

Detroit City Council pledges more cuts in bid to avoid state takeover

Lawrence Porter
14 March 2013

At a hearing Tuesday, members of the Democratic Party-controlled Detroit City Council attempted to make the case that the governor should not appoint an emergency manager over the city. The council itself, they insisted, is more than willing to carry out the cuts being demanded by the state.

The hearing, held in the state capitol in Lansing, was called after a challenge from the city council of the announcement by Michigan's Republican governor, Rick Snyder, that he would appoint an emergency manager to take over Detroit's finances. The manager would have the power to abrogate labor contracts, carry out massive job cuts and sell city assets.

On March 1, Snyder announced that Detroit was in a financial emergency. The governor based the declaration on a report issued a week earlier by the Financial Review Team, a 6-member panel comprised of wealthy corporate executives and accountants. Detroit is the largest city in the country to be placed under state receivership.

The appeal hearing was perfunctory, lasting only one hour. Michigan's Chief Deputy Treasurer, Mary G. MacDowell, oversaw the proceedings, with each side given 20 minutes to make a presentation and 10 minutes for allotted for rebuttals.

"We say stay the course" and not appoint an emergency manager, said David Whitaker, Detroit City Council's research and analysis director. "Continue the current agreement," he said, referring to the consent agreement entered into between the city of Detroit and the State of Michigan last year that mandated massive cuts.

Whitaker complained that the consent agreement had only been in operation for eight months when the governor and the review team called for scrapping it. "If there are more milestones that are needed in order to

make sure that certain triggering events occur in a timely manner, certainly that could be incorporated," he pleaded.

A chart the city council handed out to the media highlighted the cuts carried out since April, including a 25 percent reduction in the city workforce and wage and benefit cuts of \$50 million. The cuts carried out by the council have been so drastic that it projects a surplus at the end of 2013.

The lawyer for the review team, Fred Headen, countered that the cuts were not sufficient. He said that a major impediment was the Detroit City Charter, which has also been targeted by Snyder and Detroit's mayor, Dave Bing.

Headen complained that too many of the cuts were on a one-time basis and mainly directed at nonunion employees, even though the unions have repeatedly surrendered concessions.

The review team further claimed that the city's long-term liabilities exceeded \$14 billion, that there was general fund deficit of \$327 million in 2012 and that there would be a cash deficit of over \$100 million by June 30, 2013.

Charles Pugh, president of the Detroit City Council, made his position absolutely clear in comments to the *World Socialist Web Site* following the hearing.

Pugh was asked to explain comments made by the representative of the council that the city council acted as the emergency manager. "What he meant was that in developing the cash plan, he put on the hat of what an emergency manager would do. And those were the things that were implemented. So they were pretty draconian in terms of the number of layoffs, in terms of deferring pension accrual, those kinds of things. That's not something normally mayors and councils do on their own."

Asked if the council was prepared to go further, Pugh replied, “Absolutely. I think our citizens understand. I think our unions understand. We are in a situation where we are going to have to think like an emergency manager with compassion and be able to work within the confines of what we have and what we can do.”

Deputy Treasury MacDowell will issue a report to Snyder who will then make the determination on whether or not to appoint an emergency manager. It is widely anticipated that the governor will appoint one by the end of the week.

A top contender for the spot is Kevyn Orr, an attorney for Chrysler Corporation during the 2009 bankruptcy proceedings. Orr played a key role in convincing the court to permit Chrysler to close one quarter of its dealerships.

The appointment of a bankruptcy lawyer involved in the restructuring and massive downsizing of the auto industry, in which workers’ wages and retiree benefits were gutted, gives an indication of what the ruling class has in store for Detroit. The banks and wealthy bondholders are determined to squeeze every last drop of blood out of the working people of the city.

On Tuesday, Detroit Mayor Dave Bing, who says publicly that he opposes an emergency manager but did not join the City Council appeal, issued his own report outlining what he has done to cut the city’s budget. The report, City of Detroit – Restructuring Plan, Mayor’s Implementation Progress Report, reads like a resume for the emergency manager job once again.

Bing, who previously has indicated an interest in the emergency manager position, touts the cuts carried out over the past two years and complains bitterly about the restrictions placed on cuts by the city charter, the city council and labor contracts.

The hearing in Lansing exposes once again the line-up of all sections of the political establishment against the working class. The dispute between the city council and Snyder over the appointment of an emergency manager is only tactical, over who will preside over the attack on the working class.



To contact the WSWS and the
Socialist Equality Party visit:

wsws.org/contact