

The dismantling of Pontiac, Michigan

A dress rehearsal for Detroit

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Pontiac, Michigan is the prototype of what will be done to Detroit and cities throughout the state of Michigan. Michigan currently has 21 state-appointed emergency financial managers. But no city has yet faced as drastic cuts in public services as Pontiac, the county seat of Oakland County, the wealthiest county in the state.

The city workforce has been slashed from 600 to only 50, while nearly all city assets have been sold off to private companies and nearly all city services have been outsourced, privatized or transferred to other jurisdictions.

The state government claims that emergency financial managers will get a struggling city “in shape.” But the real agenda—the privatization and destruction of public services and living standards—is being revealed in Pontiac:

- The city sold assets such as the Silverdome sports arena and its golf course and closed the Phoenix Center amphitheater.
- The city no longer issues building permits or carries out water and sewer operations, EMS services, street maintenance, trash pickup, cemetery operations, golf course management, or animal control.
- It has outsourced clerical functions like vital records, income tax collection, information technology and payroll, along with management of federal programs.
- The city sold its sewage treatment plant to Oakland County
- The police and fire departments were disbanded; police services were contracted out to Oakland County, which cut benefits; the firefighters transferred to a merged department run by neighboring Waterford Township, and received pay cuts.

Fewer than 60,000 people live in Pontiac, a decline of about 30 percent since 1970. In the late 1960s, General Motors employed nearly 37,000 workers at three big plants and several smaller facilities in the city. By 2009, when the last plant closed, GM had discontinued the Pontiac brand, named after the city. Today, unemployment is over 21 percent and one-third of the residents live in poverty.

The role of Louis Schimmel

Pontiac is now on its third state-appointed financial manager. The first and second, Fred Leeb (2009) and Michael Stampfler (2010), were chosen by then Governor Jennifer Granholm, a Democrat. Republican Governor Rick Snyder appointed Louis Schimmel in 2011.

Schimmel is a longtime debt collector for bankers and other investors in municipal bonds. He served on the board of directors and executive committee of the Pontiac State Bank from 1972 to 1988, until the bank was taken over by National Bank of Detroit, which in turn was swallowed by Bank One and then by JPMorgan Chase.

An expert on municipal finance, Schimmel served as president of the

Bond Club of Detroit, and as executive director of the Municipal Advisory Council of Michigan, a statistical clearinghouse for US investment bankers who underwrite or invest in municipal bond issues. He retired from that position in 2001.

In 1986, Schimmel became the first emergency financial manager of a sizable Michigan city, when a court appointed him to take over the city of Ecorse, an industrial suburb of Detroit laid waste by job cuts at the huge steel mill then operated by National Steel. Schimmel cut ruthlessly, balanced the books in three years, and was hailed for his efforts by the Michigan Chamber of Commerce, which gave him its 1990 award for Outstanding Service and Leadership in the Public Sector.

He went on to a series of appointments in state government. In 1992, he was appointed a member of the Michigan Public-Private Partnership Commission. In 1999, Governor John Engler appointed him to serve on the Michigan Commission on Public Pension and Retiree Health Benefits. From 2000 until 2004, he was the state-appointed emergency financial manager of Hamtramck, another ruined industrial city, an enclave inside the city of Detroit. In 2008, he was appointed a member of the Legislative Commission on Statutory Mandates.

Perhaps his most significant role, however, was as an advocate of the destruction of municipal government at the leading right-wing think tank in Michigan, the Mackinac Center for Public Policy. Schimmel wrote an article in 2005 for the Mackinac Center’s journal, based on his experiences in Ecorse and Hamtramck, outlining the changes Michigan should make to its existing emergency management law so financial managers would have more powers.

A second article by Schimmel published on the center’s site in December 2006 was titled provocatively: “The City of Pontiac: A ‘Going’ Concern.” It advocated the appointment of an emergency manager there. As the headline suggested, Schimmel called for the effective elimination of municipal government.

The article promoted privatization of city services, stating: “Only major structural changes in how the city operates will bring a permanent solution to the city’s financial problems.” A second article that same month advocated privatizing the city’s Department of Public Works, which provided services such as wastewater treatment, and maintenance of city parks, recreation fields and community centers and other services.

Schimmel went to work for the Mackinac Center, serving as its director of municipal finance from 2006 to 2009. The think tank developed a wide range of right-wing, anti-working class policies that the Republican Party would implement wholesale once it took control of state government in the 2010 elections.

This included the passage of Public Act 4 in 2011, which gave emergency financial managers virtually dictatorial powers. EFM’s could assume all powers held by a city’s mayor and city council, could cancel labor contracts and enjoyed immunity from lawsuits. The Democratic Party advocated equally draconian cuts in public services, but sought to use the unions as enforcers of the cuts, while the Republicans wanted to

dispense with the unions altogether.

Schimmel was the first emergency manager appointed under Public Act 4, when Snyder named him to run the city of Pontiac. When Public Act 4 was defeated in a referendum in November 2012, the state legislature simply ignored the popular vote and reenacted its provisions, with very slight differences, passing Public Act 436 a month later.

What is the Mackinac Center?

The Mackinac Center for Public Policy has been a driver for the policies of the most right-wing sections of the capitalist class. In addition to promoting privatization of government services, the center advocates right-to-work laws, privatizing schools and school services.

On its web site, the Mackinac Center describes its free-market ideology as follows: “Modern economic experience demonstrates overwhelmingly that the free market is a powerful engine of economic prosperity...”

This, in the sixth year of the deepest economic slump since the Great Depression!

The statement continues: “We look forward to the day when the myths and fears of free-market capitalism are dispelled, along with the misplaced faith in a benevolent, omnipotent state.”

The Mackinac Center cites approvingly the work of Milton Friedman (privatizing public education), F.A. Hayek (government plans can’t create economic growth) and James M. Buchanan (critique of state government programs).

The policies advocated by the Mackinac Center have a clear class basis. The organization represents the interests of its ultra-right corporate financial backers. These donors included (2002-2006):

- Bradley foundation (electronic and radio component heirs)
- DaimlerChrysler Corporation Fund (automotive)
- Dow Foundation (widow of the founder of Dow Chemical)
- Dunn’s Foundation for the Advancement of Right Thinking (investment company founder)
- Earhart Foundation (White Star Oil heirs)
- Herrick Foundation (grandson of the founder of Tecumseh Engines)
- Peters Foundation (Proctor and Gamble heirs)
- Walton Family Foundation (Wal-Mart heirs)

These corporations see government-run public services as a drain on their profits. By contracting out public services to the lowest bidder, the wages, pensions and health benefits of public service workers and the services themselves will be destroyed for large sections of the working class.

The attack on public services

As Schimmel explained in one of his published commentaries on municipal restructuring, while financial constraints are cited as the reason for the cuts in public services, there is a broader goal: “I am trying to be an example for all of Michigan, for any municipality anywhere.” He made clear the scope of his project, noting: “I’m trying to show this for rich cities as well as the poor cities.”

The implications of this ideology are detailed in another Mackinac Center article by Michael LaFaive, promoting the use of volunteers for public services.

“Critics might roll their eyes at the very notion of some of these proposals,” LaFaive wrote. “But the fact that such ideas may seem

implausible today does not mean that they lack credibility. Indeed, less than a generation ago school choice, Social Security (pension) privatization, and ending welfare as an entitlement were deemed beyond the pale of discussion. Today such ideas are mainstream.”

As LaFaive indicates by the use of the word “mainstream,” all sections of the ruling elite, the Democrats as well as the Republicans, have embraced the right-wing nostrums of privatization and dismantling the public sector. What is at stake is nothing less than the dismantling of more than a century and a half of social progress, however halting, in the development of the public services required by a mass, economically advanced, modern society.

In the course of the industrial revolution of the 18th and 19th centuries, cities grew as people moved from farms to work in factories. Scientific and technical advances created the conditions for public services such as water treatment.

The standardization of piping, for example, meant the water supply system could be vastly expanded. Industry developed steam-powered pumping stations. As more people crowded into cities and science understood disease transmission, sanitation systems were developed to keep waste separate from the water supply for public consumption.

In the period when the American bourgeoisie was a rising class, it threw its weight behind the development of public services, from the postal service, established after the American Revolution, to roads, canals, railways, telegraph. This continued well into the 20th century, as the federal government expanded transportation systems, built airports and air traffic control and funded a broad expansion of public education, as well as art, culture and public broadcasting.

These public services were developed and expanded over a long historical period, yet in the course of one generation they are being destroyed. As the world economic position of the United States has deteriorated, from the 1970s on, public services came under attack, and these attacks have escalated enormously following the Wall Street Crash in 2008.

The use of emergency financial managers in Michigan—municipal dictators sent in as collection agents for the banks and bondholders—is an expression of a profound historical process.

The capitalist state is being stripped of all the reformist bells and whistles, and reduced to its core function as the “armed bodies of men” described by Marx and Engels, suppressing the working class in the interests of the capitalists. As the ruling class destroys public services, they are finding it necessary to change the forms of rule, and eliminate any vestige of democracy and local self-government.

Under these conditions, only a politically independent working class can defend these services. Socialism would put these vital services under public ownership controlled by a workers government.



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