



New hockey arena in Detroit: A gift to the super-rich amid social misery

By Thomas Gaist
February 7, 2014

Following Tuesday's Detroit City Council vote, the Detroit Downtown Development Authority will soon lease 39 parcels of land to Olympia Development of Michigan, owned by billionaire Mike Ilitch, for the price of one dollar. The 35-year renewable lease is a giveaway to Ilitch who plans to develop a 45-block "entertainment district," complete with a new hockey arena for his Detroit Red Wings professional hockey team.

In addition to essentially handing Ilitch land worth millions for nothing, fully 58 percent of the construction costs of the stadium, some \$285 million, will be funded with public money through the state government's Michigan Strategic Fund.

The project, estimated at \$650 million, raises an obvious question. How can politicians claim the city is so broke that the health benefits and pensions of retirees must be slashed yet hundreds of millions can be found for Ilitch's "entertainment district"?

Over the last 40 years, Democratic Party mayors, from Mayor Coleman Young and Dennis Archer to Kwame Kilpatrick and David Bing, all claimed the subsidizing of sports stadiums, casinos and other downtown development projects would revive the city as the auto giants were wiping out hundreds of thousands of manufacturing jobs. The same claims were pitched in hard-hit industrial cities throughout the US and internationally.

Numerous reports have shown that far from bringing economic renewal, such development projects amount to handouts to powerful corporate and financial interests, which come at the expense of funding for public schools and other services. What few jobs are created are chiefly insecure and low paying.

Andrew Zimbalist, Robert A. Woods professor of economics at Smith College told freakonomics radio, "All of the independent, scholarly research on the issue of whether sports teams and facilities have a positive economic impact has come to the same conclusion: One should not

anticipate that a team or a facility by itself will either increase employment or raise per capita income in a metropolitan area.”

Even the free market Cato Institute wrote in 2000, “Despite the beliefs of local officials and their hired consultants about the economic benefits of publicly subsidized stadium construction, the consensus of academic economists has been that such policies do not raise incomes...Subsidies of sports facilities may actually reduce the incomes of the alleged beneficiaries.”

The new hockey arena is only the latest example in a long train of giveaways by the state and city governments to the super-wealthy and the most powerful corporations. Ilitch himself has benefited massively from government largesse in the past, receiving a subsidy of between \$115 million and \$189 million for the construction of Comerica Park, the home field of his professional baseball team, the Detroit Tigers.

The proposed \$140 million M1 Rail project—which is only three miles long and will chiefly serve businesses owned by Quicken Loans and Rock Ventures chairman Dan Gilbert—will be largely funded with federal money. Gilbert has already acquired at least 40 downtown properties at rock bottom prices as part of his proposed “Woodward Corridor Place-making and Retail Strategy,” which the rail line will service.

Gilbert, who also owns the Cleveland Cavaliers professional basketball team, has made a fortune pushing the development of casinos and sports stadiums in Cincinnati and Cleveland, Ohio.

Detroit regularly awards more than \$20 million a year in subsidies to numerous private firms including Comerica Bank, Rock Ventures/Garbsman, the Farbman Group, Quicken Loans, the Detroit Medical Center, and DTE energy. Compuware has received some \$100 million in tax abatements from the city.

During the past several years, while simultaneously slashing state aid to the city of Detroit, the state government in Lansing has paid an average of \$6.65 billion per year in subsidies to businesses. In an article, “United States of Subsidies,” the *New York Times* reported that 30 percent of the Michigan budget goes to such “corporate welfare” projects.

Overall, US corporations receive \$80 billion in subsidies annually from states, counties and cities.

While the government shovels money to the banks and corporations, thousands of jobs have been eliminated from the city workforce over the past decade and essential services have been slashed. Since 2008 alone the city’s workforce has been shrunk by 20 percent.

Detroit’s public transportation system, depended upon by at least a third of the city’s population, is being sold off and dismantled. In April 2012, Detroit Mayor David Bing cut \$12.6 million from the city Department of Transportation and privatized the system’s management, shutting down numerous bus routes and largely ending weekend and overnight service. Detroiters now regularly wait for more than three hours at bus stations to catch a ride, watching buses packed to capacity drive past.

The city's fire services have similarly faced severe budget cuts. In June of 2012, the Detroit fire chief announced the permanent closure of 15 of the city's fire companies, firing 164 firefighters and demoting 200 more at the same time. These cuts place enormous strain on the firefighters, who typically battle several fires per shift, while senselessly endangering the lives of citizens.

Together with all other city retirees, Detroit firefighters now face major reductions to their health benefits and pensions under Emergency Manager Kevyn Orr's restructuring plan that is soon to be released.

The land giveaway to Ilitch and Gilbert reveals the real purpose of the Detroit bankruptcy: to restructure the city entirely in the interests of the corporate and financial aristocracy. This process is being backed by politicians from both big business parties, the media, the bankruptcy judges and the trade unions.

Workers need to cut through the lies in order to prepare a struggle against the looting of the city. To meet this pressing need for truth, the Socialist Equality Party is holding the Detroit Workers Inquiry into the Bankruptcy of Detroit and the Attack on the DIA & Pensions on February 15