Financial Review Commission continues bankers' control of Detroit

Jerry White
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At the end of his November 7 ruling confirming Detroit's bankruptcy exit plan, US Judge Steven Rhodes declared, "Now it is time to return democracy to the people of Detroit." With this extraordinary statement the federal judge was not only acknowledging that democracy had been suspended in a major American city over the last 20 months, he was also lying.

In reality, the usurpation of the city by a cabal of highly paid financial and legal "experts" working on behalf of Wall Street will continue in the form of a so-called Financial Review Commission charged with implementing the austerity plan over the next 13 years and making sure the banks and big bondholders are paid on time.

Established through a bipartisan vote by the Michigan state legislature and sanctioned by the Democratic-controlled city government, the unelected body will have a "broad array of responsibilities and tools to oversee the City's fiscal integrity," the judge said. These will include: "the authority to review and approve the City's 4-year financial plans, contracts over $750,000, and all collective bargaining agreements. [The new state law] also appears to give oversight responsibility for the City's pension funding obligations."

Within days of the ruling Governor Rick Snyder announced his five appointees to the nine-member commission. He also announced that the body's "senior financial advisor" would be Richard Ravitch, a long-time Wall Street investment banker and Democratic Party operative who served as Judge Rhodes's advisor in the Detroit bankruptcy case.

During New York City's financial crisis in 1975-76 Ravitch played a key role, as lieutenant governor of New York, in collaborating with the unions to destroy 50,000 city workers' jobs, slash wages, use their pension money to buy municipal bonds and unwind past reforms, including ending tuition-free education for students in the City University of New York system. Ravitch was also chairman of the Metropolitan Transit Authority when he helped break the 11-day strike of more than 30,000 New York City transit workers in 1980.

Together with former Federal Reserve Chairman and top Obama adviser Paul Volcker, Ravitch co-authored the 2012 report of the bipartisan State Budget Crisis Task Force, which warned of ticking "pension time bombs" around the country. The task force called for sweeping cuts to social services and public worker pensions, complaining, however, that the latter were protected from "impairment" by many state constitutions.

A year later Judge Rhodes issued his precedent-setting ruling that federal bankruptcy laws trumped state constitutions, opening the way for a national attack on pensions supported by Wall Street and both big business parties. (See: " Before Detroit bankruptcy Democratic Party-led task force demanded huge pension cuts ")

Snyder's five commission appointees are all well tested representatives of the corporate and financial elite and several are drawn from the corrupt black Democratic Party political establishment that has long overseen the impoverishment of the city.

They are:

* **Tony Saunders** of Detroit, until recently a director at Conway MacKenzie, the Birmingham, Michigan financial restructuring company paid a $20 million consulting fee from the time of the Detroit consent agreement with the state through the end of the bankruptcy. Former State Treasurer Andy Dillon, a chief co-conspirator in the years-long plan to throw Detroit into bankruptcy, is now an executive director of the firm.

Saunders also served as emergency manager for Benton Harbor where he slashed city worker health benefits by 74 percent and reduced the 105-member workforce in one of Michigan's poorest cities by nearly 25 percent. He also was a consultant to the impoverished city of Highland Park—which had its street lights repossessed by DTE Energy—and served as chief of staff for former Detroit Councilwoman Saunteel Jenkins.

* **Darrell Burks** of Bloomfield Hills, a former senior partner at PricewaterhouseCoopers who also served on the

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city's Financial Advisory Board while Detroit was in a consent agreement with the state. The consent agreement, written by Jones Day attorneys, imposed deep cuts, reduced the city workforce by 25 percent in 2012 alone and paved the way for the bankruptcy filing a year later by former Jones Day attorney Kevyn Orr.

*** Stacy Fox**, a Detroiter who was deputy emergency manager under Orr. She is a founder and principal of Detroit-based real estate development firm Roxbury Group, which is cashing in from the corporate land grab in downtown Detroit. She is also a former vice president and general counsel for energy and chemical giants Sunoco Inc. and DuPont, as well as auto parts corporations Visteon Corp. and Collins & Aikman Corp., which used the bankruptcy courts to strip thousands of workers of their jobs, wages and pensions.

* **Lorron James** of Detroit, who is vice president of James Group International, an automotive logistics company with military contracts with Lockheed Martin.

*** Bill Martin** of Ann Arbor, who was U-M's athletic director from 2000-2010, and founder of First Martin Corp., a real estate construction, development and management company.

In addition to these five, the commission includes state treasurer Kevin Clinton, who will serve as chairman, state budget director John Roberts, Detroit Mayor Mike Duggan and City Council President Brenda Jones.

In his summary, Judge Rhodes expressed reservations that two of the members were elected officials. It was a "plain conflict of interest for the mayor and the council president to have a vote" on the commission, Rhodes declared, suggesting that somehow Duggan and Jones might be subject to public pressure to delay the implementation of the austerity measures demanded by Wall Street.

Their presence "risks undermining the commission's effectiveness in ensuring the implementation of the plan and the City's fiscal health and integrity," Rhodes said, because it would take "a super-majority vote of the independent members, 5 of the 7, to disapprove or reject any action that the City proposes for approval by the commission under the law."

In the post-ruling press conference, Mayor Duggan and Council President Jones made it clear they would be fully "independent" of the will of the people of Detroit. The judge's concerns were "misplaced" insisted Duggan, a multi-millionaire corporate "turnaround" specialist. "I will sit [on the commission] to make sure every document and concern is addressed and to make sure that all the votes are 9-0, not 5-4."

Council President Brenda Jones, a former union bureaucrat who ran Communications Workers of America Local 4004 in Detroit, said, "from time to time, we have had philosophical differences with the emergency manager and the governor… But just as the sun rose this morning, Judge Rhodes has given new life to the city we love." She declared, "Now our work begins to control costs, manage finances and provide more efficient service delivery."

In a local media interview after the judge's ruling, Orr suggested that the perpetual financial dictatorship being installed in Detroit was "normal" and not out of the ordinary. The financial review commission, he suggested, was a benign entity modeled on previous boards established in New York and Washington, DC.

As discussed above, the New York City board established in 1975 imposed brutal attacks on the working class while implementing pro-corporate measures that have made the city one of the most economically polarized in the industrial world.

For its part, the District of Columbia Financial Control Board, which was founded by Congress and ran the finances of the nation's capital from 1995 until 2001, oversaw staggering cuts in employment services, affordable housing programs, childcare, homeless services, welfare, mental health, parks and recreation, and senior programs.

Detroit's new Chief Financial Officer is John Hill, who served as executive director of the DC Control Board from 1995 to 1999 when it made its deepest cuts. Hill also directed Arthur Andersen LLP's "government consulting practice" in the early 2000s during a time when the giant accounting firm was found guilty of criminal activity relating to its auditing of Enron Corporation.

Like the installation of an emergency manager and the bankruptcy proceeding itself, the new commission will exercise dictatorial control over the city in order to impose deeply unpopular measures on behalf of Wall Street.

The commission held its first, chiefly ceremonial, meeting at Wayne State University's McGregor Memorial Conference Center on November 12. At the meeting Valerie Brader, deputy legal counsel in the governor's office, said the commission's powers commence on the effective date of Detroit's emergence from the nation's largest-ever municipal bankruptcy, likely sometime before the end of 2014, "and those powers are pretty extensive."

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