Detroit bankruptcy threats escalate as bonds are downgraded

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The city of Detroit moved one step closer to a possible bankruptcy filing as Moody's Investment Service downgraded the city's bond rating Wednesday. The agency—which cited the city's ongoing cash crisis and increased likelihood of a default or bankruptcy in the next 12 to 24 months—moved the bonds further into junk status, lowering the city's debt obligations from B3 to Caa1.

Among the factors cited by Moody's in the downgrade was the recent repeal by Michigan voters of the state's draconian Public Act 4, which gave unelected Emergency Managers expanded powers, including the ability to void union contracts, sell off public assets and implement budget cuts.

The threat by Michigan Governor Rick Snyder to appoint an Emergency Manger over the city of Detroit has been used by Democratic and Republican politicians as a club to carry out huge cuts. Now these attacks are set to be escalated, even after the act's defeat

A bitter factional dispute between Mayor Bing and the city council over implementation of terms of the state-mandated consent agreement imposed earlier this year has led to the withholding by the Snyder administration of $10 million in money owed to the city from the sale of municipal bonds. Another $20 million could be withheld next month, which would cause the city to run out of cash by the beginning of next year.

In response the Democratic Bing administration is threatening to implement unpaid furloughs of "nonessential" city employees starting January 1. This comes on top of massive cuts that have already been carried out by Bing, with the support of the city council. These include an across-the-board 10 percent pay cut and thousands of layoffs. In the process, basic city services have been gutted. Public transportation barely functions, while cuts to the fire department have resulted in rolling "brownouts" of fire companies, putting lives in jeopardy because of increased response time. Almost one half of the city's 88,000 streetlights are not operational.

In September, the Bing administration unveiled a plan to eliminate 81 percent of the workforce at the Detroit Water and Sewerage Department over the next five years, including the outsourcing of jobs to low-paid contract workers. While the implementation of the plan appears to have been temporarily stalled by a vote of the city council, department workers can expect to bear the brunt of renewed demands for austerity by Wall Street investment firms that own Detroit water bonds.

Social anger over round after round of cuts in a city already suffering from massive poverty and depression levels of unemployment is already near the boiling point. This was reflected by public comments at a recent Community City Council Meeting in southwest Detroit.

More than 100 local residents turned out to voice opposition to the conditions they face.

They expressed a wide array of concerns, from the lack of public street lighting to pollution from the Marathon Oil Company refinery.

A retiree from the Detroit water department denounced the proposal to eliminate jobs of water workers through contracting out work. "These folks aren't through. They will come at us with vigor. Private companies are out to make a profit, not provide a service.

"We, the workers, are the experts, we don't need private companies coming in to tell us how to do our jobs."

Another water department worker added, "We are tired of being vilified for coming to work every day and

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doing our jobs."

For their part leaders of American Federation of State, County and Municipal Employees (AFSCME) Local 207, the main bargaining agent for water department employees, groveled before the council, profusely thanking council members for their vote to at least temporarily shelve plans for mass job cuts. This was the case despite the fact that Mayor Bing and the city council have presided over massive attacks on water workers, including the imposition of a 10 percent pay cut and the suspension of 34 workers following a strike earlier this fall.

City council members reacted with barely concealed indifference to the concerns of community residents. In response to repeated complaints by residents about the lack of functioning streetlights, City Councilman Gary Brown declared, "The city cannot fix the lights. The only way we are going to fix the lights and keep them on is to privatize."

Lamar Keith, a small business owner, came to show his support for the water department workers.

He told the WSWS, "If you privatize you get rid of all the senior people and hire in cheap labor at lower wages and benefits. I live in southwest Detroit and I am here to find out what is going on. All this affects me. I get a lot of business from the water department. I will lose a lot of my customers through privatization.

"This is going on in every city and in every state. No one on top wants anything to come out of their pockets."

The WSWS also spoke to workers in northwest Detroit about the impact of the cuts on their lives. Darnell, a youth counselor in Detroit who also works part time a retail store, denounced the cuts to the fire department. "It is terrible. This is why people want to move.

"You pay all this money in property taxes, yet you have abandoned buildings. They are rebuilding downtown, but they have forgotten about the community. What happened to the recreation centers? They need afterschool activities for kids.

"Big corporations are rolling in cash because people at the lowest level are paying for it. If you are only making $20,000, $30,000 or $40,000 a year it is terrible. You have to pay more for car insurance in Detroit than your car is worth. The water goes up, heat goes up. The government is forcing people to make hard choices. They bailed out the banks, but nothing is being done for the people on the street."

Darick Bledsoe spoke about the recent tragic fires in Detroit. "They are shutting down essential and emergency services. Why don't they shut down the casinos instead? We don't need three or four casinos, but we need firefighters.

"The slow EMS response has been going on for years due to cuts. When I was younger my father called EMS for my grandmother who had stomach pains. They didn't come until 24 hours later. Her appendix burst, and she died while we waited for EMS to come.

"I am a veteran. I was in the army for nine years. They tell you that you can get a decent paying job when you get out of the service, but who wants to come out and flip burgers? I went into the service in the first place because there were no real jobs where you could provide for a family. I had a career in the Army as a transportation operator. I moved large machinery and personnel. I want a career now, not a minimum wage job. I have skills that I can use to make a good living."

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