

# Detroit mayor and city council president voice full support for continued financial dictatorship

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Detroit City Council President Brenda Jones and Mayor Mike Duggan gave revealing testimony in front of US Judge Steven Rhodes during a hearing in the city's bankruptcy case Monday.

The two Democratic politicians—who previously postured as opponents of the unelected financial manager who usurped the local government—made it clear they will work with Emergency Manager Kevyn Orr to implement the massive cost-cutting measures contained in his Plan of Adjustment.

Both city officials acknowledged that they had reversed their positions once the bankruptcy process gained momentum. They also affirmed their support for the Financial Review Commission (FRC), a special body consisting of members appointed by the Michigan state legislature, which will have the power to oversee all spending decisions for at least a decade after Orr leaves. In exchange for the deal to extend Orr's term last month, Duggan and Jones were given seats on the FRC.

In her remarks, Jones—who had been particularly demagogic in her demand for “home rule” and her criticisms of Orr and Republican governor Rick Snyder—testified that she has developed close working relations with Orr. In fact, the so-called opposition of the City Council quickly dissipated after Orr authorized the payment of their salaries shortly after he was installed. “I’m happy to say that Kevyn Orr and I have a good relationship—now,” Jones said, provoking laughter from the courtroom.

“We do not want to stand in the way of the bankruptcy proceeding. None of us are bankruptcy lawyers,” Jones said late last month. “Kevyn Orr knows that proceeding better than anyone.”

Jones also defended the FRC, saying, “The commission will be there to oversee the budget and contracts that

exceed \$750K” and “to make sure the council and mayor are doing what they need to do to stay on track.”

Jones reiterated her slavish support for the court and the bankruptcy plan, saying, “I’m satisfied and happy with the progression [of the bankruptcy] and level of services citizens are now seeing.”

These remarks were directed to Judge Rhodes, who only last week sanctioned mass water shutoffs to low-income households, insisting that Detroit residents did not have a “fundamental right” to water, or, for that matter, food, shelter or health care either.

In his testimony, Mayor Duggan defended the deal to prolong Orr's term, saying the extension of his powers was necessary “to balance continuity of process with desire of elected government to take over.”

The FRC, which will assume dictatorial control over the city's finances when Orr departs, has “very strong powers,” Duggan said, adding that there is “significant value in having an outside entity you can rely on” to oversee city finances.

Aside from the supposed value of the FRC, Duggan also said the Michigan state government would never have approved the state's contribution to the so-called grand bargain funding if it did not gain control over Detroit's finances. “There was no way the grand bargain would pass without the [financial review] commission,” Duggan said.

The mayor said creation of the FRC was based on previous experiences in major US cities facing financial crisis, including New York City and Washington, DC.

Asked about his simultaneous service in the FRC and the mayor's office, Duggan argued that such an arrangement is a standard feature of corporate governance in the private sector.

He related his own experience at the Detroit Medical

Center (DMC), where he was hired as a “turnaround specialist” for the position of chief executive officer. (In that capacity, Duggan slashed jobs, gutted working conditions and sold the publicly owned hospital system to a private equity firm, netting an estimated \$2.4 million for himself).

“When I was CEO of DMC, I was a voting member of the DMC board. It was not unclear who was the boss. [Roger] Penske and others on the board made this very clear,” Duggan said. Following Duggan’s analogy, it is clear that real power will lay with the FRC to dictate policy.

With the bankruptcy proceedings coming to a close in the next few weeks the only significant opponent left to the restructuring plan is bond insurer Financial Guaranty Insurance Company (FGIC), which is holding out for a larger payout by demanding the selloff of the publicly owned collection of the city’s art museum and even deeper city worker pension cuts. For these reasons the bond insurer’s lawyers sought to expose the hypocrisy of the mayor’s posturing as an opponent of Orr.

Under cross-examination from the FGIC attorney, Duggan acknowledged he previously vowed to remove Orr upon assuming office as Detroit mayor. “My intention would be to push the emergency manager out on the first day,” Duggan said, in a *Crain’s Detroit Business* article cited by Soto.

As it happened, soon after taking his oath of office Duggan abandoned his opposition. “He’s got the office next door. We have a division of responsibilities that I respect,” Duggan told the media after being sworn in as mayor in January.

In a comment which exposed the machinations of the ruling class around the socially explosive issue of mass water shutoffs, Duggan said the negative publicity against the bankruptcy generated by this policy prompted Orr to transfer authority over the shutoffs to Duggan’s office.

“After the national embarrassment on the water shutoff process, Orr admitted there was a problem, allowed me to handle the shutoffs and take the lead in negotiations with Counties over regionalization,” Duggan testified.

This substantiates the analysis made by the *World Socialist Web Site*, which warned workers that the shutoff “pause” and the mayor’s “ten point plan”—which provides a pittance to help low-income households avoid water shutoffs—were a calculated effort to soften popular opposition and prepare conditions for the resumption of this brutal policy. In the meantime, Duggan negotiated the regional takeover of the publicly owned water system in

the first step towards its privatization.

Duggan acknowledged he had been “deeply involved” in the creation of the plan of adjustment, saying that Judge Rhodes asked him to begin working on it in April 2014. The mayor has also recruited top corporate talent from across the country to implement the plan of adjustment, Duggan testified. Dozens of the new office holders assembled by Duggan will receive salaries greater than \$100,000, according to media reports.

In another revealing comment, the mayor alluded to the real reason the plans to sell off the Detroit Institute of Arts collection were shelved, saying that such a move would “plunge the city into the kind of anger and turmoil we are trying to get away from.”

In fact, the decision to turn over the art museum to private foundations, which promised to “save” the art, was made shortly after the October 4, 2013 demonstration at the DIA organized by the Socialist Equality Party. This was the first expression of popular opposition to the bankruptcy.

Since then the entire political establishment has relied on the services of the trade unions to suppress popular opposition. The unions have been aided by Democratic Party-affiliated “left” organizations, such as the Workers World Party and its Moratorium Now! group, which told workers they could defend themselves by relying on Brenda Jones, US Congressman John Conyers, President Obama and Judge Rhodes.

In reality, all of these forces are complicit in the bankruptcy conspiracy against the working class and the handing over of the city to a handful of corporate and financial overlords.

The mayor testified that Detroit will be heavily reliant on private money during the post-bankruptcy phase. “The city government is never going to have the resources to pay for everything in the city,” Duggan said. “We’re going to have to work together.”

Duggan, whose mayoral campaign was funded by political action committees (PACs) backed by billionaire Roger Penske, Bill Ford of Ford Motor Company, and billionaire casino operator and real estate developer Dan Gilbert, is once again proving himself to be a devoted servant of big business and the ultra-wealthy.



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