New study demands sweeping cuts, privatization for Detroit

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A corporate-controlled group, the Citizens Research Council of Michigan, has released a study demanding the city of Detroit enact sweeping cuts to social services and the jobs, wages, and benefits of municipal employees. These measures may have to be implemented, the report argues, through an emergency financial situation such as bankruptcy.

The report, "The Fiscal Condition of the City of Detroit," summarizes the precarious financial situation in Detroit due to the erosion of its tax base and the decline of industry. The study also quantifies some of the devastating social conditions that prevail in Detroit, including data related to unemployment and housing.

Among the report's major findings:

• In 1947, there were 3,272 manufacturing firms employing 338,400 workers in Detroit. By 1972, there were 1,518 manufacturers employing 180,400 workers; and in 2008, there were only 30,000 Detroit residents who worked in manufacturing.

• More than half of all manufacturing jobs vanished from Wayne County between 2000 and the first months of 2009. The number of jobs in auto and parts plants fell by 53 percent over the same period, from 31,991 to 14,974.

• Total employment in Detroit declined by 440,000 between 1970 and 2009, and by 50,000 between 2000 and 2009. Detroit has had the highest unemployment rate of the top 50 largest US cities each year since 2000.

• In the midst of the current crisis, between 2008 and 2010, the public sector has shed 3,830 jobs in Detroit, 7.3 percent of the total. Municipal employment has fallen from 29,000 workers in 1951 to about 13,000 today.

• Before the recession, 22.2 percent of the housing stock, 81,754 housing units in all, were vacant. The average home sale in Detroit was $12,439 in 2009, down from just under $100,000 in 2003.

• Nearly 24 percent of the adult population lack a high school diploma, and only 55.3 percent are in the official labor force.

The purpose of the report is not to call for increased funding to confront the social crisis in America's 11th largest city. Just the opposite. The study demands savage reductions to social spending, cuts to the jobs and pensions of city workers, the forced relocation of residents, and a new round of privatization of city assets.

The Citizens Research Council is hardly a disinterested party—nor does it comprise mere "citizens." Populating its 90-plus-member Board of Directors and Board of Trustees are representatives of Michigan corporate interests, among them all the major banks that operate in the state.

The group's treasurer is Nick A. Khouri, who is also the treasurer and vice president for regional energy giant DTE. Khouri is described as "responsible for all [DTE] banking and investment banking relationships, cash management, corporate finance, enterprise risk management, pension investments, and corporate planning and development."

DTE, whose utility shutoff policies are implicated in a rash of recent deadly house fires in the city, has a vested interest in seeing the sort of restructuring demanded by the report. Detroit city officials are now working closely with public school officials and researchers to determine what neighborhoods in Detroit should be shut down, the residents forced to relocate.

One of the prime beneficiaries of these forced relocations would be none other than DTE, which would be spared the cost of providing electrical and gas services to unprofitable areas. Unsurprisingly, one of the report's main proposals is "concentrating service delivery on an area smaller than 138 square miles."

All the study's recommendations will only increase misery among the city's population of 900,000. These include "privatizing services" such as the Water and Sewerage Department, "closing facilities," "renegotiating contracts," forcing alterations to retired workers pensions, and "improving debt collection." The report chastises Detroit for "provid[ing] a wide array of services" to its population, concluding that it should "reevaluate whether it is required to provide the service[s] at all."

A section of the report called "Cost of Employees" laments that city workers "receive a range of benefits," and speculates that "if employees [who] earn salaries in the $30,000 to $50,000 range were laid off and if civilian pension and fringe benefits are 65 percent of salaries, about $66,000...could be saved per laid off employee in the first year."

Realizing that such "difficult" actions will generate widespread hostility, the report proposes various means by which the measures can be forced on the population, including through bankruptcy or the imposition of an "emergency financial manager" who would answer directly to the big bondholders, the banks and corporations. In the absence of such dictatorial methods, "it remains to be seen whether the city's elected official will be able to implement" the cuts, the report concludes.

The fiscal crisis of Detroit is, to be sure, very real. There is no reason to doubt the report's assertion that the city deficit could rise to $750 million by the end of fiscal year 2012. The question is not whether or not Detroit is in crisis, but who is to pay the price. The Citizens Research Council of Detroit demands that the working people of Detroit bear the brunt of the city's debt obligations.

Yet its own report reveals that the people of Detroit are not to blame for the city's decline. The fiscal crisis in Detroit, and its much more profound social crisis, are the consequences of decades of a deliberate policy of deindustrialization that is illustrated by the report's stunning data on the decline of manufacturing in what was once the hub of global auto production. Deindustrialization continues to erode the city's tax base; its two largest taxpayers, Chrysler and General Motors, lost taxable value of more than $400 million between 2007 and 2008 alone.

The policy of deindustrialization targeted sections of the US working class who had been among the most militant and achieved the greatest social gains in the first three quarters of the twentieth century. The attack on Detroit thus served as the opening stage in a far broader attack on the working class a whole.

The 90 businessmen, bankers, and university presidents who constitute the Citizens Research Council of Michigan are the heirs to this assault. Their recommendations, should they be carried out, would reduce Detroit to the status of an internal colony in all but name.