

What's Behind the Emergency Management of Detroit? Michigan Governor Imposes Corporate Rule

Bankruptcy lawyer vows to restructure city government to pay the banks

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On March 14, multi-millionaire Gov. Rick Snyder appointed Kevyn Orr as an "emergency manager" over the city of Detroit. Detroit becomes the latest city in a string of other majority African American municipalities in Michigan to fall under the dictatorship of the state who are serving as agents of the banks who claim that the people owe approximately \$16.9 billion in long term debt.

Orr, who was involved in the Chrysler bankruptcy re-structuring in 2009, immediately warned the city unions that they would be a target of his efforts. He said "Don't make me go to the bankruptcy court. You won't enjoy it." (autopsies.com, March 18)

The emergency manager went on to say that "Bankruptcy's been my stock and trade. I'm very comfortable in bankruptcy courts. You can do everything by consent...When I say consensual, I mean...let's get at it and work together because we can resolve this."

Orr previously worked for the international Jones Day law firm which ostensibly specializes in "turnarounds" for private corporations. The bankruptcy process with Chrysler Corporation led to massive layoffs in the tens of thousands, the freezing of wages and the institutionalization of a two-tier wage structure.

In Detroit, municipal employees have been forced to take up to 20 percent pay cuts and the erosion of healthcare and pension benefits. Since the corporate-oriented Mayor Dave Bing took office in 2009, some 4,000 city employment positions have been eliminated.

At present the city is facing a monumental economic crisis. Public transportation is in an abysmal state, lighting is out in large sections of city and streets are in gross disrepair.

Although the City Council filed an unsuccessful appeal in the state capital of Lansing on March 12 against the state takeover, Snyder announced two days later that he was moving forward with the seizure. He introduced Orr at a press conference at the state office building in the New Center area while demonstrators picketed outside condemning the move as an act of dictatorship and a total abrogation of the democratic rights of voters who just in November, had voted down the emergency manager law in a statewide ballot initiative.

What's Behind the Emergency Management of Detroit

The emergency manager guarantees that debt-service be paid to the banks. All existing labor contracts and other measures can be thrown out based upon the interests of capital.

Jerome Goldberg of the Moratorium NOW! Coalition spoke to the crowd outside the state office building on March 14 saying that the appointment of Orr is designed to enrich the financial institutions. He was met with great applause with people chanting “make the banks pay.”

In response to the declaration of a “financial emergency” by Snyder on March 1, the Moratorium NOW! Coalition issued a statement and press release opposing such actions and pointing out that it was the banks and corporations that were responsible for the economic and political crisis in the city. The statement was widely circulated online and prompted an interview by Bloomberg News.

The Moratorium NOW! Coalition statement read in part that “Snyder along with the corporate media is blaming the people of Detroit for their current plight, yet the situation in existence in the city is a direct result of racist and exploitative practices of the financial institutions and the corporations. Over the last decade more than 237,000 people were forced out of the city due to home foreclosures, utility shut-offs and the elimination of jobs.”

This same statement continues noting “Piled on top of this massive loss of employment and fraudulent mortgage lending, the city government was forced into credit default swaps (cdfs) and other questionable municipal loans which have rendered the people to indebtedness that can never be paid off. In addition, the bond rating agencies such as Moody’s, Standard & Poor and Fitch have continued to lower the creditworthiness of the city and therefore driving up interest and penalties where the banks can now claim all tax revenues that should be utilized to pay for municipal services and education.”

In Bloomberg News, David Sole, an organizer for the Moratorium NOW! Coalition and a recently-retired municipal employee with the Department of Water and Sewerage told the publication that “We have no lights, no buses, poor streets and now we’re paying millions of dollars a year on our debt. The banks said they need to be paid first. But there is no money.” (March 14)

Another article in Bloomberg on March 15 approaches the crisis from the standpoint of the denial of voting rights to nearly half of the African American residents of Michigan who are under emergency management. It is true that the emergency manager, or dictator law, harkens back to the Jim Crow era, nevertheless, so does the use of banks in targeting African American households and communities as source of avaricious profit-making and usury.

The existing political structures in Detroit and other cities with majority African American populations in Michigan are being strangled by the banks and corporations. The threat of bankruptcy by Kevyn Orr and Rick Snyder is designed to force even greater austerity measures upon the people of Detroit.

These putative solutions by Orr and Snyder will not work because the entire capitalist system is in crisis across the country and the world. In Washington they have taken \$85 billion out of the federal budget which was signed by Barack Obama.

The Need for United Action in the Struggle Against Emergency Management

In the statement issued by the Moratorium NOW! Coalition the organization calls for “an immediate halt to all debt-service payments to the banks which would immediately provide

enough revenue to operate the city. The banks must then be held accountable for their robbery and consequent destruction of Detroit.”

According to the data compiled by Bloomberg, “Banks including UBS, AG, Bank of America Corp.’s Merrill Lynch and JPMorgan Chase & Co. have enabled about \$3.7 billion of bond issues to cover deficits, pension shortfalls and debt payments since 2005. Liabilities rose to almost \$15 billion, including money owed retirees. These figures were taken from a state-appointed Financial Review Team report in 2012.

The Financial Review Team’s report led to the appointment of a so-called Financial Advisory Board (FAB) that has veto power over all decisions made by the City Council and Mayor’s Office. The FAB was put in place through an illegal Financial Stability Agreement (FSA) that was authorized by a narrow 5-4 decision by the City Council on April 4, 2012.

Yet despite the imposition of a FSA some ten month later the Governor announced that it was not enough and went on to declare a financial emergency and appoint an emergency manager. This was done under the new emergency manager law which was passed hastily in a lame duck session in December.

Other legislation was passed during this period including a right-to-work bill, the abolition of personal property taxes on businesses and other draconian measures. All of these bills will further impoverish the working class and the nationally oppressed in the state of Michigan.

The Moratorium NOW! Coalition in its statement called for “mass demonstrations, rallies, press conferences to protest and denounce the actions of Snyder and his collaborators. These protests should “expose the criminal nature of the banks and the corporations who are at the root of the financial crisis in Detroit and throughout the state of Michigan.”

Meanwhile, the first batch of some 2,700 documents has been released to Moratorium NOW! as part of a Freedom of Information Act (FOIA) lawsuit filed earlier in the year. The organization is setting up a people’s review board to analyze the documents to expose that the existing crisis is a direct result of the banks.

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