

Detroit's emergency manager prepares anti-working class financial plan

Bryan Dyne
10 May 2013

Detroit Emergency Manager Kevyn Orr will submit his report on the city's finances Monday, laying the groundwork for an escalated assault on the working class. Orr said on Thursday that the city's financial situation is worse than expected in an effort to prepare the population for even greater cuts.

According to a report on CBS local affiliate WWJ, Orr's report will "paint a bleak picture of the city's finances, including over \$15 billion in long-term debt and an accumulated operating deficit of \$325 million."

Orr declared the city will need to borrow approximately \$157 million in short-term debt this year and record it as revenue in order to stay afloat.

Orr also again threatened to drive the city into bankruptcy. He told WWJ, "If I can accomplish what I need to accomplish without bankruptcy, I'd be elated. I can't guarantee that in the least." He then went on to state that, "to a large degree that's going to be dependent on the position of a lot of other stakeholders that they have in this. Some of them might prefer a court order to make them do the things they need to do."

When asked whether the public would have an opportunity to comment on his plan, Orr expressed his contempt for democratic procedures by replying, "The public can comment, but it is, under the statute, my plan. It is within my discretion and obligation to do it. It's not a plebiscite. We're not negotiating the terms of the plan."

Orr was appointed by Michigan Governor Rick Snyder and given vast powers to guarantee the wealth of the city's bondholders, while restructuring the city in the interests of the corporate and financial elite. Those that will be affected most by these actions—the vast majority of the city's population—have no say on the matter.

The law under which Orr has been given his powers, Public Act 436, was enacted by the state legislature after a similar measure was defeated in popular referendum last November. Under the law, whatever is proposed by the emergency manager must include "the payment in full of the scheduled debt service requirements on all bonds, notes, and municipal securities of the local government..."

Since assuming the position of emergency manager on March 28, Orr has given some indication of the measures that will be implemented. He has presented a concessions contract to Detroit firefighters that will be imposed July 1. There are ongoing discussions about privatizing the water department and selling off Belle Isle as well as cutting the pensions of city workers. This is only the beginning.

These cuts are supported by the entire political establishment in Detroit, including the City Council and Mayor David Bing. While the power of local officials has been abrogated by the appointment of Orr, they are nevertheless working closely with the emergency manager.

Indeed, in his interview Orr went out of his way to praise the corrupt local political establishment, declaring, "I think, frankly, the mayor and the council have done the best they can with what they have. The city has probably cut as much as it can cut to the bone now, so it has been trying to operate on the basis of borrowing short-term loans all the time."

For the financial elite, the devastation of Detroit is seen as an opportunity to make money. A recent report by Reuters noted that hedge funds that specialize in "distressed" debt are increasingly looking to Detroit and other cities.

The aim of these firms—such as Monarch Alternative Capital, Oaktree Capital Management, Appaloosa

Management and others—is to buy debt on the cheap, then work to ensure a final deal that pays more than the debt was purchased. This is usually done with companies, with wages or health programs slashed to pay back the bondholders.

However, Reuters notes that “with the coffers of US companies overflowing with cash, there has been a dearth of debt defaults, bankruptcies and liquidations that such funds normally feast on. By contrast, a small but potentially growing number of US cities and towns are struggling with pay and pension obligations...” If it goes into bankruptcy, Detroit would be the largest city yet to do so. It has \$8.6 billion in long-term debt, which is comparable to corporate bankruptcies. Instead of shutting down factories or office buildings, more sections of Detroit would have their essential services shut down and left to rot. Orr’s role is to facilitate this whole process.



To contact the WSWS and the
Socialist Equality Party visit:

wsws.org/contact