

East Cleveland, Ohio seeks bankruptcy protection

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Ohio government officials have rejected East Cleveland's request to be allowed to file for bankruptcy, saying that city council, not the mayor, must request permission to file for bankruptcy.

The letter sent by the Ohio Tax Commissioner's office was in response to a request by East Cleveland Mayor Gary Norton to allow the city to file for federal bankruptcy. Under Ohio law, a city must first get state approval before filing for bankruptcy.

In the April 27 letter sent by Norton, he describes the city, a suburb of Cleveland, as suffering from "decades-long economic decline and precipitous decrease in revenue." Further on, he states that the city is "insolvent and predicts that the city will remain so throughout 2016, 2017, 2018 and 2019.

If not allowed to file for bankruptcy, Norton warns, the city "will be unable to sustain basic Fire, Police, EMS or rubbish collection services." Currently the city is struggling to make its payroll of \$250,000 every two weeks.

Ohio government officials' decision to reject the city's request is not, however, limited to a technicality. Last year, in a reference to East Cleveland's financial problems, Ohio's Auditor David Yost wrote to Governor John Kasich that bankruptcy would hurt Ohio's bond rating.

"Bankruptcy is a failure, either political or economic or both, Yost wrote. "Neither is conducive to attracting new investment or even to preserving economic stability."

Kasich, a fiscal and social conservative and part of the Republican Party establishment, was one of the last Republicans seeking the party's presidential nomination to withdraw from the race.

Those opposing bankruptcy are demanding that the city further cut services and raise taxes on an already

impoverished population. East Cleveland has been in a state of fiscal emergency since 2012 and has already drastically cut services. Some streets are so badly maintained that people say you could drive a Volkswagen into the potholes.

East Cleveland has suffered a long economic decline like many Rust Belt cities in the Midwest and Northeast. Once a very prosperous city benefiting from the region's steel and auto industry, less than a third of the city's adult population is now employed. In 2011, the city's largest employer, the local hospital, shut down.

According to US Census figures, the population of East Cleveland has declined from over 40,000 in the 1970s to just over 17,000 today. Median household income is just \$20,600, less than half the national average.

Forty-two percent of the population lives in poverty. More than six out of 10 children, 62 percent, are growing up in poverty. The average value of a home is about \$37,000, less than one-third the statewide average.

Detroit was the last major US city to declare bankruptcy, and the bankruptcy court was used to cut pensions from city employees, lay off workers and cut services from entire neighborhoods.

If allowed to go through, East Cleveland's bankruptcy would be used to make similar attacks on services and city workers. The city has also been in off-and-on negotiations to merge with Cleveland, which took over the city's water department in 2008. Bankruptcy is also seen as necessary to proceed with plans to merge the city into Cleveland.



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