

U.S. city of Detroit goes bankrupt

21st July, 2013



Detroit, once a powerhouse of American industry, has filed for bankruptcy. It has gone bust, to become the biggest city to declare insolvency in U.S.

history. Detroit's emergency financial manager Kevyn Orr said the city could no longer afford to pay its bills, and was a whopping \$20 billion in debt. He has requested the court's help in restructuring city finances to enable it to continue to function. He named over 100,000 creditors, including the city's major pension funds and its 10,000 plus public employees. Detroit's pension system is underfunded by over \$3.5 billion, leaving many current and past police officers, firefighters and public service workers with big question marks over their future.

Half a century ago, Detroit was held up as a gleaming example of American enterprise. Its extensive automobile industry earned it the nickname "Motor City". However, the once-thriving middle-class city has degenerated into a sprawl of run-down suburbs with abandoned, boarded-up houses and high unemployment. The car factories that spawned its success have all but disappeared. The city said essential services would continue, but street lighting had been cut off. The city mayor explained: "Detroit simply was not on a sustainable footing, continuing to borrow, continuing to defer pension payments, continuing not to pay its bills on time - continuing a deepening insolvency."

Sources: USA Today / VOA News / NY Times

Writing

Detroit's financial managers should be sued for the city's bankruptcy. Discuss.

Chat

Talk about these words from the article.

powerhouse / bankruptcy / go bust / financial manager / pension fund / question marks / half a century ago / enterprise / suburbs / unemployment / sustainable / pay bills

True / False

- Detroit was famous for making American power houses. T / F
- Detroit is the third largest U.S. city ever to go bankrupt. T / F
- The city owes people, businesses, etc. around \$20 billion. T / F
- The city is in debt to more than 10,000 public service workers. T / F
- It is called "Motor City" because of motors it made for household items. T / F
- There are many unoccupied houses in poor areas of Detroit. T / F
- The city's streets are no longer lit at night. T / F
- The city always managed to pay its pension contributions. T / F

Synonym Match

- | | |
|-------------------|-------------------|
| 1. filed | a. shining |
| 2. afford | b. flourishing |
| 3. whopping | c. worsening |
| 4. current | d. applied |
| 5. question marks | e. dynamism |
| 6. gleaming | f. present |
| 7. enterprise | g. key |
| 8. thriving | h. huge |
| 9. essential | i. uncertainty |
| 10. deepening | j. have money for |

Discussion – Student A

- Is America's middle class the same as that in your country?
- Why did so many factories in Detroit close?
- What can the city do to regenerate its suburbs?
- How can Detroit ever pay back its debts?
- What happens to bankrupts in your country?
- Is it dangerous for cities and countries to borrow money?
- Who do you know who is morally bankrupt?
- What questions would you like to ask Detroit's mayor?

Phrase Match

- | | |
|--|----------------------------|
| 1. Detroit, once a powerhouse | a. by over \$3.5 billion |
| 2. filed | b. down suburbs |
| 3. help in restructuring | c. over their future |
| 4. Detroit's pension system is underfunded | d. as a gleaming example |
| 5. big question marks | e. deepening insolvency |
| 6. held up | f. of American industry |
| 7. a sprawl of run- | g. services would continue |
| 8. essential | h. city finances |
| 9. Detroit simply was not on a | i. for bankruptcy |
| 10. continuing a | j. sustainable footing |

Discussion – Student B

- What do you think about Detroit going bankrupt?
- How is it possible for a city the size of Detroit to go bust?
- Whose fault is it?
- Should anyone be punished?
- How are your city's finances?
- Where does Detroit go from here?
- How do you think Detroit residents feel about the bankruptcy?
- What do you know about Detroit?

Spelling

- filed for typbcurakn
- the biggest city to declare voesyuilnc
- a ohpginpw \$20 billion in debt
- restructuring city ninscfca
- over 100,000 dcsroetir
- nenuddferdu by over \$3.5 billion
- a gleaming example of American sernterpei
- the once-thriving middle-class city has addegeertn
- bonnadead, boarded-up houses
- factories that saenwprd its success
- nilaestes services
- not on a lsaetasbuni footing

Answers – Synonym Match

1. d	2. j	3. h	4. f	5. i
6. a	7. e	8. b	9. g	10. c

Role Play

Role A – Detroit mayor

You are sad at the bankruptcy but think it was unavoidable. Tell the others three reasons why. You want creditors to be patient and to understand they might not get their money. You want the public to volunteer to get the city back on its feet. Tell people to rethink and re-plan their pensions.

Role B – Pension fund manager

You are totally furious at Detroit's mayor. Tell the others three reasons why. You blame the mayor and only the mayor for Detroit's troubles. You think (s)he should go to prison if pension funds are not paid. You want a strike unless all former workers get their pension.

Role C – Detroit retiree

You are so sad that Detroit has gone bust. Tell the others three reasons why. You are also worried about your future. You worker for 45 years as a public servant and now your pension is in danger. Tell the mayor (s)he has a moral duty to make sure you get your pension.

Role D – Financial manager

You are very worried about Detroit's future. Tell the others three reasons why. You know things no one else does. Pension funds are almost empty, there is only enough money to pay salaries for another two months. You think many people have to leave the city, including retired people.

Speaking – Paying bills

Rank these and share your rankings with your partner. Put the best at the top. Change partners often and share your rankings.

- | | |
|-------------|---------------|
| • shopping | • water |
| • electric | • car repair |
| • telephone | • heating |
| • food | • credit card |

Answers – True False

a	F	b	F	c	T	d	T	e	F	f	T	g	T	h	F
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Answers to Phrase Match and Spelling are in the text.