

The carve-up of Detroit

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Detroit, the former auto capital of the world, is in the final stages of a bankruptcy process that has from the start been a conspiracy of the banks against the city's working class population. Closing arguments in federal bankruptcy court are scheduled to begin next week, a legal formality before the city's brutal restructuring plan is approved by the judge.

The so-called "Plan of Adjustment" will gut the pensions and health benefits of more than 30,000 current and retired city workers, sanction the sell-off of public assets, and provide a legal fig leaf for the termination of water and other vital services to entire working class neighborhoods.

Last week, some 200 investment bankers from throughout the US gathered at the Center for Venture Capital and Private Equity Finance at the University of Michigan to discuss the business opportunities emerging from the carve-up of Detroit.

The keynote speakers at the Michigan Private Equity Conference included Kevyn Orr, the Jones Day bankruptcy lawyer who was installed 19 months ago as the city's unelected emergency manager to head up a de facto bankers' dictatorship. Also speaking was Kenneth Buckfire, former senior vice president of Lehman Brothers and co-founder of New York-based investment firm Miller Buckfire.

Both were key players in the plot to throw Detroit into bankruptcy and set a nationwide precedent for overriding state constitutions (such as Michigan's) guaranteeing the pension benefits of municipal workers. Orr has paid Buckfire's firm \$8 million to "advise" the city during the bankruptcy.

After a lavish dinner reception, the wealthy investors at the conference were treated to a menu of a different sort. The city of Detroit, Orr and Buckfire told them, was up for grabs.

Among the profit-making opportunities the two listed were "low acquisition costs for real estate and

companies" and availability of "44,000 land parcels for redevelopment." The city's proximity to the Great Lakes would provide access to fresh water, which would prove crucial to businesses as America's Southwest dried up, Buckfire noted.

Prospects "appear greater than I've seen in Miami, New York and Washington, DC," Orr enthused. Both men pointed to the city's recent deal with Wall Street bond insurer Finance Guaranty Insurance Co. (FGIC) to reassure any hesitant investors.

To settle its debt claim, FGIC was given \$161 million in credits and other payments and 8.6 acres of choice downtown property along the Detroit River. The city-owned Joe Louis Arena, which sits on this land, will be torn down at taxpayer expense so FGIC can develop upscale housing and a hotel, retail and convention center complex that promises to provide it with many millions in revenue for years to come.

The FGIC payout exceeded a previous deal with bond insurer Syncora, which was handed half of the Detroit-Windsor Tunnel, millions in cash and credits, and several city-owned parking garages. The bond insurers were paid off to cover the claims of major Wall Street banks, which entangled the city in disastrous financial schemes widely acknowledged to have been illegal.

Having created the catastrophe in Detroit by dismantling the city's auto manufacturing base, while extorting billions in tax breaks and abatements, the financial mafia is exploiting the crisis of its own making to impoverish the city's workers and make itself even richer.

Under the restructuring plan, spending on the city's long-neglected social services will be limited to \$140 million a year. A state-appointed financial oversight committee will have the power to reject new borrowings or "profligate" spending—all for the benefit of the city's bondholders. The deep cuts in pensions and elimination of health care payments to retired city

workers, along with the downsizing of the city, will ensure that an even larger share of city revenue flows to Wall Street.

Buckfire—who owns several multi-million-dollar homes on New York’s Park Avenue and in the wealthy enclave of Greenwich, Connecticut—told the conference that there “were no excuses left” for Detroit residents not to pay their bills.

This shameless looting gives new meaning to the term “vulture capitalism.” It epitomizes the greed and avarice of the financial aristocracy and its contempt for the welfare of the vast majority of the American people.

The bankruptcy of Detroit has received the full backing of every institution of the political establishment—the courts, the Democrats and Republicans, the Obama administration, the media, the “civil rights” organizations and the trade unions.

Far from opposing the attacks on the working class, the United Auto Workers, the American Federation of State, County and Municipal Employees (AFSCME) and the other unions are backing the bankruptcy. They seek only their own cut of the spoils.

Alongside representatives of Blackstone and Credit Suisse at last week’s Michigan Private Equity Conference was Brian Gimotty, a representative of the United Auto Workers’ retiree medical benefits trust—a \$55 billion investment fund for the businessmen who run the UAW.

The events in Detroit are a vindication of the warnings made by the *World Socialist Web Site*. In a July 20, 2013 Perspective column, we wrote:

“Just as Greece became the model for attacks on workers throughout Europe and beyond, the Detroit bankruptcy—which goes beyond even the brutal measures carried out in Greece—will set the pattern for the next stage in the attack on the working class in the US and internationally. At stake is every gain won by the working class through immense and often bloody struggle and sacrifice in the course of more than a century.”

The only political force opposing this attack is the Socialist Equality Party. In opposition to the fake-left organizations tied to the Democratic Party and the trade unions, the SEP has insisted that workers should place no faith in the bankruptcy court or any other institution of the capitalist state. The SEP alone fights for the independent mobilization of the working class against

the bankruptcy conspiracy.

The struggle to defend the most basic social rights of workers and young people requires the building of a mass political movement of the working class to overturn the capitalist economic and political order. The banks and major corporations must be taken out of private hands and placed under the ownership and democratic control of the working class. The debts owed to the Wall Street parasites must be repudiated and the fortunes obtained through fraud and attacks on jobs and living standards confiscated and applied toward the rebuilding of Detroit and cities across the country.



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