indicated formal interest ahead of the April 4 deadline set by the investment bank: Catalyst Acquisitions and Marc Bell Capital Partners offered $1.75 billion for "all assets held in the DIA" to be funded by the two companies and a "syndicate of leading global investors"; Art Capital Group offered a $2 billion loan with the DIA's collection used as collateral (the city would probably have to sell important parts of the collection, however, to repay the loan); Yuan Capital, an Asian-based investor, offered approximately $1 billion for most of the DIA's masterpieces; Poly International Auction, a Beijing-based auction house, offered up to $1 billion for the museum's Chinese art collection.

Businessweek.com describes one of the groups attempting to get hold of the DIA's collection, Marc Bell Capital Partners, based in Boca Raton, Florida, as "a private equity and venture capital investment firm specializing [in] distressed debt, debtor-in-possession, expansion capital, special situations, mezzanine, bridge, management buyouts, and recapitalizations investments. The firm prefers to invest in the commercial, entertainment ventures, publishing, internet, retail, and residential real estate sector."

The 259-page Houlihan Lokey catalogue, drawn up and distributed behind the backs of Detroit's population and included in Wednesday's court motion (accessible online), makes chilling reading. It sums up the attitude of the financial elite, and its lackeys in the unions, toward the cultural heritage and rights of the city's residents. The document, sent to 19 prospective investors after an initial contact with 38 interested parties, mostly hedge funds, essentially takes for granted that the DIA's art should be sold, or in the parlance of museum officials, "de-accessioned," for the benefit of wealthy creditors.

The catalogue dismisses out of hand the long-standing legal view that the DIA's (and other public museums') artwork is a public trust and may not be sold to pay debts, a position restated by Michigan's Attorney General Bill Schuette last year. "Neither the City nor the state of Michigan has been able to produce any additional documentary or evidentiary support for the AG's opinion," the bankers arrogantly assert.

In an effort to drum up investor interest, Houlihan Lokey continues: "The DIA art collection is routinely ranked among the top 5 in the United States and is recognized globally for the high quality of the artwork in a broad spectrum of subject areas. Uniquely among major art museums, the DIA is owned by the City of Detroit."

The catalogue asserts that "Because a significant DIA de-accessioning is supported by a broad cross section of Detroit's creditors, it offers the City the most expeditious and cost effective route to emerge from bankruptcy." Again, shamefully, this "broad cross section" includes AFSCME and the other municipal unions.

After a reference to "a vocal political minority [that] has cast a DIA de-accessioning as contrary to the interests of Detroit," the bankers assert that the monetization of "a legacy City asset with no direct linkage to the City's financial recovery and a tenuous cultural relevance to Detroit's current citizens" provides the city with "a tremendous opportunity to avoid further depletion of City operating funds on costly DIA-related litigation with its creditors."

Appealing to the philistinism and ignorance of today's nouveau riche, including union officials and the thin layer of wealthy African American political operators who run Detroit, Houlihan Lokey argues that "Instead of continuing to burden Detroiters, a DIA de-accessioning offers the potential for asset value realization that the City might use to consensually satisfy creditor claims while liberating additional sources of capital to catalyze the City's reinvestment initiatives," including the creation of "arts institutions the City's leadership deems more relevant to the City's rehabilitation."

Under "Investment Highlights," the bankers truly get down to business, pointing out that "Never before has a de-accessioning involving such a large volume of major artwork potentially been made available to investors. Both the scope and quality of the DIA artwork being offered is unique in the history of the international museum community and unprecedented in the broader international art market." And further: "The unprecedented volume of museum quality artwork being offered presents an opportunity for buyers to capture a potentially significant bulk purchase discount for those interested parties not wishing to buy and hold."

Houlihan Lokey gushes, "In recent years art has moved far closer to mainstream status for a segment of the investing world. In an age of hyper-monetarism, art has proven to have solid inflation hedge characteristics stemming from the finite scarcity value inherent in the extant portfolios of the world's leading artists."

This vile, greed-driven document is a declaration of war against the DIA and the cultural rights of the population.

Along with those creditors who will fare better if the proposed settlement holds up, Orr has a stake in the "grand bargain" going through. The Emergency Manager accordingly dismissed the FGIC-Houlihan Lokey effort. "It's all part of the process and they can take whatever acts they think are appropriate, but the reality is they can't make us sell the art," Orr told the *Detroit News*. It is a political obscenity that Orr can pose as a defender of the DIA, while the unions line up with the most ruthless financial interests demanding the museum's destruction.

The comment by Jeff Pegg, president of the Detroit Fire Fighters Association, on Thursday is typical of the foul response of the union leaders to the Detroit crisis. "The elevation of the city's art above our hard-earned pensions and health care is unfair, offensive and elitist," he said, reading a statement signed as well by the various police unions. "We appreciate the city's art collection. But, stated bluntly: Art is a luxury. It's not essential, like food and health care."

Leaving aside the fact that only to ignoramuses is art a "luxury," Pegg's statement rehashes the lying claim that Detroit's residents must choose between "art and pensions." The notion that the sale of the DIA's art would benefit city workers is preposterous. A ruling elite capable of scorched earth policies such as dismantling one of the world's important cultural institutions, in defiance of public opinion, will not hesitate to eviscerate pensions and other benefits. As the WSWS has warned from the outset of the current crisis, if the unions' policy prevails, Detroit residents will have neither pensions nor a world-class art museum.

There is a serious danger that the DIA collection, collected for and in part bought by the population of the Detroit metropolitan area, will fall into the hands of Wall Street and global thieves who are profiting from the collapse of the physical and cultural infrastructure.

The only force that can prevent this tragic, disastrous outcome is the working class, mobilizing itself independently of the unions and the Democratic Party in an offensive against the financial predators and their plans. Workers, students and young people will have to fight unrelentingly against all the conspirators for the right to decent wages, education, health care, pensions and retirement benefits, and culture.