

# America for Sale: Is Goldman Sachs Buying Your City?

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*Introducing America for Sale, a new Huffington Post-Dylan Ratigan Show collaboration.*

In Chicago, it's the sale of parking meters to the sovereign wealth fund of Abu Dhabi. In Indiana, it's the sale of the northern toll road to a Spanish and Australian joint venture. In Wisconsin it's public health and food programs, in California it's libraries. It's water treatment plants, schools, toll roads, airports, and power plants. It's Amtrak. There are revolving doors of corrupt politicians, big banks, and rating agencies. There are conflicts of interest. It's bipartisan.

And it's coming to a city near you -- it may already be there. We're talking about the sale of public assets to private investors. You may have heard of one-off deals, but what we'll be exploring with the Huffington Post is the scale and scope of what is a national and organized campaign to shift the way we govern ourselves. In an era of increasingly stretched local and state budgets, privatization of public assets may be so tempting to local politicians that the trend seems unstoppable. Yet, public outrage has stopped and slowed a number of initiatives.

While there are no televised debates around this issue, there is no polling, and there are no elections, who wins it will determine the literal shape of modern America. The *Dylan Ratigan show* is teaming up with the Huffington Post to do a three part series called "America for Sale", showing the pros and cons, and the politics and economics, of a new and far more privatized government.

On Wall Street, setting up and running "Infrastructure Funds" is big business, with over \$140 billion run by such banks as Goldman Sachs, Morgan Stanley, and Australian infrastructure specialist Macquarie. Goldman's [2010 SEC filing](#) should give you some sense of the scope of the campaign. Goldman says it will be involved with **"ownership and operation of public services, such as airports, toll roads and shipping ports, as well as power generation facilities, physical commodities and other commodities infrastructure components, both within and outside the United States."** While the bank sees increased opportunity in "distressed assets" (ie. Cities

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and states gone broke because of the financial crisis), the bank also recognizes "**reputational concerns with the manner in which these assets are being operated or held.**"

The funds themselves are clear when communicating with investors about why they are good investments -- a public asset is usually a monopoly. Says [Quadrant Real Estate Advisors](#): "Most assets are monopolistic in nature and have limited competitors, creating the opportunity for stable, long-term investment returns. Investment choices include economic assets and social assets." Quadrant notes that the market size is between \$12-20 trillion, roughly the size of the American mortgage market. "Given the market and potential return opportunities, institutional investors should consider infrastructure a strategic investment allocation."

As with mortgage securitizations, the conflicts of interest are intense. Pennsylvania nearly privatized its turnpike, with Morgan Stanley on multiple sides of the deal as both an advisor to the state and a potential bidder. As you'll see, these deals are often profitable because they constrain the public's ability to govern, not because they are creating value. For instance, private infrastructure company Transurban, now attempting to privatize a section of the Beltway around DC, is [ready to walk away](#) if local governments insist on an environmental review of the project. Many of them have clauses enshrining their monopolistic positions, preventing states and localities from changing zoning, parking, or transportation options.

While the trend is worldwide, privatization of public infrastructure only came to America en masse in the 2000s. It is worth discussing, because where it has happened it has sparked deep and intense anger. In Chicago, protests flared as Mayor Richard Daley pushed the privatization deal through. In Wisconsin, recent protests and counter-protests around controversial Governor Scott Walker revolved around, among other issues, the privatization of state medical services. In Ohio, a controversy is swirling around the political proposal to put the turnpike up for sale, while in Indiana, the state toll road has been in private hands since 2006 (upsetting the truckers who are paying much higher tolls).

The political organizing is intense - on the Republican side, conservative groups are aggressively driving it as a strategy for fiscal prudence. The American Legislative Exchange Council (ALEC), the influential think tank that targets conservative state and local officials, has launched an [initiative called "Publicopoly"](#), a play on the board game Monopoly. "Select your game square", says the webpage, and ALEC will help you privatize one of seven sectors: government operations, education, transportation and infrastructure, public safety, environment, health, or telecommunications.

On the Democratic side, the Obama administration [has been encouraging](#) Chinese sovereign wealth funds to invest in American infrastructure as a way to bring in foreign capital. It was Chicago Mayor and Democratic icon Richard Daley who privatized Chicago's Midway Airport, Chicago's Skyway road, and Chicago's Parking Meters. Out of office after 22 years, he is now a paid advisor to the law firm that negotiated the parking meter sale.

Ratings agencies are also in the game, rating up municipalities [willing to privatize assets](#), or even developing potential new profit centers around the trend (see the chapter titled "Significant Debt

issuance Expected with the Privatization of Military Housing" from this September 2007 Moody's [report](#)).

Over the next three days, we will explore what it means to have a government for profit, whether we get better roads when Goldman Sachs determines how much we pay in tolls. As we explore this topic, I hope we as Americans will be able to decide if we truly want to see America for Sale.

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