

Flint, Michigan emergency financial manager begins imposing cuts

State moving toward takeover of Detroit

Shannon Jones
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The newly appointed emergency financial manager (EFM) of Flint, Michigan has begun imposing deep cuts to eliminate a \$15 million municipal budget deficit. Michigan Republican Governor Rick Snyder recently appointed Mike Brown, a Democrat and former Flint acting mayor, to run the city.

Michigan's emergency manager law is one of the most draconian of its kind in the United States. Under provisions of the legislation, enacted earlier this year, EFM's have virtually dictatorial powers, including the right to void union contracts and sell city assets.

Flint is the fourth Michigan city to be run by an EFM. The Snyder administration has already appointed emergency managers in Benton Harbor, Ecorse and Pontiac, as well as in the Detroit Public Schools. Snyder is also threatening to appoint an EFM to run Detroit, the state's largest city.

Another public entity, the Muskegon Heights School District, is approaching the state about the appointment of an emergency manager. The district faces a reported \$10 million deficit.

Flint's new emergency manager has 45 days to submit a budget plan to the Michigan Department of Treasury. His first act on taking office was to eliminate pay and benefits for the elected mayor and city council members and to cancel city council meetings. He also fired seven city employees, including the city administrator, eliminated the office of the city ombudsman and axed the Flint Civil Service Commission. The Ombudsman's Office investigates public complaints about city agencies, and the Civil Service Commission administers civil service laws governing city employees. Both departments are mandated by the city charter and under normal

circumstances could not be eliminated without a popular vote.

A former center of General Motors production and the birthplace of the United Auto Workers, Flint has been devastated by the collapse of the auto industry. As recently as 1970, GM employed 82,000 workers in the city. Today there are less than 8,000. In the same period the city has lost nearly half its population, which today stands at just over 100,000. As of 2009, 36.2 percent of Flint residents had incomes that placed them below the federal poverty line.

The city underwent a state takeover in 2002 that lasted two years and saw the imposition of devastating cuts, including pay reductions for city employees and cuts to pensions. Brown has promised further drastic cuts, declaring, "There's more to come. It has to come, and I'm going to go back and do that."

Meanwhile, the state has begun a preliminary financial review of Detroit. The next step is a formal 60-day financial review that could lead to a consent agreement to impose cuts or the appointment of an emergency manager. Democratic Mayor Dave Bing last month indicated he would be open to accepting his appointment by Governor Snyder as EFM to run the city.

In a radio interview Friday, Bing, a multimillionaire, said that talks over concessions with Detroit city workers' unions were making progress. The mayor is demanding that city employees take pay cuts and agree to increases in health care costs and pension reductions as well as changes to work rules. Bing has said he is planning to lay off 1,000 employees, although he has not named as yet the departments that will be affected. The threatened layoffs amount to almost 10 percent of

the city's workforce of 12,000. The Detroit City Council is calling for 2,300 layoffs, including hundreds of firefighters.

Detroit, the poorest big city in the United States, faces an accumulated deficit of more than \$200 million and a \$45 million cash shortfall by April. Like Flint, the city has been devastated by layoffs in the auto industry, and real unemployment stands at close to 50 percent.

The possible appointment of an EFM in Detroit led Moody's Investor Services to put its ratings for the city on review for a possible downgrade. Moody's said the appointment of an emergency manager could result in a "termination event" under provisions of the city's swap agreements with investors. If that happens the city could be liable for some \$400 million in termination fees, a massive amount that would likely bankrupt the city.

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In recent days, Bing, city council members and the heads of major city worker unions have postured as opponents of a state takeover of Detroit. However, this has nothing to do with defending jobs, wages or city services. All parties are agreed that draconian cuts will have to be imposed on the backs of municipal workers in the interests of the city's wealthy bondholders. Bing and the city council are concerned that a state takeover would provoke a popular backlash and at this point prefer working to obtain the needed cuts with the assistance of the unions.

A petition drive mounted by the unions to repeal the emergency manager law has gathered close to the required 161,000 signatures needed to force a public vote. From the standpoint of the trade union bureaucracy, the petition drive is an attempt to preserve its own institutional interests and divert attention from its own support to layoffs and concessions. However, the response shows considerable public opposition to the EFM law. Once the signatures are certified, the EFM law would be suspended pending the holding of a referendum vote in November.

In response, state officials say they are working on implementing changes to the EFM law to circumvent the petition drive. A replacement law would in effect nullify the petition, disenfranchising those who signed it. The drive to rewrite the law is being led by State

Treasurer Andy Dillon, a Democrat and former speaker of the Michigan House of Representatives. As Michigan treasurer, Dillon is working closely with the Snyder administration in enforcing the provisions of the emergency manager legislation, demonstrating the bipartisan agreement that exists in imposing this attack on democratic rights.

To fight against the corporate-government attack on jobs and social services workers must break with the unions and construct independent organs of struggle, including workplace and neighborhood committees. Against the line-up by the two big business parties, the Democrats and Republicans, workers need a political party of their own.

Workers must reject the claim that there is no money to maintain vital public spending. Society must be reorganized on a new basis and with a new set of priorities. The needed resources must come from sharply progressive taxation on the wealth of the rich and through the public ownership of the banks and major corporations.



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