Flint, Michigan emergency manager threatens to file for bankruptcy

Bryan Dyne
30 January 2014

Flint, Michigan's emergency manager, Darnell Earley, has threatened to send the state's seventh largest city into bankruptcy if retiree health benefits are reinstated by court order. As in the days leading up to the Detroit bankruptcy, Earley is using bankruptcy as a cudgel to escalate the attack on municipal employees and gut city services.

The current court battles were started when six retirees from the United Retired Governmental Employees association filed a lawsuit against the April 2012 order by previous emergency manager, Michael Brown, to force retirees to pay more out-of-pocket costs. These changes include making Medicare-eligible retirees pay an additional $100 per person per month. Additionally, deductibles would increase from $50 to $1,000, and co-pay would rise from $1,000 to $2,500. Those workers not eligible for Medicare may share the same fate as workers in Detroit who have been forced onto Obama's private health care exchanges.

Earley and other Flint officials have claimed if they are forced to pay the retirees full benefits, it will cost the city a total of $8.5 million dollars. Earley said if this were to occur, "Resolving insolvency could include a potential filing for bankruptcy…" Using Detroit as an explicit example, he threatened pensions as well. In a January 24 article on MLive, he stated, "pursuing bankruptcy allows consideration of severely reducing or eliminating health care coverage for retirees, and allows consideration for reducing pensions."

Using similar language to Detroit Emergency Manager Kevyn Orr, Earley repeats the claim that "there is no money" and as such the city's "legacy costs" are unsustainable at 30 percent of the city budget. Therefore, they must be cut one way or another for the city to remain solvent. According to Earley, the two options for retirees are either to accept the cuts imposed on April 2012 or face an even more savage attack through Chapter 9 bankruptcy.

Of course, the cuts against retiree health benefits are only the most high profile of the latest part in Flint's current "financial emergency" saga. Since 2012, Brown and Earley have inflicted a slew of attacks on living standards in addition to those on health care for retirees. The city's workforce was reduced by 20 percent, wages were cut by 20 percent, retiree health care has been eliminated for new city employees, utility rates have been increased by 25 percent and property taxes have been increased. This is has led to a severe drawback of basic city services.

This is not Flint's first financial emergency. From 2002-2004, the city was placed under state receivership as a result of a deficit of $30 million. Then-governor John Engler appointed Ed Kurtz, former president of a private business college, as emergency financial manager to oversee Flint's finances. Kurtz then initiated a devastating series of cuts to a city that already discontinued its ambulance service, dismantled its housing service and closed other services. One of his few purchases were 30 M-16 military assault rifles for the Flint police.

Conditions have only gotten worse since then. The former center of General Motors production and birthplace of the United Auto Workers, Flint has been devastated by decades of plant closings and mass layoffs in the auto industry. As recently as 1970, GM employed 82,000 workers in the city. Now, there are less then 8,000. Over the same four decades, the population has gone from 193,000 to just over 100,000.

The result has been a social catastrophe. Census data from 2012 reveals that 30.9 percent of Flint residents live in poverty, while 58 percent of the city's children are impoverished. Flint's current unemployment rate stands just below Detroit's at 16.9 percent. The major factories, such as GM's massive Buick City complex—which once employed 26,000 auto workers alone—have long been closed and demolished.

That such a fate could befall Flint, a city identified with some of the most militant battles of the American working class, speaks volumes about the failure of the United Auto Workers. Over the past three-and-a-half decades, the UAW has openly collaborated in the downsizing of the auto industry and the slashing of wages and benefits.

Born in the Flint sit-down strike against GM in 1936-37, the UAW spurred the formation of the mass industrial unions by millions of workers throughout the US. In spite of these explosive beginnings, however, the leaders of the newly formed UAW and Congress of Industrial Organizations (CIO) refused to break from the Democratic Party, later purged the socialist pioneers who had built the UAW, and tied the fate of the working class to the global position of American capitalism.

On this basis, the unions had no answer to the historic collapse of American industry, the shift by the ruling elite to the policy of class war and the transfer of production to low-wage countries. In the name of "international competitiveness," the UAW, like other unions in the US and around the world, suppressed, isolated and betrayed strikes and surrendered the gains won by workers over generations of struggle.

The social devastation of Flint, Detroit and other industrial cities has been the result. Well aware that the unions will offer no resistance, the political establishment is using the Detroit bankruptcy and the dictatorial powers of emergency managers to gut pensions, health care and vital services throughout Michigan, setting a precedent for similar attacks throughout the United States.