

10 years after the Detroit bankruptcy

Metro Detroit enclave Highland Park cannot pay for water

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The poisoning of Flint, Michigan's drinking water has rightly become symbolic of the brutality of American capitalism, but Flint is only one of many communities facing a water crisis. A raging battle over water and other natural resources is taking place across the US, as Wall Street utilizes the necessities of life to extract every penny possible from the working class.

The tiny Detroit enclave of Highland Park, Michigan, is one of these desperate communities. On April 17, the City Council voted to ask Michigan Governor Gretchen Whitmer for permission to file Chapter 9 municipal bankruptcy to keep the water flowing. "If we do not, the citizens' houses will be levied, and our water can possibly be shut off," Highland Park Mayor Glenda McDonald said.

The crisis in the enclave occurs exactly 10 years after its surrounding district, Detroit, was forced into the largest municipal bankruptcy in US history. The Detroit bankruptcy resulted in a massive payout to the banks and hedge funds, financed through the destruction of workers' pensions, benefits and jobs, and the sale or partial privatization of city assets, including the water department.

The plight of Highland Park—a parcel of land less than three square miles which sits in the middle of Detroit (143 square miles) that survives on Detroit's services, sends its children to Detroit schools and is wholly tied to Detroit—refutes the lying claim that the bankruptcy "fixed" the crisis for anyone but wealthy bondholders and bankers. Highland Park, with a population of under 9,000 people, suffers the same degrading poverty as much of Detroit and ranks among the most impoverished municipalities in the country. It has a water debt of between \$24-58 million and an income of only \$9 million annually from property taxes.

"How is Highland Park going to pay—with Monopoly money?" commented Adolph Mongo, a Detroit political consultant.

Highland Park's storied history

The city was not always poor. Just the opposite. Like all of Southeast Michigan, including Detroit, Flint and Pontiac, Highland Park's fortunes followed those of the auto industry.

In 1913, Henry Ford established the first automotive assembly line in the world to build the Model T at his new Highland Park factory. The assembly plant, called the "Crystal Palace" for its extensive glass, was designed by renowned architect Albert Kahn. Following the wild success of the Model T, the city of Highland Park was incorporated in 1918. By 1925, 70,000 workers were employed at the site.

The municipality was established to retain those tax revenues and resist

Detroit encroachment. Chrysler Corporation also began production in Highland Park in 1925 and established its headquarters there. These were the city's boom years.

"Highland Park was really a shining city on a hill. It was really the place to live," said Jeff Horner, urban studies professor at Wayne State University in Detroit.

But Highland Park Ford discontinued production in 1973, and Chrysler moved its headquarters in the 1990s, taking with it another 6,000 jobs. The decline of Highland Park reflected the overall impact of globalization, the rise of international automotive rivals, and the growing internal contradictions of US capitalism.

Beginning in 2000, a series of state-imposed emergency managers (EMs) with near-dictatorial powers imposed balanced budgets on the now-impooverished city. While these scorched-earth policies are often portrayed as Republican, they were bipartisan. The first EM law was put into place by Democratic Governor James Blanchard in 1990. Highland Park's first EM, Ramona Henderson-Pearson, laid off most city workers and closed the only public library, a city jewel. Her successor, Arthur Blackwell, was fired for "over-payments," essentially stealing from the city coffers.

The *Detroit Free Press* explained that behind the scenes "the state had loaded up debt on the city to achieve this balanced budget, which meant over \$1 million a year in debt service payments going forward," creating the conditions for Wall Street to bleed the city dry for years to come.

In 2011, DTE Energy turned off the street lights and repossessed the lamp posts—a measure so draconian it had never been seen before. In 2012, the city's water treatment plant was closed to avoid paying for repairs. And in 2015, the district's last high school (a for-profit charter operation imposed by another emergency manager) was shut down.

It is for good reason that Highland Park residents now fear the ballooning water debt will be another means to impose price hikes, skyrocketing taxes and water shutoffs. Jaime Edwards told CBS Detroit:

I live off of my retirement that will be affected if you go into Chapter Nine. And then you're going to ask me to pay three times the amount of taxes. How can I afford it? This isn't the first time that the city went into financial hardship, and I lost the first time they did. You took money from me, but I never stopped paying my bill.

She concluded, "We need our home, and we need to live like everyone else. And we are just asking to live."

Indeed, the Highland Park City Council noted in an April 10 resolution that if \$19 million in debt were spread across the city, residents' taxes

would triple.

Whitmer denies expedited bankruptcy

Soon after the April request from the City Council, Governor Gretchen Whitmer denied the expedited bankruptcy, stating through a spokesperson, “They cannot skip to the end. They have to go step by step.”

Commentators noted that the action was most likely a response to suburban Detroit politicians, who were braying for Highland Park to solve “its own problems.” Any potential write-down of debt by the Great Lakes Water Authority (GLWA) would be passed on through higher prices to other municipalities.

On June 11, however, Highland Park paid the GLWA \$1 million and was granted an interim stay on collection activities. State of Michigan officials will oversee court-ordered negotiations to attempt a final settlement of GLWA lawsuits from 2014 and 2020. Whitmer has claimed that a recent state allocation of \$25 million to the GLWA “should be” used to help resolve the Highland Park crisis.

Given the GLWA’s decade-long legal pursuit of Highland Park’s water debt, any interim agreement will simply be the prelude to further demands. The GLWA has repeatedly threatened the municipality with ending water delivery and/or the imposition of a punitive tax levy.

As to the claims that the state would like its \$25 million payment to the GLWA to resolve the crisis, these funds would be deducted from the already appropriated funds for water safety and the removal of lead service lines. The recently enacted budget provided a paltry \$226 million to remove and replace 40,000 lead service lines across the state over 10 years, leaving the bulk of them, 378,000, in the ground. Despite Flint’s deaths, miscarriages and lead poisoning of children, Michigan is still rife with ancient, potentially toxic lead service lines for water delivery.

Where did the water debt come from?

Highland Park has not made any payments for sewer services since April 2021 and has paid less than 1 percent of its water service charges since 2012, according to the GLWA.

Yet over 90 percent of Highland Park’s water bills are paid by residents and businesses. The debt accrued primarily as a product of the city’s antiquated and leaky infrastructure. Some water mains are so old they are made of wood. Without a massive rebuilding of the system, the water debt will continue to escalate.

According to the GLWA, for every gallon of water consumed by a Highland Park resident, two gallons leak out of Highland Park’s water system—amounting to some 896 gallons per minute leaking from Highland Park’s water distribution system, according to a city survey.

The debt has been further compounded by the refusal of absentee owners of vacant properties, perhaps in the hundreds, to pay their bills.

In 2013, the Detroit Water and Sewerage Department sued Highland Park for the funds. According to Public Broadcasting Service (PBS), this prompted the city to send some residents “bills for thousands of dollars, while others were asked to pay for the water use of previous tenants.” PBS added, “Some even lost their houses because of liens caused by water bills they could not afford.”

The Michigan Court of Appeals affirmed the city’s debt in 2015. Highland Park contended it was overcharged and was not obligated to pay

for years of rate increases. Suits and countersuits followed.

What is the Great Lakes Water Authority?

The GLWA, the agency demanding payment of Highland Park debt, was formed in late 2014 as part of the Detroit bankruptcy. It is a regional government agency involving 112 communities in Southeast Michigan. Overseen by a board of directors drawn from the Metro Detroit area, the GLWA became the financial centerpiece of the corporate-led reorganization of the city. This was due to its lucrative income stream and ability to float revenue bonds.

The Detroit water department was leased to the GLWA, a “public-private enterprise,” and the latter was loaded with debt. According to budgets posted on the GLWA website, the fiscal year budget for 2023 shows a payout to the banks of \$356 million for debt service, while operations and maintenance come in at only \$329 million!

In other words, water was transformed from a city service into a financial instrument to extort ever higher prices from a captive population. While the GLWA oversees water delivery and wastewater purification, its core mission is, in reality, to serve as a collection agency for the bondholders and banks.

Bankruptcy was the means through which the “public utility” became financialized. The GLWA became a structure designed to ensure that the interests of banks and investors were prioritized well into the future.

This arrangement, dubbed “The Grand Bargain,” was put into place by the Michigan courts under Judge Stephen Rhodes, working in tandem with Detroit Emergency Manager Kevyn Orr and backed by the entire political establishment, including then-Detroit Mayor David Bing, a Democrat, and Democratic President Barack Obama. For their part, the unions acted as enforcers for Wall Street, endorsing the Detroit bankruptcy deal in exchange for being handed control of a lucrative healthcare investment plan known as a Voluntary Employees’ Beneficiary Association (VEBA), worth \$524 million.

It is now 10 years since the Detroit bankruptcy, and the media and politicians are pronouncing it a “success.” At worst, they say, it was a painful necessity to revitalize the city.

Nothing could be further from the truth. The current plight of Highland Park and large swaths of Detroit is a living refutation of this claim. The banks, the bondholders, the corporations and billionaire landlords like real estate mogul Dan Gilbert all cashed in, while the working class population has been further impoverished, consigned to low-paying jobs and burdened with paltry city services.

“Water, water everywhere, and not a drop to drink”

Like Flint and Detroit, Highland Park sits in the Great Lakes ecosystem, which holds about 90 percent of the fresh water in the United States and approximately 20 percent of the world’s fresh water supply.

The abundance of water in the area, however, has not lessened the financial pressure on workers but only whetted the profit appetite of hedge funds, municipal bondholders and water conglomerates.

Rate hikes by the GLWA are already making water unaffordable. Jen Read, the director of the University of Michigan Water Center, was the lead author of a study showing that low-income households in Detroit spend at least a quarter of their disposable incomes on water and sewer bills. Compared with other household costs, water and sewer bills have

skyrocketed since the mid-1980s, rising twice as fast as wages for low-income workers and faster than any other basic need, except healthcare.

“If we continue on this trajectory, more people are going to have challenges affording their water, and more communities are going to run into problems,” Read told the *Detroit News*.

The widespread policy of denying families potable water in Detroit was so egregious that it prompted the United Nations to single it out as a human rights abuse in a 2014 report. “It is contrary to human rights to disconnect water from people who simply do not have the means to pay their bills,” said Catarina de Albuquerque, the special rapporteur on the human right to water and sanitation. These official pronouncements have, predictably, resulted in no benefit to Michigan families struggling to keep the tap turned on.

With the end of a pandemic shutoff pause, the GLWA is pressing for legal authorization to restart the barbaric practice. As of January 2023, 27 percent of Detroit’s households were threatened with shutoffs. In a new twist, a Dickensian “payment program” was instituted for poor residents based on rationing themselves to 4,500 gallons per month.

The GLWA is already projecting annual price increases of at least 3 percent for water and 2.5 percent for sewerage. Meanwhile, the agency has washed its hands of all responsibility for the safe operation of its system, denying all 24,000 claims for the June 2021 failure of all pumping stations and the flooding of 100,000 homes in Oakland, Macomb and Wayne counties.

The most recent GLWA failure occurred in August 2022, when a massive water main broke near the GLWA’s Lake Huron water treatment facility. A state of emergency was declared over four counties, with more than 25 percent of the population in the Detroit Metropolitan area affected.

Water is increasingly unaffordable

The media coverage of the Highland Park crisis invariably characterizes the city’s plight as the product of racism directed at all minority-majority cities. This is a smokescreen designed to conceal the role of the banks, Wall Street and the Democratic Party politicians. The ruling elites are amassing record profits from driving down wages, destroying social programs and capitalizing on the escalating growth of poverty among all races.

In fact, a University of Michigan study shows that “challenges with water/sewer service affordability affect people throughout Michigan, across geography and demographics.”

The study continues: “The challenges affect households statewide—whether residents live in cities, suburbs, or rural areas—and the magnitude of the affordability problem has been increasing.”

The problem is capitalism

Highland Park went from boom town to disaster as a direct result of deindustrialization and the growth of financial parasitism in the service of capitalist profit-taking. Meanwhile, the water debt, which is being used to exact a final pound of flesh from the population, is a drop in the bucket compared to the vast expenditures on the US-NATO war against Russia and the record-setting \$1 trillion military budget enacted this year.

The working class must implacably oppose all demands for sacrifice to protect the wealth of the financial aristocracy, whether it be imposed via

bankruptcy or cuts. This fight must be linked to a new political strategy based on opposition to the Democrats and Republicans and the unification of the class struggle internationally.

The claim that “there is no money” for basic social services is a lie. The debts must be repudiated and the parasitical financial system of capitalism ended, so that society’s abundant resources can be devoted to social needs rather than private profit and war.



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