

# A who's who of the conspirators behind the Detroit bankruptcy: Part two

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Part one of the “Who’s Who” of the main players in the Detroit bankruptcy includes profiles of Emergency Manager Kevyn Orr, Michigan Governor Rick Snyder and former State Treasurer Andy Dillon. Part two profiles Snyder’s top political aide Richard Baird, US bankruptcy Judge Steven Rhodes and Detroit Mayor David Bing. The third and final installment describes the role of top trade union officials in the bankruptcy.

Two weeks of testimony in the Detroit bankruptcy case have exposed the premeditated character of the July 18 decision by Emergency Manager Kevyn Orr to initiate the largest municipal bankruptcy proceeding in US history. The bankruptcy, which is being backed by the Obama administration, was not necessitated by financial imperatives. Instead it was a political decision—long in preparation—which was aimed at setting a precedent for the ripping up of the wages, pensions and benefits of city workers, and the selling off of public assets like the artwork of the Detroit Institute of Arts.

The evidence presented brought to light the extent to which, starting with its January 2011 inauguration, the administration of Michigan’s Republican governor, Rick Snyder, gathered around it a virtual shadow government of law firms, private consultants, investment bankers and top officials from both the Democratic and Republican parties.

Their plan was to use the state’s anti-democratic emergency manager law to install an unelected financial dictator in Detroit who would use the bankruptcy courts to override every obstacle to the wholesale looting of the city by the big banks and corporations.

**Richard Baird, Snyder’s “transformation manager”** Richard Baird, Michigan Governor Rick Snyder’s “transformation manager,” or “talent selector,” has been the point man in a nexus of corporate and political figures involved in the conspiracy to throw Detroit into bankruptcy.

Baird was compensated \$100,000 per year directly out of the governor’s privately financed slush fund known as the New Energy to Reinvest and Diversify or NERD fund until, after a public outcry, Snyder shut down the fund and switched Baird over to the state’s payroll.

Baird met Snyder in the early 1980s and oversaw the future governor’s hiring by the auditing firm Coopers & Lybrand (now PricewaterhouseCoopers). Both men rose in the company, which advised corporations on cost-cutting strategies during the frenzied wave of mergers, acquisitions and bankruptcies during the decade. The two have remained close friends and collaborators ever since.

Baird led negotiations, which resulted in the hiring of the law firms and financial companies that laid the groundwork for the July 18,

2013 bankruptcy filing by Detroit’s Emergency Manager Kevyn Orr. These included Jones Day, Miller Buckfire, Ernst & Young and Conway MacKenzie, which were hired by the state for an initial payment of \$75.2 million.

Baird reportedly recommended that Snyder and then-State Treasurer Andy Dillon choose Kevyn Orr—whose Jones Day team oversaw the 2009 Chrysler bankruptcy—as the emergency manager. “My role was predominately focused on assessing talent for potential positions that may come as a result of a failing school district or municipality,” Baird testified before the bankruptcy court earlier this month.

Baird has led other anti-democratic operations. In May, the *Detroit Free Press* reported on emails showing that Baird helped organize a “skunk works” project, which drew together charter school operators, technology executives, and other parties interested in channeling public money into technology companies overseeing cut rate “value schools.” Their aim was to promote a school voucher scheme in explicit violation of the state constitution. Michigan voters twice defeated constitutional amendments, which would have legalized voucher-based schooling in 1978 and 2000.

**Bankruptcy Judge Steven Rhodes** Overseeing the case in the United States Bankruptcy Court for the Eastern District of Michigan is federal Judge Steven Rhodes. The 64-year-old judge graduated from the University of Michigan Law School in 1973 where he taught courses in bankruptcy law from 1992-2002.

Rhodes has overseen several Detroit area bankruptcy cases where tens of thousands of workers lost their jobs, wages, health care and pensions, including Awrey Bakeries, auto parts maker Collins & Aikman and Simplified Employment Services, one of the nation’s largest payroll outsourcing firms.

The current trial in Detroit was interrupted so Rhodes could attend the National Conference of Bankruptcy Judges in Atlanta, Georgia, which discussed the usefulness of the bankruptcy courts to restructure municipal finances and slash pensions. Orr who was slated to speak on the panel titled “Pension Plans and Retiree Benefits in Municipal Bankruptcies,” was forced to bow out because of the clear conflict of interest. However, his former boss at Jones Day, Corrine Ball, headed up a panel titled, “Wall Street, Main Street & the Restructuring of American Business: Can it be a win?”

Rhodes struck down a motion for his recusal because of his presence at the conference. In his defense, he pointed to a 1994 Circuit Court opinion, declaring that attending such affairs was not a conflict of interest to the “extent that a judge remains interested at all in the events of society.”

Rhodes has proven his readiness to block any legal challenge to the emergency manager law (Public Act 436) and the bankruptcy filing.

Earlier this month he imposed a stay on a lawsuit by the NAACP, which challenged the anti-democratic law on the grounds that it established a “new form of government” completely unaccountable to voters. Rhodes ruled the lawsuit could result in Orr’s removal from office and the termination of the bankruptcy, and therefore he would not allow it.

“The public has a substantial interest in the speedy and efficient resolution of a municipal bankruptcy case that affects as many people and institutions, and as much of the local, regional and national economy, as this case does,” Rhodes ruled.

The judge has also signaled that he does not view accrued pension benefits as sacrosanct. During the hearing, Rhodes responded to objectors’ claims that the Michigan constitution upholds the absolute sanctity of public employee pensions by asking, “Is there any constitutional right, state or federal that is absolute?” Rhodes asserted that “Even freedom of the press isn’t that absolute

**Detroit Mayor David Bing** Former professional basketball player, Democrat David Bing was elected Detroit mayor in 2009, taking over from Kwame Kilpatrick who was forced to resign amid charges of extortion, racketeering and other charges.

Bing is part of the corrupt African American political establishment, which has long been cultivated by big business to serve its interests in Detroit and nationally. After a failed business venture, Bing Steel, the future mayor was rescued and became a millionaire on the basis of contracts set aside by General Motors for minority businessmen. In 1984, President Ronald Reagan awarded him the National Minority Small Business Person Of The Year, and a year later he was put on the corporate board of directors of utility giant DTE Energy where he served until 2005.

During his five years in office Bing handed tax cuts and incentives to casino operators and other big corporations, while imposing pay and wage cuts on city workers and privatizing services. During his tenure 20 percent of the city’s workforce has been eliminated, decimating fire protection, public transportation, health and other essential services.

In 2010, the mayor announced plans—outlined by major corporate interests and the Democratic Party-aligned Brookings Institution—to “downsize” Detroit by relocating residents from neighborhoods deemed to be underpopulated or poor for investment. “If they stay where they are I absolutely cannot give them all the services that they require,” he said.

Almost from the time of Governor Snyder’s inauguration in January 2011, Bing looked to the Republican administration to intervene in Detroit, reportedly pitching himself to the governor as a possible emergency manager of the city. With the backing of the Democratic-controlled City Council, Bing imposed a state-dictated “consent agreement”—drawn up by Jones Day attorneys and State Treasurer Andy Dillon—that overturned concession contracts negotiated with city unions to slash labor costs by \$360 million in order to impose even more draconian cost-cutting measures and pave the way for the bankruptcy filing.

Well aware of popular hostility to a takeover by a Republican governor, at different times Bing tried to posture as an opponent of state intervention. According to leaked emails, however, Bing was intimately involved in the plot to install the emergency manager and provide the unelected dictator for the banks and big business with political legitimacy. During this time, Bing also met with Obama “about the potential of getting personnel to help us with the execution of our restructuring plan,” according to a statement on his December

2012 meeting with the president.

Bing first met with Orr on February 25, 2013, a little more than two weeks before the emergency manager was appointed. According to local news outlet WXYZ, “The emails, written by Baird [Snyder’s aide] and Orr, indicate that Bing and Orr had breakfast, were “impressed” with one another and that Bing was “enthusiastic about a working relationship.” Bing and Baird worked on a 12-point “Summary of Partnership” plan that would shape the mayor’s role under an emergency manager. Baird suggested Bing only use his private email for correspondence, in order to “stay below the radar.”

According to the *Detroit Free Press*, “E-mails before Orr’s appointment show Bing proposed keeping his executive team, with their pay and authority intact,” and that the emergency manager continue the mayor’s initiatives. This included giving control of Belle Isle Park to the state and turning over the public lighting system to his former company DTE—two measures that have since been implemented by Orr—and shrinking the city.

“For his part,” the *Free Press* continued, “Bing would appear at a March 25 news conference announcing Orr’s appointment, pledging support for him and encouraging the community to back the emergency manager process. Bing, the emails say, also would support Orr’s recommendations on the city’s finances in the context of the mayor’s wide-ranging Detroit Future City plan to reshape and downsize Detroit to deal with a shrinking city.”

Before his installation Orr and other Jones Day attorneys discussed the importance of posing the issues in Detroit, particularly the city’s supposedly “unsustainable” pension costs, as pressing national problems. In a January email Jones Day associate Dan Moss tells Orr posing the questions in this way would prove beneficial to the careers of Bing and Snyder. “It provides political cover for the state politicians,” Moss wrote. “Indeed, this gives them an even greater incentive to do this right because, if it succeeds, there will be more than enough patronage to allow either Bing or Snyder to look for higher callings—whether cabinet, Senate or corporate.”

On March 11, three days before Governor Snyder appointed Orr as emergency manager, Mayor Bing announced that Jones Day was being hired as the city’s “restructuring counsel,” declaring that the law firm’s experience will be “a valuable asset as we proceed with our plan for restructuring the City of Detroit.”



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