Review panel paves way for emergency manager in Detroit

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A state appointed financial review team has found that a financial emergency exists in the city of Detroit. The finding paves the way for the possible appointment of an emergency manager who, under provisions of a new state law set to take effect in late March, would be armed with draconian powers to void union contracts, sell city assets and dismiss elected officials.

The six-member review board, appointed by Michigan Republican Governor Rick Snyder and headed by Democratic State Treasurer Andy Dillon, found that the city would likely face a $100 million cash deficit by June without significant new cuts. It also found that Detroit has over $14 billion in long term debt, including about $7 billion in obligations to retiree health care. Some of the city's pension obligations are reportedly underfunded by 50 percent or more.

While making no formal recommendation, the review team indicated that it favored the appointment of a state overseer for Detroit's finances. In reporting the panel's findings, Dillon cited the Detroit City Charter, provisions of which he said raised certain procedural obstacles making it difficult to enact cuts to retiree health care. Dillon indicated that an emergency manager would not be bound by charter restrictions. Snyder has 30 days to decide on the appointment of an emergency manager.

Behind these moves is the determination of the wealthy financial interests that control Detroit's debt to impose an unelected czar over the city with virtually dictatorial powers to cuts jobs and benefits and slash services. Collective bargaining will be scrapped and strikes and other forms of working class opposition criminalized.

There is widespread speculation in the media that the next step for Detroit may be filing for Chapter 9 bankruptcy. If that happened it would be the largest municipal bankruptcy in US history. The fact that such an option is no longer unthinkable in a city that was once the center off the automotive industry says volumes about the state of American capitalism. Detroit's population has in recent decades plummeted, from 2 million in the 1950s to to just over 700,000 in the latest census.

The city's residents face depression levels of unemployment and city services that barely function. Whole areas of the city are largely abandoned, littered with vacant buildings and weed grown lots. Streetlights don't function and buses don't run on time when they run at all. The fire department is stretched past the breaking point. Several recent fire deaths have been blamed on delayed response times due to closed or "browned out" fire stations. Since 2003, total employment by the city has dropped from over 17,000 to just 9,696 today.

Since the spring of last year the city has been operating under the terms of a consent agreement with the State of Michigan that placed a state appointed oversight board in charge of Detroit finances. The agreement provided for the imposition of massive cuts, including across the board 10 percent pay cuts for all city workers.

As it prepares for a possible state takeover of Detroit, the Snyder administration is proposing a raft of attacks on working people in Michigan. The Republican Governor is calling for a 14 cent per gallon increase in gasoline taxes, ostensibly to fund road repair. Another regressive tax aimed at working people is a proposed 60 percent increase in vehicle registration fees for cars and light trucks. These changes continue a shift of the tax burden from corporations to working people, which has included a cut in state business taxes, cuts to the earned income credit for workers and the elimination of

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tax exemptions for retiree pensions.

The state has also reduced the duration of state unemployment benefits from 26 to 20 weeks and imposed stringent restrictions on the payment of cash welfare benefits, resulting in tens of thousands of families being removed from the roles.

While Bing has indicated opposition to the appointment of an emergency manager, there is no doubt that the Democratic political establishment in Detroit will work with the state to implement whatever measures are deemed necessary to secure the interests of the banks and wealthy bondholders.

In a statement to the press following the announcement of the review panel's findings, Detroit City Council President Pro Tem Gary Brown declared, "The political will has often not been there to make the necessary bold fiscal reforms… Without a doubt we need the support and accountability that a State of Michigan partnership offers. We cannot address our legacy obligations alone."

When Brown speaks of "legacy obligations," he means the pensions and health benefits owed to thousands of retired city employees. What has largely been left unsaid in the discussion about the appointment of an emergency manager is that retirees will be a primary target in the next round of cuts.

In moving toward the appointment of an emergency manager, state officials are riding roughshod over the express will of Michigan voters, who repealed Public Act 4, Michigan's expanded emergency manager law, in a public referendum last November. The state legislature responded by simply re-enacting the law, with only slight modifications.

Detroit would be the sixth city in Michigan to be placed under state oversight. The Detroit Public Schools were placed under state trusteeship in 2009. Since that time a series of emergency financial mangers have carried out devastating cuts to education, closing scores of schools and promoting the spread of charters. Since 2000 student enrollment has dropped from 150,000 to a little more than 50,000 today. School officials are reportedly planning to close another 28 public schools by 2016.

Those reportedly being considered as possible candidates for emergency manager over Detroit are wealthy reactionaries, drawn from the corporate and political establishment. Rodney O'Neal, president and CEO of auto parts maker Delphi Automotive, was one of those whose name was briefly floated. O'Neal took in over $21 million in total compensation in 2010. As vice president and later CEO of Delphi, he helped oversee the bankruptcy and restructuring of the company, in which wages were slashed and thousands of jobs eliminated.

George Jackson, head of the Detroit Economic Growth Corporation, is another person who is reportedly being considered. Among his numerous corporate connections Jackson served as CEO of NextEnergy Corporation and director of customer marketing for gas and electric monopoly DTE Energy.

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