New law granting Detroit emergency manager sweeping authority goes into effect

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29 March 2013

Detroit's newly appointed emergency manager has been granted unprecedented powers under the terms of an anti-democratic law in Michigan that went into effect Thursday.

Public Act (PA) 436, which was pushed through by the Republican-controlled state legislature after voters defeated a similar measure in November, gives emergency managers in six Michigan cities and three school districts authority to slash budgets, reopen labor agreements, impose unilateral concessions and shut down or privatize city departments and services.

The measure is aimed at establishing what amounts to a financial dictator in Detroit, with the aim of using the city as a test case for imposing deeply unpopular measures in line with what is occurring in Cyprus, Greece and other European countries.

The entire political establishment, Democrat and Republican, is engaged in a conspiracy against workers in the city.

Governor Rick Snyder, a multi-millionaire former venture capitalist and Republican, and Democratic state treasurer Andy Dillon have turned over control of Detroit to a Washington, DC bankruptcy attorney whose former law firm represents the same Wall Street investment houses that control Detroit's municipal bonds and other debt.

Kevyn Orr, a lifelong Democrat, is a former law partner of Cleveland-based Jones Day, which has represented Citigroup, UBS AG, JPMorgan Chase and other banks that hold much of the city's $8.6 billion in long-term bond debt. His appointment immediately led to an upgrade in Detroit's credit rating from negative to stable, as investors anticipated he would oversee their repayment by intensifying the attack on the working class.

Detroit's Democratic mayor, David Bing, hired Orr's former law firm as a "restructuring" consultant earlier this month before his appointment as emergency manager. Bing later claimed that this was "completely independent" of the governor's decision to select Orr. While Orr resigned from the law firm, under the new law he will be responsible for hiring the firm he has worked at for years.

A lot of money stands to be made on the further ruination of Detroit. The *Metro Times* noted that among Jones Day's former clients is the Bank of America. "According to Irvin Corley Jr., who heads the Detroit City Council's Fiscal Analysis Division, Bank of America/Merrill Lynch is one of the counterparties in a complex credit swap deal that includes a stipulation where the city would be forced to pay lenders a $400 million lump-sum payment in the event certain 'termination events' occur. One of those triggers is the appointment of an emergency manager."

Last November, Michigan voters overturned Public Act 4 by a margin of 52 to 48 percent. The act gave emergency financial managers financial and day-to-day control of cities and school districts deemed financially troubled.

In response, the Republican attorney-general authorized the reinstatement of PA 72, a law passed in 1990 that allowed for the appointment of emergency financial managers, who had less sweeping powers than those allotted to emergency managers. The automatic reversion to the earlier law was done on dubious if not illegal grounds.

Republican legislators then drafted a new bill, PA 436, differing from the act that was overturned only on minor points. The act gives elected officials the "choice" of one of four options to slash services and jobs if the state determined a financial emergency exists. These are: signing a consent agreement, allowing the takeover by an emergency manager, going through a mediation process or declaring bankruptcy.

Exploiting the fact that the law did not take effect until March 28, Snyder and Dillon declared Detroit to be in a state of financial emergency and appointed Orr last week, thereby circumventing the requirement that cities have the opportunity to choose their poison. In other words, the timing of the appointment allowed the state to insist on an emergency manager, while this manager would, within days, assume the full powers provided by PA 436.

Even so, the state has little to worry about in relation to the corrupt layer of political hucksters that have run Detroit for decades. They simply want to ensure their own position in the lucrative process of selling off public assets and channeling city resources into the hands of the banks and private firms.

In one of his first moves, Orr decided to retain the pay and benefits for Bing and the city council, even though he has power to halt salaries. This was aimed at assuring the agreement of the local Democratic Party establishment.

As part of their maneuvers, a lawsuit was filed against Snyder and Dillon Wednesday challenging the legality of the new law. The plaintiffs include representatives of the city's major unions, officials from the Detroit school board, along with Jesse Jackson's Rainbow PUSH Coalition and Al Sharpton's National Action Network.

The lawsuit has been driven by political considerations. The trade union bureaucracy, for example, boasts of its willingness to impose deep concessions on city workers but complains that the emergency manager has allowed city officials to cut the union out of the process.

Moreover, the lawsuit conceals the *class* interests behind the blatantly anti-democratic measures, arguing instead that it is essentially an issue of racial discrimination. This argument expresses the interests of the black Democratic political establishment in Detroit, which in the name of "self-rule" has argued that it is quite capable of imposing massive budget cuts on the city's workers—both black and white—without any outside help.

The struggle to defend the interests of the working class and oppose these measures will not be resolved in the courts or by aligning with any of the contending factions of the capitalist state, but only through the independent political mobilization of the working class against both big business parties, which function, as the situation in Detroit demonstrates, as nothing but the repressive front men for the banks.