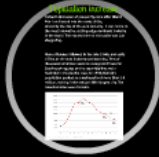


Analysis Case Solution

Automotive Industry

Detroit's automobile industry faltered in the global economy, but a major factor in Detroit's decline. Car companies failed to anticipate changing consumer requirements in the 1970s, and that they made moves to address pain points by the Detroit-based labor force, represented by the United Automobile Workers union. Automobile company leadership (shareholders and directors) decided to move production away from Detroit because of lower wages found elsewhere; this critically hurt Detroit. US auto worker wages have not increased in real buying power since the 1970s, but that production has increased, yielding greater profits which are not shared with the worker. In 2007, the Union accepted wage cuts, adopting a two-tier system. During the global automotive industry crisis of 2008-10, the US government gave \$17.4 billion to Chrysler and General Motors to help them out, but the city of Detroit was not directly aided. General Motors is a success story for production in the 1950s and 60s, but in the next four decades production contributed to the city's steep decline.



Rise of the Suburbs

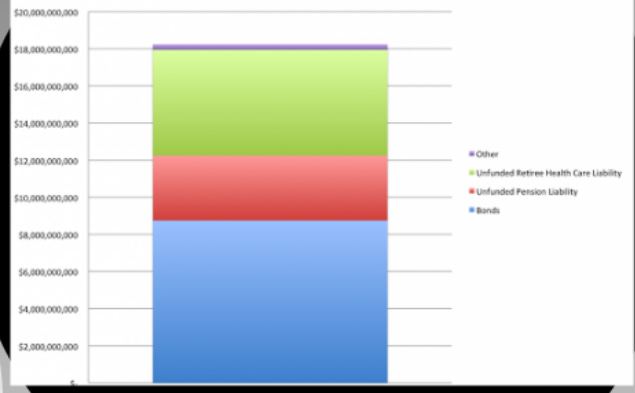
A pattern is being replicated across America: Americans are segregating by income more than ever before. Forty years ago, most cities (including Detroit) had a mixture of wealthy, middle-class, and poor residents. Now, each income group tends to live separately, in its own city — with its own tax bases and philanthropies that support, at one extreme, excellent schools, recreational parks, open-response security, efficient transportation, and other first-rate services; or, at the opposite extreme, terrible schools, dilapidated parks, high crime, and third-rate services.



Detroit's Bankruptcy

Detroit is an extreme case of problems that have afflicted every major old industrial city in the U.S. All of the nation's industrial cities fell, but only Detroit hit bottom. Staggering under as much as \$20 billion in unpaid bills, Detroit surrendered July 18th, 2013, filing the single largest municipal bankruptcy in American history.

Detroit Is Drowning In Over \$18 Billion Of Debt



Analysis Case Solution

Automobile Industry
 Detroit's automobile industry faltered in the global economy as a major factor in Detroit's decline. Car companies failed to anticipate changing consumer requirements in the 1970s, and that they sought ways to undermine gains made by the Detroit-based labor force, represented by the United Automobile Workers Union. Automobile company leadership (shareholders and directors) decided to move production away from Detroit because of lower wages found elsewhere; this critically hurt Detroit. US auto worker wages have not increased in real buying power since the 1970s, but that production has increased, yielding greater profits which are not shared with the worker. In 2007, the union accepted wage cuts, adopting a two-tier system. During the global automotive industry crisis of 2008-10, the US government gave \$17.4 billion to Chrysler and General Motors to bail them out, but the City of Detroit was not similarly aided. Detroit served as a success story for capitalism in the 1950s and '60s, but in the next four decades, capitalism contributed to the city's deep decline.



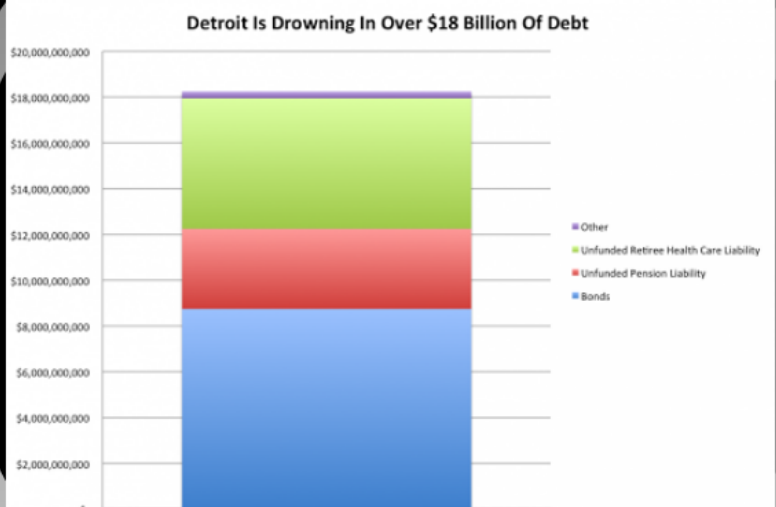
DETROIT'S PENSION PROBLEM
 The pension problem... the city has been paying \$3.5 billion per year... the city's pension liability... the city's pension liability... the city's pension liability...

DETROIT'S PENSION PROBLEM
 The pension problem... the city has been paying \$3.5 billion per year... the city's pension liability... the city's pension liability... the city's pension liability...

A pattern is segregating... ago, most c... wealthy mi... group tend... own tax ba... extreme, ex... response se... rate service... diapidated

Detroit's Bankruptcy

Detroit is an extreme case of problems that have afflicted every major old industrial city in the U.S. All of the nation's industrial cities fell, but only Detroit hit bottom. Staggering under as much as \$20 billion in unpaid bills, Detroit surrendered July 18th, 2013, filing the single largest municipal bankruptcy in American history.



Analysis Case Solution

Automobile Industry
 Detroit's automobile industry faltered in the global economy as a major factor in Detroit's decline. Car companies failed to anticipate changing consumer requirements in the 1970s, and that they sought ways to undermine gains made by the Detroit-based labor force, represented by the United Automobile Workers Union. Automobile company leadership (shareholders and directors) decided to move production away from Detroit because of lower wages found elsewhere; this critically hurt Detroit. US auto worker wages have not increased in real buying power since the 1970s, but that production has increased, yielding greater profits which are not shared with the worker. In 2007, the union accepted wage cuts, adopting a two-tier system. During the global automotive industry crisis of 2008-10, the US government gave \$17.4 billion to Chrysler and General Motors to bail them out, but the City of Detroit was not similarly aided. Detroit served as a success story for capitalism in the 1950s and '60s, but in the next four decades, capitalism contributed to the city's deep decline.



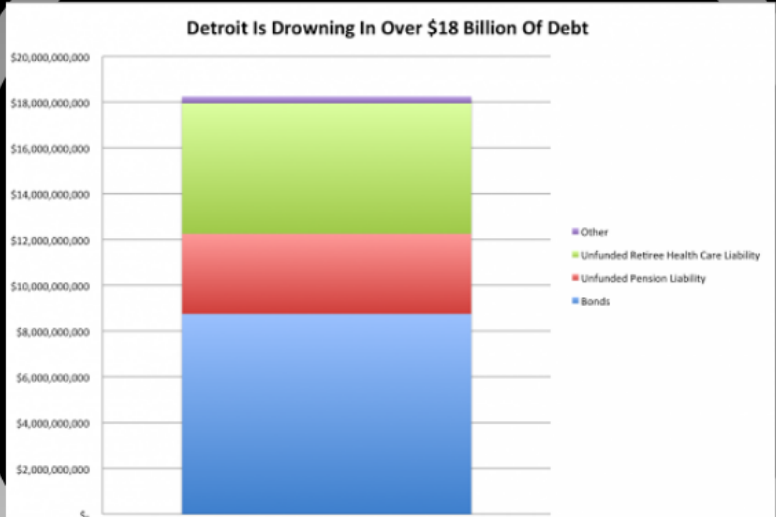
DETROIT'S PENSION PROBLEM
 The pension problem... the city has been paying \$3.5 billion per year... the city's pension liability... the city's pension liability... the city's pension liability...

DETROIT'S PENSION PROBLEM
 The pension problem... the city has been paying \$3.5 billion per year... the city's pension liability... the city's pension liability... the city's pension liability...

A pattern is segregating... ago, most c... wealthy mi... group tend... own tax ba... extreme, ex... response se... rate service... diapidated

Detroit's Bankruptcy

Detroit is an extreme case of problems that have afflicted every major old industrial city in the U.S. All of the nation's industrial cities fell, but only Detroit hit bottom. Staggering under as much as \$20 billion in unpaid bills, Detroit surrendered July 18th, 2013, filing the single largest municipal bankruptcy in American history.



Detroit's Bankruptcy

Detroit is an extreme case of problems that have afflicted every major old industrial city in the U.S. All of the nation's industrial cities fell, but only Detroit hit bottom. Staggering under as much as \$20 billion in unpaid bills, Detroit surrendered July 18th, 2013, filing the single largest municipal bankruptcy in American history.

\$10,000,000,000

\$8,000,000,000

\$6,000,000,000

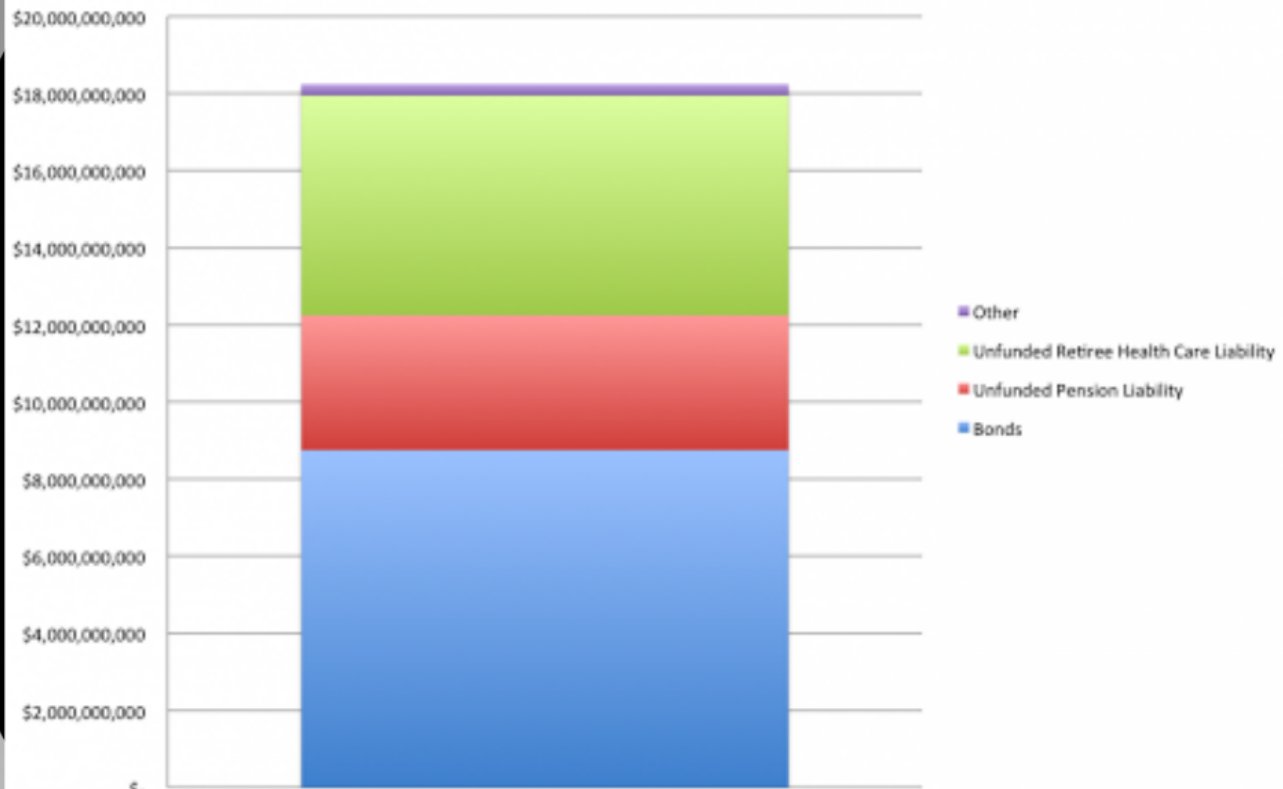
\$4,000,000,000

\$2,000,000,000

Bankruptcy

Increase of
bankruptcy
filed every
year in the U.S.
Industrial cities fell
to the bottom.
Detroit
with a debt
of \$20
billion
in 2013, filing
for
municipal
bankruptcy
in its history.

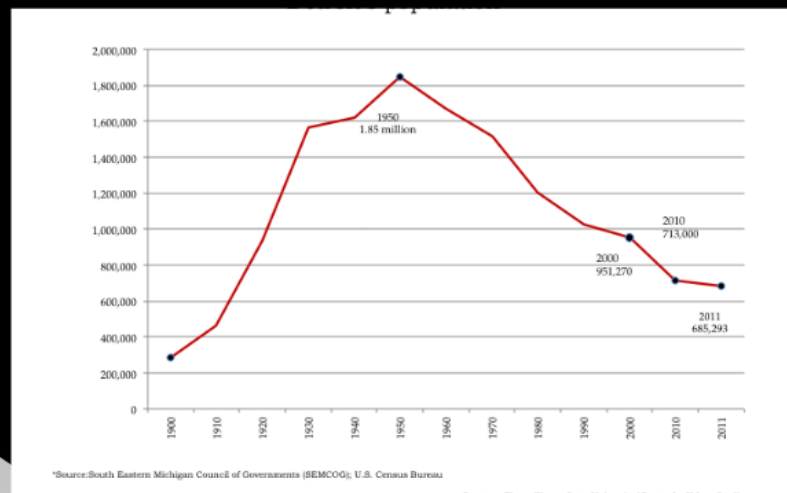
Detroit Is Drowning In Over \$18 Billion Of Debt



Population increase

Detroit's first wave of prosperity came after World War I and lasted into the early 1920s, driven by the rise of the auto industry. It was home to the most innovative, cutting-edge dominant industry in the world. The money there at that point was just staggering.

More affluence followed in the late 1940s and early 1950s as the auto industry was booming. Tens of thousands of african americans migrated from the South seeking jobs on the assembly line and a foothold in the middle class. In 1950, Detroit's population peaked as a metropolis of more than 1.8 million, making it the nation's fifth-largest city. The transformation was dramatic.





Rise of the Suburbs

A pattern is being replicated across America: Americans are segregating by income more than ever before. Forty years ago, most cities (including Detroit) had a mixture of wealthy, middle-class, and poor residents. Now, each income group tends to live separately, in its own city – with its own tax bases and philanthropies that support, at one extreme, excellent schools, resplendent parks, rapid-response security, efficient transportation, and other first-rate services; or, at the opposite extreme, terrible schools, dilapidated parks, high crime, and third-rate services.



1950's & 1960's freeway construction

Freeway construction in the 1950s and 1960s cut through the most densely populated black neighborhoods of Detroit. The demolition of buildings in Lower East Side, Lower West Side, Paradise Valley, and the Hastings Street business district, and the subsequent physical barriers caused by the freeways, split and reduced the thriving neighborhoods. In the 1950s, 2800 buildings were removed just for the Edsel Ford Expressway (I-94), including jazz nightclubs, churches, community buildings, businesses and homes. The freeways also made commuting from suburban communities a more viable alternative to living in the city limits.

