

University of California to invest \$4 billion in private equity giant Blackstone

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As students attending the University of California (UC) system return to classes from their winter break, they are being met with news that the university administration has made a \$4 billion investment in the real estate arm of the financial giant Blackstone Inc., the Blackstone Real Estate Income Trust (BREIT).

Over the course of the last several months of 2022, 48,000 academic workers across the UC system carried out a strike impacting all ten campuses that shut down the university. The workers walked out because they wanted substantial wage increases, and in particular a cost-of-living adjustment (COLA) to counteract rampant inflation and the high cost of living in the state. They were betrayed, however, by the United Auto Workers (UAW) union that formally represents them. UAW bargainers eviscerated the demands of the membership, dropping all discussion of COLA from negotiations, and lowering wage proposals by over \$10,000.

The strike saw an open rift between the union and its rank and file. Though the UAW has managed to push through the sellout contract it negotiated with the UC, the struggle has not yet concluded. Many workers remain opposed to it, and a number have formed a rank-and-file committee to take the struggle out of the hands of the union. A petition signed by hundreds of academic workers claims that the union violated its own by-laws by using union resources—including member dues—to push for a “yes” vote on the tentative agreement, and deliberately held the election on short notice at a time when many student workers were traveling for the holidays.

Emboldened by the fecklessness and outright collaboration by the UAW bureaucracy with management, the university administration has wasted no time in deepening its attacks on the academic

workers. The decision to spend \$4 billion of public money to invest in BREIT will serve to divert vital resources from education and thus further immiserate the workers and students in the UC system.

Blackstone is a major investment management and private equity company that was founded in 1985 by Peter Peterson and Stephen Schwarzman, both billionaires with a storied history among the financial oligarchy and the political elite. Peterson, the former CEO of the now defunct Lehman Brothers, also served as US Secretary of Commerce under Nixon and as the chairman of the Council on Foreign Relations, a prominent think tank. Schwarzman, whose current net worth is \$25.8 billion, according to Forbes, was chairman of Trump’s Strategic and Policy Forum. Both have been major donors to the Republican Party. Blackstone currently has a market capitalization of \$55.6 billion.

The company has a history of asset stripping, and in real estate of rent hikes and aggressive eviction practices. Its operations are entirely parasitic and are archetypical of finance capital as a whole. In April of 2022, BREIT acquired American Campus Communities (ACC), a private company that managed student housing, for \$13 billion. ACC owned 166 properties across 71 university markets in the US, including a number at UC campuses. The UC’s investment in BREIT gives it a direct, \$4 billion financial interest in the exploitative operations of Blackstone, which are carried out against UC’s own students and employees, including the charging of excessive rent.

The University of California is nominally a “public” institution of higher education. In 1960, the state passed the Donahoe Higher Education Act, which created the “California Master Plan for Higher Education.” This

legislation, passed in the heyday of American liberalism, was sold as a plan to ensure free, public higher education for all, though the language was only aspirational, and there were no legal guarantees. According to the UC Office of the President, it called for the “Reaffirmation of California's long-time commitment to the principle of tuition-free education to residents of the state. However, the 1960 Master Plan did establish the principle that students should pay fees for auxiliary costs like dormitories and recreational facilities.”

In the half-century since the passage of the Master Plan, the pretense of tuition-free education has largely been done away with. Beginning in the late ‘70s and early ‘80s, the ruling class initiated a social counterrevolution against the working class that steadily clawed back every conquest it had won through struggle. In higher education, public funding was gradually cut and replaced with higher tuition and other student fees.

Today, though it varies from campus to campus, tuition alone is typically in the neighborhood of \$10,000 for residents and several times higher for nonresidents and international students. When the cost of rent in a major Californian city is added in, students have to pay a small fortune for their education. The burden is great enough that it is not uncommon for alumni to still be paying off their student loan debt in their 40s, and student debt now ranks among the most lucrative financial assets.

The University of California is now deeply entangled with finance capital, and its presentation as a “public” university has become farcical. Its managers on the UC board of regents are drawn primarily from the financial oligarchy. It includes professional budget-cutters and asset-strippers, billionaires, charter school owners, and Democratic Party operatives—people who have no interest in defending public education as a social right, and every interest in exploiting the university, its students and its workers to turn a profit. Their investment in Blackstone is another step towards the privatization of public education.



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