Detroit's Municipal Bankruptcy and the Case of Austerity Urbanism

by

Sarah Phinney

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ABSTRACT

Urban theorist Jamie Peck theorizes austerity urbanism as a dominant state practice of financially "restructuring" the fiscal agendas of local governments in order to reduce government budget deficits in times of economic recessions. This thesis examines how austerity urbanism as a theoretical lens can be used to describe urban transformations in the City of Detroit. My central argument is that Detroit, specifically following its municipal bankruptcy, is experiencing an austerity moment as a result of the United States' shift towards neoliberalism that dismantled Keynesian principles and compelled the federal and state government to withdraw their presence in fiscal aid transfers to local governments. This era created a reinvigorated neoliberal politics of austerity in the City of Detroit that is based on balancing state budgets and favouring cuts in government expenditure.

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1 Chapter: Introduction

Following the 2008 financial meltdown, cities are experiencing new budget pressures to cope with the loss of revenue from state governments and the housing market collapse – a crisis instigated by neoliberal, deregulatory, free-market policies. To dissect the outcomes of this crisis, the study of urban governance is particularly critical. Austerity has been translated into a series of urban budgetary policies that a recent scholarship has labeled “austerity urbanism” (Davidson and Ward, 2014; Mayer, 2013; Peck, 2014a; Donald, et al. 2014; Hackworth, 2015). Austerity urbanism has become a dominant state practice of financially “restructuring” the fiscal agendas of local governments in order to reduce government budget deficits in times of economic recessions. This thesis will investigate a reinvigorated neoliberal politics of austerity in the City of Detroit that is based on balancing state budgets and favouring cuts in government expenditure. As Oosterlynck and Gonzalez (2013) argue, cities have been ‘at the heart of the global financial crisis,’ which has challenged this narrative and revealed the unstable nature of neoliberal economic growth model on which it is based (1075). The Great Recession has evolved from a financial crisis that had a global reach through a global credit crunch to a collapse of the real economy leading to pressures on government revenues and borrowing (Hackworth, 2015). Despite this challenge, neoliberalism remains deeply embedded in the global economic and political order. This can be seen in the post-crisis austerity moment that Detroit is presently undergoing. Despite its uniqueness, austerity politics in Detroit can teach us something about the unequal power relations and social costs of neoliberal policies that applies not only to Detroit, but in cities across the United States, and even globally. Neoliberalism has been theorized as remarkably resilient, where scholars are defining neoliberalism as a process that is, “ongoing, dynamic of discursive adjustment, policy learning, and institutional reflexivity’ (Peck and

Tickell, 2002: 292). My research project seeks to navigate and discern the outcomes of austerity policies in Detroit, which are operating on an already neoliberalized landscape. What we are witnessing in Detroit are severe cutbacks to local government expenditure. In this thesis, I explore the interconnections and differentiated impact of the economic recession on Detroit, particularly focusing on public service retrenchment, and the evolving local, political, and policy contexts through which they are mediated.

I decided on the City of Detroit as my focus of analysis due to the city's enclave of unionized labour, overwhelming communities of colour, concentrations of poverty, and extreme economy measures that have materialized in Detroit following their municipal bankruptcy, pointing to the failures but also resiliency of neoliberalism. Detroit provides a good example to study the outcomes of neoliberal policies, geographically speaking, due to the uneven socio-economic landscape between Detroit's inner city and suburban communities. This thesis contributes to a growing body of literature exploring how the adoption of austerity urban governance (Peck, 2014a) strategies are fostering deeply inequitable socio-spatial outcomes in Detroit produced by previous forms of neoliberal governance, and the ways in which these policies are displacing costs onto inner-city Detroiters. This research project highlights important dynamics, processes, and actors shaping post-crisis cities, public services, and the ways in which austerity urbanism is taking shape through the impact of local government expenditure cuts mandated during Detroit's municipal bankruptcy. Although the literature on austerity urbanism has successfully mapped the conditions contributing to austerity budgeting in cities, it has overlooked the direct policy responses municipalities are enacting, and the ways in which these responses are distressing marginalized citizens. My objective of this research project has been to explore the ways in which austerity polices are being rolled-out in Detroit, eroding their fiscal capacity to provide services, but also to examine how austerity has been subsequently and disproportionately downloaded onto Detroit citizens in extreme and undemocratic ways through the process of a municipal bankruptcy. Through investigating concrete austerity policy measures at the local level, my research narrows in on "actually-existing" austerity in Detroit by mapping out the ways in which costs have been offloaded onto Detroit citizens as a result of such policies. More importantly, it illuminates and substantiates an important insight that has been recognized in the literature on austerity urbanism: neoliberal austerity measures need to be theorized as strategies of displacement (Peck, 2014a: 3). In the context of my research, I primarily examined Detroit's restructuring plan, a blueprint to adjust the city's debts that emerged from their municipal bankruptcy, which involved cutting the city's deficit, eroding pensions, and downsizing and privatizing city services. Examining the city's bankruptcy process provides a useful case study demonstrating the process by which various costs and responsibilities are systematically being displaced onto Detroit citizens, and also, under what conditions austerity is being rolled-out in a specific space and time.

Organization of Chapters

The organization of this thesis is as follows. In the second chapter, I outline a theoretical framework through which we can analyze shifts in urban governance in Detroit in the face of austerity. I study the path-dependent character of neoliberalism as a way to narrow in on the austerity reforms in Detroit. I also explore the transition from the welfare city to the neoliberal city and how this let Detroit exposed to set of new economic pressures. I argue that because of the path-dependent character of neoliberalism, it has transformed itself in urban governance spaces under the guise of austerity urbanism marking a new shift in urban governance in Detroit.

In my third chapter, I attempt to provide context and demonstrate continuities by providing a historical perspective on Detroit's economic decline by narrowing in on institutional forms of racism in Detroit that contributed to the process of "white flight" out of Detroit, and the nuances of racial tensions and uneven socio-inequality that now exist between suburban communities and inner city Detroiters.

In my fourth chapter, I also explore decentralization of fiscal federalism policies following the Keynesian period and the consequences for the economic fortunes of large U.S cities like Detroit. I then explore new narrations of an urban and social state crisis in Detroit. I highlight emerging perspectives of the underlying causes of Detroit's fiscal decline from the standpoint of those involved in the bankruptcy process, including municipal government officials. I demonstrate that there was a tendency to localize and internalize Detroit's budget woes, and pathologize its causes that are reflective of the U.S fiscal federalism doctrine.

In my fifth chapter, I analyze specific changes of urban governance that reflect a shift towards austerity urban governance. I explore what austerity urbanism means institutionally in Detroit by identifying extreme austerity measures implemented during the bankruptcy process such as outsourcing public-service operations, downsizing city bureaucracy, and eliminating long-held pension obligations. I argue how austerity was intensified through a rhetoric of fiscal discipline and fiscal dieting by highlighting emerged out of Detroit's *Plan of Adjustment* were new techniques designed to enforce fiscal discipline on city councillors and Detroit citizens.

The sixth chapter focuses on new challenges of fiscal austerity in Detroit, mainly involving the provision of core public services. I argue that in the process of attempting to reduce Detroit's budget deficit, the city is reconfiguring public service provision away from the public sphere. I investigate the multiple ways Detroit is offloading their fiscal responsibilities onto the private sector that includes transitioning core city services into private authorities. I provide a case study of the transition of Detroit's Water and Sewerage Department (DWSD) into the new Great Lakes Water Authority (GLWA) by exploring City's 2014 water shut-off program in the attempt to demonstrate the materiality of how austerity is offloaded and displaced onto low-income Detroiters.

In the final chapter, I offer some concluding thoughts and highlight the main research contributions of this thesis to the study of urban austerity in Detroit specifically, as well as literature about neoliberal urban governance more generally. Finally, I outline potential considerations for further research related to this project.

Timeline of Events

March 2011

- Michigan's Public Act 4 emergency manager law takes effect, giving state-appointed advisors of financially troubled cities the power to override worker's contracts and make other unilateral changes usually exclusively reserved for locally elected officials (Government of Michigan, 2011a)

December 2011

- Andy Dillon, current Michigan State Treasurer, orders a financial review of Detroit and recommends Gov. Rick Snyder send a team to review the city's finances

March 2012

- A state review team declares Detroit to be in "severe financial emergency" (Bomey, 2014).

December 2012

- Dillon, based on a preliminary review, concludes a serious financial problem exists in the city and recommends the appointment of a financial review team. Snyder appoints a six-member review team (later known as Detroit's emergency management team) (Government of Michigan, 2011b)

February 2013

- The review team collectively concludes Detroit failed to restructure its debt and intervention from Gov. Snyder is needed because "no satisfactory plan" exists to resolve the city's financial problems

March 2013

- Governor Rick Snyder declares Detroit is in a financial emergency and needs an emergency manager. Public Act 4 takes effect (Bomey, 2014).
- Snyder appoints Kevyn Orr as Detroit's emergency manager

May 2013

- Orr submits a preliminary financial and operating plan to the state Treasury Department, claiming that Detroit's cash-flow crisis makes the city "insolvent" and unable to borrow money.

July 2013
- Orr files a petition for municipal bankruptcy on July 18 in U.S District Court's Eastern District in Detroit (Davey and Walsh, 2013)

December 2013
- Judge Rhodes rules on December 3rd that Detroit is eligible to file for Chapter 9 Bankruptcy

January 2014
- The city's Plan of Adjustment is constructed to reduce the city's $18 billion in debt and is given to creditors, which details health care concessions from retirees and reducing overall pensions, and a proposal to spin off the city's water department into a private regional authority.

February 2014
- City files Plan of Adjustment

September 2014
- A deal is announced between the city, Wayne, Oakland and Macomb counties to create a private regional water authority (GLWA, 2015)

September 2014
- After 18 months under emergency management, the Detroit City Council passes a resolution that transfers power back to Detroit's elected officials. They keep Orr in power for bankruptcy-related duties until the city's Chapter 9 case concludes (Government of Michigan, 2014)

October 2014
- Detroit's bankruptcy trial ends (Snell, 2014)
- Gov. Rick Snyder appoints a financial review commission (FRC) to oversee the city's fiscal affairs

2 Chapter: Literature Review and Methodology

2.1 Conceptualizing the Origins of Austerity Urbanism (Post-2008)

Following the 2008 financial crisis, many scholars have attempted to fathom the adaptability and path-dependent nature of neoliberalism where for nearly three decades it has infiltrated the trajectory of urban spheres of governance. Rather than crash and burn as some predicted (Harvey, 2005: 67-70), it has gained further strength by exploiting the contradictions created by the conditions that it was largely responsible for (Peck, 2015; Peck, et al., 2013: 1091). The consequential and detrimental outcomes of the 2008 financial crisis have led to new departures in critical literature on neoliberal urbanism. Many scholars are emphasizing not a redux of neoliberal urbanism, but rather an extension or a mutation of it, in the form of austerity (Peck, et al 2013, Peck 2015; Brenner, et al 2012). In a more recent attempt to draw out nuances of urban governance since the financial crisis, austerity has been translated into urban policies that a more recent scholarship has labelled "austerity urbanism," (Davidson & Ward, 2014; Mayer, 2013, Donald, et al 2014; Peck, 2012) that has been characterized in specific ways, differing from previous theorizations of neoliberal urban governance.

Most of the literature on austerity urbanism beginning with Peck (2014) discusses the devolved character of austerity, illustrating the ways in which austerity filters down in the political order, which places cities in vulnerable circumstances, leaving them exposed to the full force of austerity. Analyzing the way austerity is being pushed down (both fiscally and politically) is an important element for understanding austerity urbanism as it is conceptualized as the driving force underlying the most recent fiscal crises' in cities, not just in the United States' context, but also globally (Peck, 2015: 4). Devolved austerity, conceptualized as budget pressures that have been downloaded onto cities since 2008, is presented as the focal point for

Peck's (2014a) analysis on austerity governance. According to Peck (2014a) neoliberal austerity measures inherently facilitate a regressive redistribution of the costs and risks of deregulatory failure and financial instability by displacing risks, debt, and deficits onto local scales. Pushing down budget pressures, and offloading costs to local scales have created the conditions for austerity urbanism that is taking on new dimensions for local governments where cities are unable to absorb such costs and risks (Peck, 2015: 5). As a result, Peck (2015) concludes that economically lagging cities, like Detroit, will have few options but to keep offloading these costs onto their citizens, in the form of extreme austerity measures (19).

Most austerity urbanism scholars have built on Peck's (2014a) initial work describing the devolved character of austerity to depict the origins and terrain for which austerity measures have been transforming the urban sphere. Scholars writing on austerity urbanism have theorized austerity budgeting at the local level to be caused by a structural fiscal deficit that was accelerated by an economic crisis, and secondly, in the context of already neoliberalized configurations of local state power and urban politics (Peck, 2015: 2). Tabb (2014) for instance, argues that neoliberalism forced cities to become debt-dependent on financial markets, in which they relied on borrowed money and speculative investment to finance their spending and day-to-day operations. Tabb (2014) conceptualizes this to be a shift in policy towards the financialization of cities following the dismantlement of Keynesianism (90). The deregulation of capital is what largely facilitated a municipality's access to continuous bonds and speculative investment (Tabb 2014), neoliberal principles underlying the subprime mortgage crisis. However, when cities were no longer were able to borrow, austerity regimes became the solution (Tabb 2014: 93). William K. Tabb argues what is indicative of austerity urbanism is the prevailing structural deficits present in U.S cities, which is not only because of pushed fiscal responsibilities to local political units that lack the resources and capacity to address them as Peck (2014a) argues, but also added costs and conditionalities associated with new financial instruments cities are using, such as interest-rate swaps, which have placed cities further into vulnerable fiscal predicaments. According to Tabb (2014), understanding the shared logics of the crisis and the devolving nature of austerity policies in cities demonstrates "just how un-local the local has become" (Tabb 2014: 91).

Similarly, Davidson and Ward (2014) argue that cities are experiencing a systematic ascension of austerity policies because many are "fiscally dysfunctional" and in the midst of a deficit crisis (84). They argue that since cities were forced into becoming more entrepreneurial and innovative, and economic development, cities began indulging in risky forms of speculative urbanism – borrowing against predicted future revenue streams (Davidson and Ward 2014: 85). Not only did this place some cities in precarious budget situations, but speculative urbanism as described by Davidson and Ward (2014), produced an increasingly unequal and unstable urban landscape (90), where the result led to a wave of municipal bankruptcies in the last several years, a mechanism to rid cities of their crippling debt but at a cost to citizens and the social state.

Hackworth (2015) also sees that the reason for why cities are now in a systemic age of austerity is due to their increasing reliance on credit markets to access capital to fund social services, finance capital infrastructure, and to run their day-to-day operations. Hackworth (2015) demonstrates throughout his findings that the decline in federal support for urban development has been simultaneously replaced by an increase in municipal debt (769). From Hackworth's (2015) analysis, considering the power of financial markets over cities such as the fiscal discipline perpetrated by credit-rating agencies, cities without access to credit (a common situation for U.S cities since the Great Recession) have no other viable option but to utilize austerity measures themselves as a way to generate municipal revenue (Hackworth 2015: 769).

Donald, et al (2014) distinctively introduces an idea of unequal development prevailing across U.S cities. From their investigation of austerity urbanism in cities, the consequences of cities competing for financial capital has produced "have and have-nots," across the urban landscape. For instance, they argue that framing the Wall Street crisis as exclusively a state crisis has directly produced political and economic repercussions in cities. Cities are struggling to address high levels of public indebtedness as a result of bailing out the banking sector and re-capitalizing credit markets, forcing federal and state governments to tighten their budgets (Donald, et al., 2014: 5). Budget deficits in cities are framed by the federal state as a local problem and something that should be addressed as such within the confines of their revenue means. For instance, Featherstone, et al (2012) views local austerity urbanism as part of a populist right-wing attack on public bureaucracies. Featherstone, et al (2012) argues that the inefficiency of the public sector is considered as primarily responsible for the federal budget deficit in the United Kingdom due to a bloated state bureaucracy, according to the UK's current Coalition government (178).

Donald et al (2014) emphasize the need for us to conceptualize this current round of austerity as "peculiarly local in nature" (5). What this means is that although we have seen how these crises have played out at multiple scales over the years, the severity of this current round of austerity measures is felt most profoundly in cities, in which municipal authorities are left with increasing responsibilities but without the fiscal capacity to deliver essential public services (Donald, et al, 2014: 11). Revenue streams have significantly decreased in cities since the collapse of their property tax base, which has been particularly vulnerable due to the effects of the financial crisis on the housing market.

Although there is extensive research on austerity urbanism theorizing the underlying rationales and context pushing austerity in cities (Davidson and Ward, 2014; Mayer, 2013; Peck, 2014a; Donald, et al. 2014; Hackworth, 2015), there has been little focus on what characterizes austerity urbanism reforms, what are the outcomes, and what do these changes concretely look like in cities today. These measures, specifically that are being rolled out in the cities, take various forms and are also being carried out by external actors that fall outside of the traditional parameters of local government decision-making. Looking back on previous forms of urban governance, such as the managerial approach in the 1960s or even entrepreneurial governance following the decline of Keynesianism as described by Harvey (1989), decisions regarding municipal affairs were largely made by actors in the public sector, elected officials and city councilors.

There is a small segment of the literature on austerity urbanism that focuses on conceptualizing austerity urbanism as a disciplinary governance tool, which is being politically imposed onto cities by technocratic experts by enforcing a rhetoric of "rule by accountancy." In her work, Andrea Pollio (2016) has attempted to map out and situate technocracy in urban politics in the wider context of austerity urbanism. Pollio (2016) refers to austerity urbanism as "smart city" policies that she argues are becoming one of the foundational political technologies for the implementation of austerity measures in cities. What this means is that while the common denominator is to contain and reduce budgets in cities, it is being done by various "activities of expertise" that are promoting different forms of mundane programs, calculations, techniques, and procedures, which gives a technical lexicon to urban austerity (Pollio, 2016: 518). Other scholars like Peck (2015), see technocratic governance as a product of the fiscal crisis cities are experiencing as a way to legitimize and rationalize austerity reforms, and in a way that will avoid public scrutiny (20). Municipal bankruptcies have been the most common way justifying technocracy in urban politics due to the various new laws that are being enacted, such as Emergency Manager Law in Michigan that was utilized in Detroit's Chapter 9 Bankruptcy case, in which appointed private experts have the ability to override the power of local elected officials. In the context of my research on Detroit, I argue that forms of technocratic governance are becoming more common in local politics in Detroit, particularly during their municipal bankruptcy, as a way to legitimize and ensue fiscal discipline over what is viewed as a failed municipal government by private technocratic actors.

Austerity urbanism represents a shift in urban governance that is theorized as an extension of neoliberal urban governance by Peck (2014a), who uses the path-dependent character of neoliberalism as an analytical lens to conceptualize why neoliberalism as a process, despite its continuous failures and contradictions, manages to survive even in the most vulnerable places like Detroit. Austerity urbanism can be situated within a broader literature of critical Marxist geography. In recent years, critical geographers have concluded that concrete neoliberal reforms do not conform to a simple model of liberalization and market rule with predictable implications. Rather, these transformations are shaped by "national, regional, and local contexts defined by the legacies of inherited institutional frameworks, policy regimes, regulatory practices, and political struggles (Brenner and Theodore, 2002). Critical geographers have concluded that neoliberalism, rarely, if ever, is actualized in pure form, meaning immanent laws of neoliberalism do not materialize in the same way at various scales and spaces (Jessop, 2002). What we experience are multiple "hybrid" forms and mutations that take shape as neoliberalism is expressed in specific domains and spaces. This conceptualization will demonstrate why scholars like Peck (2014a) understand austerity urbanism as an extension or hybridity of neoliberal urban governance, rather than a significant rupture of it. Geographers have examined two kinds of hybridization – the spatial patterns connected to neoliberal transformation where scholars like Theodore and Brenner (2012) treat neoliberal practice as uneven, and spatially and temporally variegated, rather than as a unified or universal 'theory.'

To shed light on the complexity of this relationship between neoliberalism and shifts in urban governance, Brenner and Theodore (2002) presented the concept 'existing neoliberalism' that refers to "the contextual *embeddedness* of neoliberal restructuring projects insofar as they have been produced within national, regional, and local contexts" (349). Brenner and Theodore (2002) describe this process as a dialectic relation – that involves a tension between destruction and creation. This idea of "actually existing neoliberalism" theorizes an ongoing deconstruction and reconstruction of space, but also illuminates the path-dependent character of neoliberalism and its contextual embeddedness. Many scholars have conceptualized these ongoing processes of neo liberalization through this concept by explaining the resilience of neoliberal urban governance today. Manuel Aalbers (2013) for instance has referred to "actually existing neoliberalism" as a "zombie." (2091). This is because it is constantly transforming itself to respond and react to various crises, and "comes up with new ideas on how to save and revamp the system" (1089). Peck, Theodore and Brenner (2013) explain "its Houdini-like ability to not only survive, but to gain further momentum through the exploitation of crisis conditions for which it is often largely responsible" (2013: 1091). The point of neoliberalisms' strength comes from its ability to adjust itself and bring forth institutional and policy changes to curbs or displace the current economic crisis caused by market failures and generated by its political framework (Peck, et al., 2001: 58).

Considering the contextual embeddedness provides an important conceptual tool for understanding neoliberalism, and its inherited institutional landscapes. More importantly, it serves as a way of understanding why the city matters in an age of austerity, and also in assessing how austerity manifests itself differently at the local level compared to the national and global scale. Austerity urbanism scholars have emphasized that austerity is materialized and felt most profoundly in cities, particularly those urban spaces like Detroit, with considerably large concentrations of poverty, unionized labour, and communities of colour, but with the least scope of fiscal maneuver. However, it is important to differentiate between neoliberalism and austerity. Austerity has existed alongside neoliberal policies, historically in times of a recession when governments are focused on reducing government budget deficits (Peck, 2015). Different variegated forms of neoliberalism, operating with austerity and without, are theorized by two distinct phases according to Peck and Tickell (2002) – roll-back and roll-out neoliberalism. The roll-back phase of neoliberalism was first conceived of during the decline of the Keynesian welfare state that pursued privatization, deregulation, lean bureaucracies, fiscal austerity, dismantling organized labour, and reductions in welfare programs (Peck and Tickell, 2002: 41). During this period, austerity budgeting was the main focus.

On the contrary, the roll-out phase of neoliberalism is "more socially interventionist and ameliorative forms, in order to regulate, discipline and contain 'those marginalized or dispossessed by the neoliberalization of the 1980s' (Peck and Tickell, 2002: 388). This phase is not concerned with austerity, and rather has been an attempt to assert market rule in more forms of social life. New modes of social policy making were concerned with reregulation and disciplining. Roll-out neoliberalism is typically associated with an explosion of "market conforming" regulatory incursions, such as the empowerment of NGOs and community organizations as low-cost, non-state service providers. This includes also public-private partnerships. According to Peck and Tickell (2002), fiscal and economic policy is not the main concern for governments (Peck and Tickell, 2002: 389). Rather governments are more focused on crime, immigration, welfare reform, urban order, and surveillance. These neoliberal phases directly impacted forms of governance at the urban scale.

Cities are experiencing a local squeeze of collapsing budgets in the face of rising social needs that is argued to be historically connected to earlier phases of neoliberalism that prioritized deregulating markets and private investment which left cities socially and fiscally vulnerable to be targets of austerity (Peck, 2014a: 117). I argue that austerity measures in cities like Detroit today are direct consequences of neoliberal state-rescaling policies that disproportionately created an unequal system of urban development in the United States, that has materialized in different ways at various geographical spaces. This concept will serve as a theoretical basis for narrowing in on how neoliberal urbanism is manifesting itself in the City of Detroit through a revanchist phase of neoliberalism in the form of austerity urbanism. Detroit is currently experiencing what is theorized as the roll-back period of neoliberalism. However, austerity policies that we witnessed in the 1980s look different than austerity policies post-2008 in the City of Detroit.

If we are to understand austerity urbanism as an extension of neoliberal urbanism, although marking a shift in urban governance, it is important to consider the already neo liberalized terrain and logics operating for which austerity is being carried out under. The project of neoliberalism at the urban scale has proceeded by way of targeted attacks on social forms of the state that were deemed unfavorable to market progress, such as welfare programs, social housing, and redistributive policies such as state and federal aid to local governments. However, the current round of austerity measures needs to be conceptualized differently in comparison to the welfare-state retrenchments of the 1980s. Firstly, these new cuts operate on already neo liberalized institutional landscapes, and secondly, they cut deeper into what is left of the welfare state in cities.

From the literature on austerity urbanism, Peck (2015) distinguishes new emerging features of austerity in cities that have been undertaken to deal with local governments' structural deficits that involve new rounds of dismantling the social state even further. This includes: significant government downsizing through headcount reductions in city government, reducing wages, and eliminating benefits; fiscal retrenchment; forms of privatization of government operations and public services; offloading responsibilities such as reduction in social-service delivery and adoption of fee-based systems onto citizens; and lastly, forms of austerity governance, such as ongoing organizational transformations and extended forms of management between scales of government (local and state) by new "technocrats." (2015: 17-21). In the case of Detroit's city government, this includes financial consultants and expert bankruptcy lawyers.

According to austerity urbanism scholars, neoliberalism has tightened its grip on cities since the Great Recession in 2008. While a few cities have been able to ride the wave of entrepreneurialism successfully, others like Detroit have suffered the costs. Previously in the entrepreneurial city, municipal governments act as cost-saving corporate actors who run their cities like businesses. However, facing tax cuts and further reduction in state revenue sharing, these governments have been increasingly turning to austerity policies.

2.2 State Rescaling and Entrepreneurialism (1980-2008)

Over the last several decades, urban theory scholars began interpreting a transformation in urban governance in the context of state rescaling following the Keynesian period (roll-back phase of neoliberalism). Harvey (1989) famously identified a shift from "managerial" to "entrepreneurial" governance. The postwar period, he argued, was characterized by a Keynesian state whose primary role was to serve as a buffer for capital to steer economic growth. However, with the onset of the crisis in the 1970s, regulatory and redistributive roles of the local state was increasingly replaced with an entrepreneurial focus. Roll-back neoliberalism directly imposed fiscal austerity on local government, induced cities to compete for investment through reducing funding of social programs. The reactionary response to austerity at the federal and state level was for cities to find innovative ways to attract revenue by selling the city. This business-led agenda at the local level was much less concerned with wealth redistribution, and often involved the facilitation of consumption, and incurring debt by relying heavily on the credit market for economic development (Hackworth, 2002).

Entrepreneurial governance was characterized by its speculative nature of developing and managing cities that was highly financialized, as opposed to rationally planned and coordinated development that previously occurred (Harvey, 1989: 7). Entrepreneurial strategies were focused on creating favourable conditions that will attract global capital and investment, and moreover, promote the city as a product itself rather than a site of production (Harvey, 1989; Crossa 2009). Such strategies focused on centering municipal policies on generating a good business climate in order to lure highly mobile, and flexible financial and consumption flows into a city (Harvey, 1989: 11). There was heavy emphasis on deregulating municipal operations to the private sector, where innovations and investment projects to make a city more attractive were solely financed by private actors, and not the public sphere (Harvey, 1989: 12). This is in contrast to managerialism in which development was fundamentally steered by local government elected officials and where politics was practiced within the confines of the public sector. As argued by Harvey, the role of local governance acts as a, "facilitator for the strategic interests of capitalist development (as opposed to the stabilizer of capitalist development)" (Harvey, 1989: 7).

Decision-making processes under entrepreneurialism occur outside the structures of traditional, local bureaucracy. For Harvey, "local government" was replaced by "local governance" where new and more flexible ways of co-operation developed between the public and private sector to develop policies to attract investment. For example, negotiations of subsidies such as tax breaks, aid, and assistance, or the procurement of sites vis-à-vis public-private partnerships. From this lens, the new urban governance Harvey describes a considerable "relative autonomy" over local affairs working closely for the benefit of businesses and the private sector (p. 14). The concept of relative autonomy is derived from a Marxian understanding of state power, which is the idea that the state plays an independent role in maintaining capital accumulation and moreover, reproduces the conditions for capitalist relations in the future (Albo and Jenson, 1989). As a way to compensate for the demise in state and federal funding, by governing as entrepreneurs, local governments relied on market rules and the private sector to attract capital.

Throughout the 1970s and 1980s, a number of transformations impacted urban spheres in advanced capitalist economies, specifically in the United States. During this time, cities were experiencing widespread deindustrialization and suburban white flight of high-income earners. This placed enormous pressure on urban government administrations, including many rich manufacturing cities such as Detroit. These pressures were exacerbated by a significant decline of national fiscal support reflective of a general dismantle of the Keynesian welfare state, and this implicated the shift from, “locationally rather rigid Fordist production systems backed by Keynesianism state welfare to a much more geographically open and market-based form of flexible accumulation” (Harvey, 1989: 12). Faced with such challenges, many cities began to reconsider and readjust their strategic priorities, paving the way towards entrepreneurial governance in cities. However, we cannot discuss the introduction of entrepreneurialism as a form of governance in U.S cities during the 1980s, without examining state rescaling and the demise of redistributive policies during that period.

Alongside pressures of capital flight and deindustrialization, the disappearance of the welfare state created new tensions for cities beginning with Ronald Reagan’s New Federalism program of the early 1980s, which sought to rearrange funding responsibilities and cut state and federal grant programs. This marked the end of the federal urban policy, and cities were forced to engaging in speculative ventures, credit-based developments, and creating incentives to subsidize businesses to compensate for loss of revenue. During 1980, six large cities, including Baltimore, Buffalo, San Francisco, and New York, had between 50 to 70 percent of their general expenditures covered by federal and state aid, while another 11 cities, including Detroit, had close to 40 to 50 percent of federal and state aid of covering their general expenditure budget (Caraley, 1992: 8). In 1989, the number of cities getting from 40 to 50 percent dropped to as low as 2 percent (Caraley, 1992: 11). As revealed in the 2015/16 General Fund budget, only 12% of federal and state aid covers Detroit’s general fund budget (City of Detroit, 2015: 2). The majority of Detroit’s revenue since the period of reducing state and federal aid is now reliant on other user fees, such as new utility taxes like “gaming taxes” and “municipal service casino taxes” (City of Detroit, 2015).

Similarly, to the austerity period in cities post-2008, the burden of financial and social risk was also devolved to the local level during this time of state rescaling and eliminating redistributive policies in the 1980s, such as for instance federal funding for infrastructural development in cities. As Mills (1987) argues, popular support for the welfare state was replaced by anti-statist politics and the American inner city became abandoned by the de facto federal urban policy of suburbanization. Other scholars such as Jessop (2002) have also interpreted the effects of restructuring urban policy during the Keynesian period, which includes "hallowing out" the nation-state (15). What precisely Jessop is referring to with this terminology is an increase of non-state led mechanisms of regulation. At one point, Jessop (2002) argues the nation-state's primary role was to operate as a buffer between local and regional governments and the global capitalist economy – however, this has been significantly diminishing due to the reduction of national interventions in housing, local infrastructure such as water services, where cities and localities are now forced to finance them themselves, privatize these services, or abandon them altogether (Jessop, 2002: 14-17)

Similarly, Swyngedouw has argued for instance that territorial governance is being rescaled through a process of "glocalisation" that refers to precisely a "by-passing of the nation-state" where economic activities are becoming more localized and transnational. What this means is there has been a restructuring of the institutional level from the national scale both upwards to supra-national or global levels and downwards to the scale of the local, urban or regional configurations (1997: 37). This results in the rescaling of the economy and an altering of social power where the economic success of cities and regions is highly dependent on local institutional structures.

Peck and Tickell (2002) conceptualize this historical change in a more linear formation – a roll-back period followed by a roll-out period. They investigate this decisive shift of the rollback/destruction of Keynesian interventions primarily regarding state-authored restructuring projects of devolution and localization. According to Peck and Tickell (2002), in the age of neoliberal governance, "local institutions and actors were being given responsibility without power, while international institutions and actors were gaining power without responsibility: a form of regulatory dumping was occurring at the local scale" (2002: 386). Jason Hackworth (2007) explains some of the unequal outcomes of state-rescaling. He argues cities are increasingly forced to respond to underfunded federal commands, majority of this devolution being social mandates by incurring debt and relying heavily on the credit and bond market for sources of revenue (13).

The result of reshaping urban governance towards entrepreneurialism as a mechanism to attract speculative capital also has paved the way for austerity in cities. In the context of Detroit, the shift towards austerity urbanism has come directly in response to the 2008 financial crisis, demonstrating very distinctly that financialized and speculative economic growth never did trickle down, and rather created landscapes of socio-spatial inequality as Harvey (1989) predicted (1989: 15). Finding ways to manage increasing debts, Detroit was forced into bankruptcy in which a new array of policies and debt-cutting mechanisms sought to reduce labour costs, downsize and reconfigure public services. What my research in the subsequent chapters intended to examine is how urban austerity is materializing in Detroit by "doing less with less." By understanding the various pressures exacerbated by state-rescaling polices, forcing cities to be more business-like and rely on the private financial market as a way to survive, my research will reveal the underlying conditions and failed logics of neoliberalism that proved to be detrimental in cities like Detroit.

In the context of Detroit, understanding state-rescaling which paved the way towards entrepreneurial governance through a lens of socio-spatial inequality and competitive speculative development across the urban landscape, demonstrates neoliberal urbanism's visible failures and contradictions. This is revealed by the divisions between Detroit's inner city and suburban communities for public resources like water, the enormous accumulated deficit maintained by Detroit in 2013, the increasing collapse of their local tax base and lastly, Detroit's crippling, barely functioning city service provision.

Detroit provides an important case study to analyze austerity urbanism due to its profound legacy of systemic racism between white and black communities, that is now manifesting itself in the tensions between Detroit's inner-city and suburban communities, specifically, how blamed is placed on the city for its fiscal troubles. There are visible differences both economically and socially between conditions between suburban communities, which are thriving and mostly white middle class neighborhoods, versus Detroit's inner-city, that has one of the highest unemployment and poverty rates in the Unites States. Theorizing austerity urbanism in Detroit by understanding the uneven landscapes between suburbs and the city reveals why austerity has been so extreme in Detroit, and also, the consequences of neglecting state-support for inner-cities like Detroit.

2.3 Contribution to Literature

Considering the scholarship on austerity urbanism is recent, there are gaps in the literature, particularly when it comes to what austerity urbanism materially looks like in cities (i.e., narrowing in on the "actually existing neoliberalism" in cities) and the policy outcomes of it. What my research project contributes to the literature on austerity urbanism is providing an in-depth case study of austerity urbanism on the ground. Through my interviews with government officials and other external actors who are implementing certain policies reflective of austerity urbanism, my research contributes to an emerging body of research which identifies certain policy and ideological rationales underlying the legitimization of austerity measures in cities, and most importantly, the details of how austerity is being rolled-out, under what conditions, and who are the actors involved in the process. More generally, my research illuminates the ways in which neoliberalization is transforming urban spheres by understanding neoliberalism not as an immanent, teleological process, but rather one that is contradictory, and has uneven, material consequences.

From my research on public service provision in Detroit, my research also reveals new insights regarding different public-private arrangements that cities are undertaking to cope with new budgetary and financial pressures from credit markets. My research also provides new insights regarding how we understand municipal bankruptcies as fitting within the paradigm of austerity urbanism by analyzing the power relations present in the process of bankruptcies, and the ways in which bankruptcies operate as a terrain for austerity urbanism.

2.4 Methodology

My thesis draws on qualitative research methods to answer the following research question: how has austerity been translated into urban policy in Detroit, specifically during Detroit's municipal bankruptcy process? Methodologically, the undertaking of this research began with conducting and analyzing semi-structured interviews with Detroit city councillors, bankruptcy consultants, Michigan state officials, and members of Detroit's emergency management team. I then used this method to complement information from other research methods, which included examining media sources and municipal policy documents. Although I recognize this was beyond the scope of my research, one limitation of my research is that I relied entirely on state official perspectives (the findings from my interviews) and government documents concerning Detroit municipal policies. By doing so, I was only able to generate results that pertained to urban governance policies that were discussed and employed by the state, and was unable to incorporate civil society, specifically, resistance from social movements within Detroit as important forces to understand the implications of austerity or as key forces pressuring urban governance decision-making

An additional method I used throughout my research was secondary literature in the form of journal articles and books to discover the politico-economic origins of Detroit's economic regression and to excavate the historical, political and institutional contexts in which neoliberal urban governance has been pursued in cities. Drawing on the secondary literature on austerity urbanism was challenging. There was a lack of prior research on the topic, specifically in the context of Detroit. This proved to be difficult for forming the basis of my literature review on austerity urbanism on Detroit and laying a solid foundation for understanding the research problem that I was investigating. This required me to shift and develop an entirely new research typology, where I used an exploratory study design rather than an explanatory research design, especially when analysing the outcomes of Detroit's municipal bankruptcy. This was mainly because many of these outcomes are at a preliminary stage of the investigation; therefore, I was only able to develop a well-grounded picture of the situation being developed, about recent austerity policies that are being implemented since the bankruptcy, and familiarize readers with basic details and concerns. Conducting a literature review served as an important opportunity in identifying new gaps in the literature that exists on austerity urbanism, such as the lack of in-depth case studies and the outcomes of austerity in cities. Before conducting interviews, I was required to submit a research ethics form in order to ensure ethical integrity of my research with my interviewees. In October 2015, Carleton University's Ethics Board successfully approved my ethics application.

Semi-Structured Interviews

These interviews provided me with several key points for my analysis on austerity governance in Detroit. First, it gave me insights on the political framing of Detroit's fiscal crisis and theories on where the onus of responsibility lies (shifting the burden of responsibility) from the perspective of those involved in Detroit's restructuring process. It was important for me to consider the ways in which political agents employed rhetoric to justify the decisions they made during Detroit's bankruptcy process. Moreover, identifying the language used when describing Detroit's fiscal crisis allowed me to understand what austerity means political and institutionally in Detroit.

I recruited participants either by phone or email. Considering the sample of my interviewees, it was first difficult to find contact information for my participants considering their information was often not disclosed to the public unless they were city councillors. The recruitment process required rigorous preparation and correspondence with usually interviewees' assistant. Before agreeing to interview, I had to clearly relay the goals of the interview, and then wait for approval from my participant that sometimes took several months. Many of my participants were at first unwilling to conduct interviews, and it usually took consistent emails, sending a list of sample questions to the participant, and referrals from other participants to receive permission for an interview.

I conducted 10 interviews, and all interviews lasted between twenty-five to forty minutes and were structured loosely around questions I had prepared in advance, mostly related to questions about how the economic decline in Detroit had escalated recently and how they understood the underlying causes of the city's fiscal problems. Many of my questions were also related to Detroit's Chapter 9 bankruptcy and the policy solutions that were employed to resolve issues that were mentioned. As I conducted subsequent interviews and the key theme of austerity became apparent, my questions came to focus on specific policies of austerity urbanism such as downsizing government operations, pensions cuts, and forms of fiscal discipline. All interviews conducted were recorded (with participants' consent) on a phone recording device, which was then transferred into encrypted files stored on my laptop and a protected external hard drive for later transcription. I obtained formal written consent from all participants before engaging in interviews. I transcribed the interviews and highlighted the key issues of austerity, fiscal and operational "restructuring," and statements about the narrations of local state failure in Detroit, specifically why the city went bankrupt. I then cross-referenced these themes with city reports and media sources in order to identify and analyze the emerging patterns, agreements, and tensions with the data I collected.

I also had the opportunity to visit Detroit for a span of two weeks where I conducted interviews and also had the chance to attend two public town hall meetings about Detroit's municipal bankruptcy and the termination of Detroit's water department. Although it was brief, these meetings provided me with the opportunity to hear the public's perspective and concern regarding austerity measures in Detroit, and the consequences of such measures on their day-to-day lives. These meetings lasted about an hour and were attended by municipal officials and city councilors, state officials, but also public sector workers, pensioners and other Detroit citizens.

Often pensioners voiced their dissent to the bankruptcy regarding significant cuts made to their benefits. And other Detroit residents expressed their concerns with the outcomes impacting black Detroiters disproportionately because they rely heavily on certain services. These meetings opened up new perspectives for my research regarding the concrete consequences and outcomes of austerity on Detroiters.

Upon contacting participants, I had hoped to speak with members of DWSD or executives of the newly established GLWA. However, when I arrived at DWSD's former head office, which now only deals with customer service issues for the GLWA, I spoke with three different managers who said they were not able to help me with my questions and that even they didn't know how to contact members of the board or those in charge of the transition to GLWA. My arrival came at a time when DWSD was transitioning their resources to the new private authority which is why I had difficulty reaching anyone willing to schedule an appointment with me. After approximately five months of sending emails and making phone calls to GLWA and Gregory Eno, the spokesperson for DWSD, and newly hired executives, no one returned my invitation to speak on the transition or DWSD's water shut-off program. Hence, my study regrettably did not include interviews with any representatives of DWSD or the GLWA. To supplement this missing perspective on austerity governance, I made use of meeting minutes, DWSD reports such as the lease agreement between DWSD and the GLWA, and official statements made by important public officials related to the water shut-off program and privatizing operations.

Media Sources

I also used media sources from local Detroit newspaper sources, as well as state-wide Michigan newspapers, and some national news sources, to critically analyze the discourse surrounding austerity in Detroit during the municipal bankruptcy. The online newspaper sources I examined were from March 2013 when the City of Detroit was first under Emergency Manager Law through until December 2015. The media sources that I obtained and tested include online local newspaper sources such as, *the Detroit Free Press* and *the Detroit News*. It also statewide Michigan newspapers: *Michigan Live* (MLive), *Michigan Daily* and *The Michigan Chronicle*. Moreover, I also examined national newspapers that included *The New York Times*, *the Wall Street Journal* and *the Washington Post.* My justification for exploring these particular national newspapers as opposed to others involves the frequency published articles on the Detroit bankruptcy appeared on my database search from LexisNexis Academic and Proquest.

I chose this method due to the fact that responses and comments on Detroit's bankruptcy proceedings and more importantly, testimonials, were not accessible to the public, therefore I relied on media outlets to obtain statements made in bankruptcy court or information revealed in press conferences pertaining to the bankruptcy to identify the political framing of austerity.

To address how austerity was politically framed during the bankruptcy process, I coded my online media sources in two separate themes. The first question was justifications and rationales for austerity measures that were discussed by members of Detroit's emergency management team involving Detroit's Chapter 9 bankruptcy. The second theme involved austerity governance, which included sub-themes of austerity policies and strategies such as government downsizing, privatization, elimination of pensions, or forms of fiscal retrenchment.

Policy Documents

To complete my research, I also used various government and legal reports from the bankruptcy, as well as city council meeting minutes, as a way to analyze the special concrete changes emerging from Detroit's municipal bankruptcy in an attempt to draw out how certain outcomes signify forms of austerity governance. This included three main reports: Detroit's Proposal to Creditors, Detroit's Plan of Adjustment, and lastly, the lease agreement between DWSD and the GLWA. I chose this method because it served as the most efficient way for me to gather data by providing sufficient background and context, and a means of tracking change and development in policies like the semi-privatization of Detroit's water department for instance. Moreover, I chose this method because of its availability. Many documents were accessible online for the public, and considering the data (contained in these documents) have already been gathered, in required only data selecting and evaluating the data.

These documents provided me with goals, objectives and substantive content of the bankruptcy from the perspective of financial consultants and bankruptcy lawyers who were members of Detroit's emergency management team. As a research method, document reports of Detroit's bankruptcy provided me with my main empirical data sources, allowing me to uncover meaning, develop an understanding, and discover insights regarding how Detroit's fiscal crisis was narrated, and the policy outcomes of the bankruptcy reflective of austerity urbanism (primarily the mandated policies outlined in Detroit's Plan of Adjustment).

Analyzing meeting documents and council minutes provided me with background information on the water shut-off program, as well as providing me with historical insight regarding DWSD and the city versus suburb narrative over water services in southeast Michigan. By being able to draw data from these documents, I was able to contextualize the data I collected throughout my interviews.

Data Analysis Technique

I assessed my data by using a content analysis in my project because it helped me gain insight into concrete municipal policy objectives, new forms of knowledge on urban austerity, and allowed me to draw connections between causes and effects of austerity budgeting in Detroit. By analyzing policy documents that outlined specific policies, it allowed me to compare these findings with city council meeting minutes and media sources, and map out the ways in which austerity policy responses are mediated and displaced onto Detroit citizens. For the purposes of my research, utilizing a content analysis helped to identify trends and patterns on how austerity is being rolled out in the Detroit, and the justifications for enacting certain policies by analyzing different non-discourse materials like for instance, the media, various strategic and legal documents, and interview transcriptions**.**

Content analysis has been defined as a systematic, replicable technique for compressing many words of text into fewer content categories based on explicit rules of coding (Berelson, 1952; Krippendorff, 1969). Holsti (1969) offers a broad definition of content analysis as, "any technique for making inferences by objectively and systematically identifying specified characteristics of messages" (14). There is a general agreement that the aim of content analysis is to analyze material derived from any kind of communication, but that content analysis has not concerned itself solely with analyzing the content. According to Krippendorff (1969) content analysis embeds text into a model of communication that defines the aims of analysis. Krippendorff (1969) defines content analysis as “the use of replicable and valid method for making scientific inferences from text to other states or properties of its source” (103). Qualitative content analysis defines itself within this framework as an approach of an empirical controlled analysis of texts within their context of communication, following content analytical rules and models. The object of qualitative content analysis includes an array of recorded communication such as transcripts of interviews, discourses, protocols of observation, focus groups, videotapes, and policy documents. However, content analysis does not only analyze the manifest content of the material. Mayring (2015) for instance discuss differentiated levels of content such as themes and main ideas of the text as primary content, and also context information as latent content. In fact, some analysts are suspicious of the concept "content" and are more interested in the latent meanings than in the overt communicative content (Mayring, 2015: 367). For instance, Budd et al. (1967) defines content analysis as a "systematic technique for analyzing message content and message handling" (2), while George (1959) points in a different direction, describing it as "a diagnostic tool for making specific inferences about some aspects of the speaker's purposive behavior" (7). Pool (1959) identified three objectives of content analysis: describing texts, drawing inferences from texts to their antecedents, and drawing inferences form texts to their effects. Content analysis was useful for my research because I was able to decode both my interviews and policy documents using systematic themes, allowing me to analyze the flow of information and trends in responses. Content analysis enabled me to sift through large volumes of data without difficulty in a systematic fashion, and it was a useful technique for allowing me to discover and describe austerity in an institutional context.

Using these multiple approaches allows me to retrieve not only more information but also varied information that might not have been examined if only one of the approaches was being used. By conducting a content analysis through interviewing city councilors and financial experts it not only provides specific content from their first-hand accounts in the restructuring of Detroit, but also serves as a way of identifying inferences from the language and terminology used. This opened up new sets of data, perspectives and understanding on a contentious issue to greater public scrutiny. Therefore, my research is important because it will bring new ways of looking at how local governments are framing austerity measures, the justifications for them, and also concretely, what these austerity measures look like.

By examining government reports, meeting minutes, media reports, and interviews – as well as public discourse I encountered during my fieldwork – I was able to uncover the political framing of austerity, and the material effects of it, particularly in the discursive construction of austerity budgeting. This was also particularly important when it came to not only discovering how Detroit's fiscal crisis was narrated by those in positions of power but also how certain language is used to mask austerity, such as the use of the word "restructuring" as a way to depoliticize changes to city government and public services following the bankruptcy. To understand existent power relations involving access to public services and urban governance in Detroit, using a content analysis allowed me to explain and draw out connections between these relations by drawing out consistent patterns and conceptualizing them through the lens of neoliberalism and austerity, rather than merely describing such concrete policies on their own. It allowed me to use certain discourses from my findings to demonstrate how austerity impacts governance, and legitimatizes and reproduces relations of power and dominance on Detroit citizens, particularly when it comes to access to public goods.

The use of a content analysis has allowed my research to contribute a very nuanced understanding of urban governance in U.S cities by mapping out shifts in neoliberal governance in an age of austerity and analyzing precisely how austerity is being framed, depoliticized, and rolled-out under the guide of technocratic forms of governance, and lastly, the material consequences of austerity in terms of public-service provision in urban spaces like Detroit. Through my study, I explore how cuts to Detroit's local government expenditure is now biting into service provision where Detroit is now reforming their public service delivery towards the private sector in a way that avoids public accountability. Interviewing those apart of the reforming process opened up new perspectives on the justifications for austerity policy in Detroit by being able to map out why certain decisions were made.

2.5 Conclusion:

This chapter begins with a literature review on neoliberal urban governance, specifically exploring the path-dependent nature of neoliberalism to narrow in on how austerity is manifesting itself in Detroit. Moreover, I focused on Marxist geography state-rescaling literature to explore shift from entrepreneurial governance to austerity urbanism in cities, which I argue was facilitated by anti-redistributive policies that made cities like Detroit fiscally vulnerable to austerity. By understanding the various pressures which were created by forcing cities to be more business-like and rely on the private financial market as a way to survive, it illuminates a big component of my research on Detroit, such as the ways in which their urban and fiscal crisis cumulatively erupted the way it did and consequential uneven development inherit in neoliberal processes. In order to discern how my research narrows in on austerity urbanism in Detroit, I provided a methodological discussion on the selection of different methods and research techniques I employed to gather information, along with providing an examination of the research process, and the steps taken to conduct the study of austerity in Detroit.

3 Chapter: The Decline of Detroit

In the previous chapter, I argued the ways in which state-rescaling paved the way towards entrepreneurial governance in cities that was premised on neoliberal principles, creating inter-urban tensions and socio-spatial inequality across the urban landscape, demonstrating its apparent failures and contradictions. In the context of Detroit, this is revealed by the divisions between Detroit's inner city and suburban communities for public resources like water, the enormous accumulated deficit maintained by Detroit in 2013, the increasing collapse of their local tax base and lastly, Detroit's crippling, barely functioning city service provision. This chapter provides some historical background and institutional context arguing that although Detroit experienced major population and employment losses between the 1970 and 1990, the severity of Detroit's problem did not emerge until the most recent decade.

Detroit provides an important case study to examine austerity urbanism due to geographies of systemic racism between white and black communities. These racial tensions are now manifesting between Detroit's inner-city and suburban communities, particularly when it comes to access to public goods and services. The ways in which Detroit's inner-city has been blamed for the city's fiscal troubles by the emergency management team demonstrates such racial tensions. There are visible differences both economically and socially between conditions in suburban communities, which are thriving, mostly white-middle class neighborhoods, and Detroit's inner-city, that has one of the highest unemployment and poverty rates in the United States (Warikoo, 2016). Theorizing austerity urbanism in Detroit by understanding the uneven landscapes between suburbs and the city reveals why austerity has been so extreme in Detroit, and also, the consequences of neglecting state-support for inner cities like Detroit.

Galster's (2012) recent attempt to draw out Detroit's decline historicizes a long-term interpretation of the city's problems and suggests that three distinctive factors characterized by its history. Firstly, the economy was dominated by the auto industry that was volatile, and had a history of labour conflict shaping city politics in the city. Secondly, the process of "white flight" that was driven by suburbanization led to the decline of property tax revenue in the city. And lastly, two competing tensions involving labour and capital, and racial tensions between white and black residents that contributed to a "them versus us" mentality (2012: 280-293).

3.1 Urban Renewal Policies and the Beginning of a Racially Divided Detroit: 1950-1970

Detroit's history in the 20th century is comprised of a period of rapid growth, followed by decades of decline exacerbated by neoliberal and national policies that abandoned inner-city development in Detroit (Binelli, 2012). In the 1950s, Detroit was considered to be one of the nation's fastest growing cities, and home to the highest-paid blue-collar workers in the United States. Detroit was considered to be American's "arsenal of democracy," viewed as the leading city for collective bargaining and unionized labour in the region (Sugrue, 1996: 16). During World War II, Detroit was able to capitalize on the demand for heavy industrial goods by re-appropriating its automobile factories to become an industrial boomtown into America's capital of manufacturing. Sugrue (1996) suggests that mid-twentieth century Detroit "embodied the melding of human labor and technology that together had made the United States the apotheosis of world capitalism" (17). Detroit's reputation as a city of endless economic opportunity is expressed in its growing population observable up to 1950 – then ranking the city 4th in America (Clement, 2013: 30). Auto manufacturing jobs generated high wage levels that allowed many workers to own homes and income to purchase cars. McDonald (2008) has called the period from 1950 to 1970 the period of urban growth for Detroit. In 1950, Detroit had a population of 1.8 million, and 61.3% of the population resided in the City of Detroit (McDonald, 2014: 3316). Detroit's period of population growth coincided with infrastructural growth and urban renewal projects largely funded by the federal government and included: housing, industrial and commerce buildings, streets, water and sewerage lines, and government buildings (Ryan, 2012).

Initially drawn to Detroit during the Great Migration – the movement of rural southern blacks to northern industrialized cities – Detroit's black population was reinforced due to labor demands related to war material production. Galster (2013) argues this pattern of migration was a source of racial tension in Detroit (295). Similarly, in his book, considered one of the most influential books depicting the "origins" of Detroit's urban crisis, Sugrue (1996) focuses on the inequality and discontent that characterized the so-called "boom" years in Detroit, when an often precariously positioned white middle class felt its privilege threatened by the upward mobility of African-American families. Sugrue argues territory, housing, and homeownership emerged as the principal battlegrounds over race and class in the city. According to Sugrue, Detroit's demise needs to be understood through a historical lens of systemic racism. Sugrue places emphasis on Detroit's decline as being one that revolves around race by examining residential segregation, employer discrimination and discriminatory union practices throughout the auto industry. According to Sugrue's analysis, the protection of white privilege shaped life in Detroit and inevitably led to white suburban flight once those institutional barriers were dismantled (14).

Urban renewal, a term often associated with the revitalization of decaying neighbourhoods, was employed on a massive scale in Detroit during the 1950s. Already aware of the growth of suburban communities, city leaders saw federal urban renewal dollars as a means to reinforce downtown development by clearing decrepit housing, expanding the Wayne State University campus, constructing new facilities for the city's hospitals, and building a new civic center for major events, in addition to constructing an extensive highway system within the city. By the time congress passed the 1949 Housing Act, which provided federal funds for urban revitalization projects and public housing, the city had a program of public housing and 'slum clearance' well under way – planners had identified twelve sites around the city for possible construction of public housing, and construction of the Edsel Ford Expressway had already begun (Goodspeed, 2004: 2). The freeway construction and urban renewal projects must be considered as connected in an effort to fundamentally reshape the city, which disproportionately impacted poor and black neighbourhoods.

3.2 Detroit in an Urban Crisis: 1970-2000

Since the loss of Detroit's manufacturing sector, production was moved to lower-cost, non-union venues in the South and West of the United States and eventually relocated overseas due to lower labor and production costs. This contributed to the loss of white middle-class homeowners. After this period, Detroit city administrators have struggled to redevelop the city, keep people living and owning homes in the city, and attracting investment once state and federal aid was completely depleted after the Keynesian period. However, I agree with Sugrue (1996) that Detroit's economic crisis was not entirely due to the demise of car manufacturing but also due to factors of systemic and institutional racism. As urbanist Jane Jacobs (1992) noted in her famous book, as far back as in the 1930s, Detroit's decline was predicted during the spontaneous growth of suburbs for middle-class families at the expense of cities. During the Keynesian period, economic growth was centered in the Great Lakes Industrial Belt, as these cities were the center of the manufacturing sector. However, after white, middle-class families fled to suburban communities, businesses fled with them. During the next twenty years, factories moved from Detroit to suburban locations. With the loss of manufacturing jobs, these cities experienced falling average incomes due to employment losses and lost a significant amount of their population. According to data produced by McDonald (2014), employment decline by 40.1%, and employment in manufacturing specifically, decreased by 65.7% (3320). Characterized by relocation and automation, the deindustrialization of Detroit is illustrated by the loss of 134,000 manufacturing jobs between 1947 and 1963 (Sugrue 1996: 126). It is argued by other urban scholars writing specifically on Detroit that the significant loss of jobs is deeply connected to forms of institutional racism where labour concessions advocated by predominately by black workers, including higher wages and greater benefits, provoked factories and auto industries to relocate (Clement, 2013; Martelle, 2014).

Unable to follow jobs to suburban and rural locations, the growing gap between job seekers and employment opportunities created a perpetuating underclass of African Americans in Detroit who lacked the resourced to leave the city. Although globalized market forces have been used to explain the outsourcing of jobs out of Detroit (Gideon 2013: 1550), it is argued that just like discriminatory hiring practices in the auto industry, decisions to relocate plans and jobs were made within a particular political and institutional context (Clement, 2013: 32). According to Clement (2013), the auto industry in Detroit was, "conscientious of the rise in power of its labor as an impediment to the maximization of capital production, auto companies utilized decentralization and especially automation as tools to both maintain power over labor unions while decreasing labor costs" (32). The United Auto Workers (UAW) was founded in Detroit and was considered the most powerful union in the US by the 1950s, fighting for high wages and appealing benefits. Therefore, aware of the advantages derived from increasing output while decreasing costs, the Big Three invested heavily in automation, and the outsourcing of cheap labour played a role in the relocation of plants.

Following the Second War, American cities experienced dramatic changes which included a massive de-concentration of central city population, the shift of economic activities to the suburban periphery, the deindustrialization or redistribution of metropolitan manufacturing, and a racial turnover of population that left many of the largest American cities with a majority black population well before the end of the twentieth century. At this time, federal investment was directed into funding the development of suburban communities rather than cities, such as the construction of highways, and subsidizing the construction of new suburban homes and other public amenities. The consequence of this was particularly concerning in Detroit, where urban roads were used specifically to carry out local race, housing, and residential segregation agendas. As Rohl notes, expressways were used in Detroit to revitalize the city's center through slum clearance of black communities, moving them into poorer housing stock (2015: 10). New urban highways would both revitalize the central city and permit better housing and living conditions in the suburbs for white middle-class households (13). In the post-war years, large federally sponsored redistribution income promoted growth outside of the older industrial cities. This included policies like mortgage tax deduction for new homes in suburban communities and also, significant subsidized federal investment in highways which disproportionately impacted cities like Detroit (Martelle, 2014: 10). In retrospect, it now is apparent that public officials and policy makers, especially at the state and local level, used expressway construction to destroy low-income and especially black neighborhoods to reshape the physical and racial landscapes of the postwar American city.

According to Sugrue (1996), the post-war boom was short-lived for Detroit. Manufacturing employment was already beginning to plummet in the early 1950s as big auto firms along with city officials sought to break the power of Detroit unions. More importantly, it was Detroit black workers, many who were relegated to low-skill jobs due to persistent discrimination, that were especially hard-hit by the effects of deindustrialization. The interaction thus between economic decline and historical racial segregation has made Detroit what it is today. The 'origins' of the urban crisis experienced in Detroit, and many other post-industrial cities is directly correlated to structural inequalities created by racial residential segregation – the regional conflicts between growing white suburbs and declining black cities (Sugrue, 1996: 9). The most visible and intractable manifestation of racial inequality in post-war Detroit was residential segregation. African Americans in Detroit and other cities found themselves trapped in persistently isolated urban ghettos. Government housing programs perpetuated racial divisions by placing public housing in already poor urban areas and bankrolling white suburbanization through unfair housing subsidies. Thus, the physical state of African American neighborhoods and white neighborhoods in Detroit reinforced notions of race.

Whites sought to preserve the racial homogeneity of their communities using a variety of political tools such as racial restrictive covenants that forbade the sale of property in their communities to black folks. However, once the legal enforcement of housing discrimination policy became harder to implement, black Detroiters began moving into historically white neighborhoods (1996: 33). These black families were often met with harassment and violence by white homeowners (Sugrue, 1996: 240). According to Sugrue (1996), the inclusion of black communities in Detroit produced the process of "white flight," where whites abandoned the city to live in new suburbs, rather than live in integrated neighborhoods (1996: 216-230). According to Farley (2015) this, "began the biggest demographic change in Michigan's recent history" (97). Racial segregation resulted from government policy and action, but also the racism of homeowners and realtors. Only a handful of African-Americans ever lived for any significant period of predominately white parts of the city (Sugrue, 1996: 187). The narrative of realtors and banks at that time was that racial integration of a neighborhood would lead to a significant decline in property value. Therefore, policies such as the "New Deal" housing finance programs institutionalized the use of racial categories in the housing market in assigning space and allocating social goods (Sugrue, 1996: 196). For instance, during the period between 1930-50, Federal Housing Administration (FHA) home mortgage programs mandated the use of racially restrictive covenants as a precise indicator of the stability and security of a neighborhood when making decisions (Farley, et al 2000: 32-35). Thus, the FHA systematically excluded non-Whites from obtaining home loans and openly used racial categories to exclude minorities from suburban areas. The result in Detroit was that blacks were trapped in the city's worst housing, in strictly segregated sections of the city – they were confined to the city's oldest housing stock, in most need of ongoing maintenance, repair, and rehabilitation (Sugrue, 1996: 34). Race, then, functioned as a key determinant for assigning households into neighborhoods and set in motion a chain reaction the reinforced patterns of racial inequality in the future. The justification that surrounded the practice of redlining was that particular areas are deemed to have a higher rate of mortgage default, and therefore lenders deny or limit credit to specific neighborhoods in Detroit.

Through explicitly racist categories in the Federal Housing Administration's (FHA), Federal agencies insured mortgages following the war using the practice of "redlining" that was conducted by the Home Owners' Loan Corporation (HOLC) and created "residential security maps" to indicate the level of risk and investment security for real-estate loans in Detroit, and other main cities (Farley, et al 2000: 40-41). These maps carefully subdivided the entire Detroit metropolitan area into sections ranked from A (green) through D (red). However, these maps were largely based on assumptions about communities based on race and class, and as mentioned above, since African Americans were overtly excluded in white neighborhoods by institutional racial restrictive covenants prior to these housing policies, the practice of "redlining" meant blacks were unable to secure mortgage loans even after these convents were outlawed in Detroit because of how this system classified each neighborhood. For instance, as noted by Sugrue, "Every Detroit neighborhood with even a tiny African American population was rated 'D', or 'hazardous' by federal appraisers and colored red on the HOLC Security Maps." (1996: 44). Therefore, African-Americans in Detroit were systematically shut out of the private real-estate markets. Bankers and realtors rarely lent to black homebuyers as federal housing appraisal practices ruled black neighborhoods to be dangerous risks for mortgage subsidies and home loans through the creation of "residential security maps" and the practice of "redlining."

Scott Martelle (2014), a sociologist who has written on Detroit, describes its moment of white flight: "When jobs move out of neighborhoods, whether they are well-paying union factory jobs or minimum wage janitorial work, those financially capable of moving go with them, or at least somewhere else to find new work" (2014: 225). Patterns of racial segregation exacerbated through urban renewal plans and government initiatives such as highway construction projects has helped form a new "white identity" in the suburbs, where white families were able to pass along their wealth in the shape of transformative assets like housing and accrue advantages, creating racial divisions and uneven development landscapes between inner-city Detroit and surrounding suburbs. As is proposed by Jesus Hernandez (2012), homeowner equity remains the largest component of wealth for non-white households in the US. The subprime lending period with its highest propensity of foreclosures in Detroit undermined and discouraged the wealth building capacity of affected homeowners and targeted predominately black communities (188).

3.3 Detroit's Fiscal Crisis: Post-2000

This last decade has proved to be disastrous for Detroit. Detroit has lost over two-thirds of its population since the mid-century, however the most recent decade (2000-2010) recorded a population loss of 240, 000 (a drop of approximately 25%), which was the highest rate of decline in the city's history (McDonald, 2014: 3323). In 2013, Detroit's population stood just over 600, 000 (Proposal for Creditors: 2). Detroit's black population has gone from accounting for 16 percent of the city's total population in 1950 to roughly 83 percent today (US Census Bureau, 2014). From a geographical perspective, Detroit is considered one of the most segregated cities in the U.S (Farley, 2014: 96). The surrounding suburban counties of Oakland and Macomb and Wayne County are nearly 85 percent white, with only 8 percent black residents (US Census Bureau, 2013).

Figures in employment are particularly concerning in this decade. The number of employed Detroiters declined by 21.2%, where jobs in manufacturing specifically dropped by 52.5% from 488,000 to 232,000 (McDonald 2014: 3323). Other economic and social factors demonstrate that the conditions in Detroit worsened during this decade. In 2013, Detroit had one of the highest poverty rate in the country, which increased from 26.1% in 2000 to 36.2% in 2010

(McDonald, 2014: 3326). As of 2013, the average per capita income in Detroit was $15, 261, considered one of the lowest in the nation (Office of the Emergency Manager, 2013: 4).

Detroit's fiscal crisis was due to the lack of revenue coming into the city as a result of a decline in property taxes and real estate values due to the 2008 subprime mortgage crisis. Subprime lenders exploited uneven development in Detroit's inner cities that resulted from earlier forms of urban exclusion based on race. Subprime mortgages arose in the 1990s when mortgage brokers began aggressively marketing second mortgages to racial minority homeowners, especially those that had been historically denied equal access to credit. This class of subprime mortgage was readily classified as predatory because it was normally against homeowners' equity in their homes and lenders disproportionately targeted homes in high-minority and lower income areas like Detroit.

Studies have shown that the subprime crisis in Detroit reached its highest concentration in the most racially segregated areas of the city (Aalbers, 2012: 53). For example, it was calculated that in Detroit-Warren-Livonia, Michigan, the most segregated area, 34 percent of loans were high priced compared to just 24 percent in Coeur d'Alene, Indiana, the least segregated area of U.S cities. Subprime mortgages were discriminatory lending practices explicitly that took advantage of racially segregated, disinvested areas. Rather than just outright rejecting high-risk applicants with poor credit, lenders now had the ability to select loan terms that reflected their exposure to risk by adjusting interest rates and loan fees. Investors now had the option of selecting the level of credit risk, and the accompanying rate of return, and subsequently the federal support of mortgage-backed securities expansion attracted a new pool of secondary market investors to purchase these mortgage-backed securities (Rugh and Massey, 2010: 634). The subprime mortgage crisis was directly rooted along racial lines where there is a disinvestment in Detroit's inner city on one hand, and on the other hand, a rapid investment in surrounding suburbs. It was determined that subprime investors from all over the world injected more than a billion dollars into twenty-two zip codes in Detroit, where home values were falling, unemployment was rising, and the foreclosures rate was already the nation's highest (Wyly, 2004: 633). There were 75,000 home foreclosures in Detroit in 2008, and property tax values have declined 12 percent since 2008 (Data Driven Detroit, 2013). Additionally, by 2011, property taxes were being paid on only 53 percent of taxable properties (Citizens Research Council of Michigan, 2013: 18). The recession that began in 2008 explains the timing of Detroit's bankruptcy, the disappearance of its tax base, and an accelerating fiscal crisis in the city.

3.4 Conclusion:

These demographic shifts in Detroit have been guided by long-neglected historical forms of racism in southeast Michigan that was exacerbated by white flight. However, these demographic shifts also speak to the ways in which cities like Detroit have been left vulnerable by the rollback neoliberal policies of the 1980s that were anti-redistributive, abandoning support to previously industrial inner-cities, and subsequently creating uneven landscapes leading to divisions between the city and suburbs. Since the collapse of property markets in 2008, the flight out of Detroit has intensified even further, catalyzing pressure for implementing further rounds of austerity and adding further tensions to the suburb versus city narrative.

4 Chapter: Why Did Detroit Go Bankrupt?

Discussing Detroit's decline, particularly its demographic shifts and the uneven economic landscapes between Detroit's inner city and suburbs, also needs to be situated within the context of state rescaling and new federalism policies. Consequently, such policies did not favour redistributive systems between levels of government, forcing cities to be more financially independent via neoliberal policies and the private sector. This new doctrine of reducing cost arrangements between scales of government is often referred to as fiscal federalism that served as the starting point for why cities were becoming more entrepreneurial in their municipal affairs, paying the way towards austerity budgeting in cities like Detroit who had no other viable option.

The conditions of austerity urbanism are very evident in Detroit. The city was relying on debt-based financing and confronted with excessive borrowing to cover expenditures (periodically taking out more loans to simply cover previous debt obligations) until they no longer had enough revenue being generated due to the erosion of their tax base and pressures from the reduction of state aid. Detroit, along with other major cities is confronted with a fiscal crisis due to a reliance on a debt-based development and a growing need for services following the Great Recession. Austerity urbanism politically means pushing downwards not only fiscal responsibilities to local governments, but also who is blame for the crisis. This is what Peck

(2013) refers to as “push politics,” (14) and it is important to understand this relationship when examining austerity urban governance strategies in Detroit, and moreover, the ways in which the underlying justifications for such measures is rooted in the U.S system of fiscal federalism.

This section will describe how fiscal federalism reflects a system rooted in a rolling historical phase of neoliberalization, and the ways in which it creates economic stress across government scales. An examination of federalism will illuminate the ways in which budget crisis operates downwards, and what this means when thinking about austerity measures in Detroit. While federal and state budgets have been impacted by falling tax revenues, scholars such as Clayton Gillette (2012) have convincingly argued that the US federal system, decades of devolution, and the particular constraints on municipal fiscal policy, have meant that cities have most deeply felt the politics of post-2008 austerity.

4.1 The Decline of Keynesianism: From Cooperative Federalism to New Federalism

Federalism is the relationship between towns and states and the federal government. During the Keynesian era, the US federal government favoured redistributive policies of federal revenue sharing. The main idea was that taxes were best raised centrally, and resources would be redistributed to subnational levels. However, following the dismantlement of Keynesian policy, efforts were reversed to decentralize public funding priorities. The goals of federalism were largely replaced by market-oriented policies that favour capital-centric rule. According to Warren (1985) balancing the federal budget became a mainstream political objective. The devolution of responsibilities to state and local governments and reducing federal support for local governments have become a continuing trend following Keynesianism (1985: 19). The current concept of New Federalism as conceived by the Reagan administration was to devolve domestic programs to state and local governments as a way to increase responsiveness to diverse conditions, and a way to stimulate public and private sector cooperation (1985: 4). Reagan's New Federalism embraced regulatory reform, a devolution of program responsibility, and did so during a period of national economic recession and growing federal deficits

This change in policy direction started with the Reagan Era during the 1980s and continued into the Clinton era during the 1990s, in which both administrations reversed support towards city development, and offloaded responsibilities from the federal government to the state and local governments, mostly ending the federal urban fiscal policy. Reagan cancelled funding programs to cities and proposed reductions in federal spending for education, health, transportation and urban aid for services like social housing and infrastructural financing. Total grants between 1981 and 1982 declined by $6.6 billion, and the consolidation into block grants was used to justify cuts of up to 25 percent, and grants previously provided to local governments were redirected to the States (Wood and Klimkowsky, 1985: 229). For instance, the widely-popular Urban Development Action Grant program was cut by one-third at the beginning of Reagan's Administration, and the Environmental Protection Agency's water and sewer grants were no longer provided (1985: 22). Moreover, block grants were capped, and states and local governments were forced to raise taxes themselves rather than the federal government. The ideological justifications by the federal state was to using these policies as a way for city governments to be accountable to their citizens to ensure taxes were being used efficiently (1985: 230).

Wood and Klimkowsky (1985) argue there were adverse consequences of the Reagan administration's initiatives in reducing federal aid programs for the fiscal fortunes and policy options of the major American cities, which subsequently led to cities relying on the private sector for capital projects, seeking to reduce their budgets (228). Urban governments, therefore, faced the option of cutting services, raising local taxes, or finding resources from outside the local political system. Cities began governing in entrepreneurial ways (Harvey, 1989) and developed partnerships with the private sector to fill the void left by the federal government. As Warren (1985) argues, following the reduction of federal aid, "cities are learning to use their resources more creatively" (14). According to their examination on some of the consequences of the New Federalism policy on urban cities, Wood and Limkowsky (1985) argue "personnel freezes, cuts, layoffs, and restrictions on overtime were almost universally employed" (1985: 243). They point to subsequent cuts big cities made to their "vital" services – services in police, fire, health, and education (1985: 243). Cities responded to the decentralization of capital and cuts in funding by, "seizing at whatever instrument for increasing revenues, and reducing expenditures [that] lay immediately at hand" (1985: 243). These public policy responses reflected a move away from redistributive transfers (anti-cyclical) to debt-based financing and purging (pro-cyclical). There were costly consequences for cities by partnering with the private sector. Doing so generated a cycle of deficit financing in which cities are incurring structural deficits to provide essential services to their citizens, a responsibility that was once largely supported by the federal government.

Overall, the losses in federal support for local infrastructure programs and public services outweigh the gains, and the trend toward greater reliance on user charges and borrowing to finance those needs has accelerated. (1985: 23). The U.S General Accounting Office (1983) points out that: "In 1970, over 95 percent of the $18.1 billion in municipal bond issues was used to finance traditional public infrastructure (11). Some cities were able to adjust to the post-Keynesian federal reduction in grants if for instance, they had a diverse economic base or if they had a smaller proportion of black residents. However, the move towards a more competitive federalism produced dire structural consequences in Detroit (Tabb, 2015: 60). There no longer was support for reviving inner-city economies such as Detroit, particularly previous rust-belt towns. Post-Keynesian federalism is rooted in competitiveness between local governments, in which federal government command that political jurisdictions such as cities, and states, suburbs, and counties to live within their own means. This type of new federalism needs to be conceptualized as competitive because cities are forced to compete for scarce resources creating uneven socio-economic landscapes and forcing cities to be responsible for their own fiscal responsibilities. This rhetoric proved to be consequential, particularly when examining the underlying causes of Detroit's present fiscal crisis, the uneven development of Detroit's inner city and suburban communities, and the political framing of the ways in which Detroit is to blame for their own crisis. The logic of competitive fiscal federalism works to localize and devolve economic problems because it is a system which functions on the premise that each unit of government relies on its own tax regime for self-sufficiency. Cities like Detroit had to find new ways to cope and manage after federal and state commitments were dismantled, and the solution for this was austerity budgeting.

4.2 Post-2008: The Consequences of New Federalism

According to Gillette (2013), fiscal federalism in the neoliberal era holds that cities, suburbs, and local government entities must always be willing to opt out of revenue and responsibility sharing, but they must never be bailed out. This has created a world of competition for cities ruled by fiscal discipline, both between tiers of government and between jurisdictions (Gillette, 2013: 287). Cities therefore like Detroit are required to provide services and operations that they can provide with the money they are given within their jurisdiction. Decisions on how to spend public funds are directly tied to the taxes of citizens willing to pay for those services. I argue that the consequence of this in the case of Detroit that was unable to succeed by relying solely on the private market and behaving entrepreneurial was further pushing and passing down cuts to local governments inevitably leading to austerity at the local level.

The neoliberal version of fiscal federalism is that each level of government is responsible for its own activities (Gillette, 2012: 287). Gillette (2012) understands fiscal federalism as a system where each unit of government is supposed to internalize both the costs and benefits of its own activities (288). When assessing Detroit's fiscal austerity program, there were significant consequences of reducing federal and state aid, specifically in regards to resource allocation between the city and its surrounding suburbs. Detroit's restructuring strategies demonstrate that inner-city, black communities are bearing the greatest costs for the lack of revenue and resources in Detroit. Bailouts in this type of system are frowned upon primarily because they are argued to impede efforts to impose fiscal discipline on localities. Moreover, bailouts, according to Gillette, "violate the underpinnings of fiscal federalism by imposing on nonresidents the costs of decisions made solely by local officials" (Gillette, 2013: 313). In Detroit's case the logic of fiscal federalism is commanding that the costs of Detroit's economic distress must be localized, regressively distributed, and must be confined and compressed to the city by pointing to local causes. As Jamie Peck has argued, "the rollback of fiscal transfers regimes and the erosion of urban governmental capacities define the conditions under which cities have become increasingly 'responsibilized' – in the dual sense of political responsibilities for their own fortunes and for economic growth itself" (Peck, 2014b: 398)

Fiscal federalism some would argue is a form of neoliberal governance. The functions of the state tend to be ‘rescaled’ with subnational governments assuming greater roles in economic growth and redistribution (Lobao and Adua, 2011: 15). Jamie Peck argues the model of American fiscal federalism has directly led to a system of devolved fiscal discipline since the Great Recession, leading to austerity governance (2011: 13). Thinking about the way budget crises operate downwards, in the case of Detroit and many other cities, this has left little room for budgetary maneuver. Peck (2014a) provides a few reasons for this. One, cities are prohibited from running deficits, and two, restrictions are placed on cities for raising taxes (Peck 2014a: 12). According to Peck (2015), “the political economy of sociospatial redistribution is, inescapably, the central issue when it comes to the fiscal fate of Detroit, or for that matter any American city” (140). According to Detroit’s emergency management team, the state has no other option but to pass down budget cuts to local governments. According to Andy Dillon, the former State of Michigan treasurer and member of Detroit’s emergency management team, because most states, including Michigan, have balanced-budget requirements and legal limits on spending, the federal government and states are forced to push down budget pressures onto to local governments like Detroit. In our interview, when asked about this issue and years of reducing state-aid to Detroit, his response was that cutting revenue-sharing to Detroit has been detrimental, but that the State of Michigan has no other option, as their budgets have also been squeezed due to cuts from the federal government (Andy Dillon Interview, 2015). According to Dillon, Michigan’s state budget is already preordained constitutionally. Michigan’s budget is approximate $50 billion, and over $40 billion of it is predetermined, meaning there are laws in place on how the money is raised and how it gets spent (Andy Dillon Interview, 2015). This leaves only $9 billion left in the budget that is discretionary, which goes to contributions towards education, Medicare, local revenue-sharing, and corrections. Dillon emphasizes that there is very little room to work with and unfortunately local state revenue sharing is what suffers when cuts need to be made. Putting this into perspective when thinking about the context of Detroit's fiscal crisis, predicated on a significant decline in revenues from property taxes, along with a reduction of state transfer, these pressures have forced Detroit to significantly downsize government operations and reduce services.

Losing significant fiscal support proved to be detrimental to Detroit's economy and speaks to the failure of neoliberal policies that forced cities to become more independent rather than rely on government funding. Detroit was entirely reliant on market-only techniques to attract capital into the city (Hackworth, 2015: 77) and was forced into a vicious cycle of issuing bonds and incurring debt to as far as fund their day to day city operations. Since the Great Recession, state revenue sharing has decreased even further as states and the federal government are implementing austerity budgets themselves (Center on Budget and Policy Priorities, 2011). Since the State of Michigan Revenue sharing is based on the number of residents and property taxes in a city, since the housing market collapse in Detroit, state aid has been reduced even more. What the City of Detroit is faced with has very little to do with mismanaging city operations or unrealistic budgeting, but rather is a direct result of on one side, the squeezing of revenues by reduced federal and state aid and property tax incomes, compounded with a growing demand for services on the other hand.

The main narrative from my interviews when investigating why Detroit went bankrupt suggests that Detroit only has itself to blame for its fiscal woes and bad policy decisions. This is very consistent with the American model and doctrine of fiscal federalism, in which the historical rollback of redistributive federalism forces cities to "live within their means" and also forces the solutions of economic problems to be within those confined means. The resulting logic is that minimal government functions and austerity measures are justified because it is a system that emphasizes the city can only provide what the local tax base will bear. From this perspective, I agree with Jamie Peck's assertion that cities are governing in a particular climate of austerity urbanism: a sustained agenda for reducing public spending, and pressure to downsize the local state (2015: 4). From my findings, Detroit's current fiscal crisis reflects conditions of inter-urban tensions as a result of state-rescaling policies, in which the reactionary response has been austerity urbanism. In the midst of a bankruptcy, the aim was to implement a set of economic policies to reduce the government's budget deficit, recognizing they lack the fiscal capacity to support services and operations during a recession, once state funding was nearly cut and credit markets stopped lending to the city (refer to Graph 1).

Detroit's problems are extreme, but they are not unique. Other American cities share similar elements of de-industrialization, depopulation, and fiscal collapse. Moreover, almost every American city has been forced to adopt some cost -saving measure since the Great Recession (Reese, et al, 2014). Austerity measures have been taken to an extreme level in Detroit, where austerity governance goes beyond just balancing the budget, but includes other strategic objectives, such as degrading collective institutions like unions and disciplining citizens.

4.3 Narrations of Detroit's Local State Failure

Detroit has long been a symbol of the collapse of US manufacturing and the racial dynamics of urban abandonment. Sara Hinkley (2015) argues that before the current recession hit, the urban crisis of cities in the U.S has largely been centered on the decline of the American industrial city (know as "rustbelts" cities like Detroit and Cleveland) and forms of institutional racism of the 1960s that hollowed out inner city economies. My purpose for this section is not to dismiss these historical narratives when discussing Detroit's fiscal crisis and why Detroit went bankrupt but to allow us to understand the types of vulnerabilities they placed on the city, particularly the growing unequal socio-economic disparities in Detroit and the growing need for public services. Austerity budgeting in Detroit directly stems from the political framing of Detroit's fiscal crisis, in which poverty, lack of vital services, and high levels of unemployment, and a decline in city government revenue, were factors that contributed to Detroit's fiscal decline.

However, my findings suggest there is a tendency to localize and internalize Detroit's fiscal crisis, and pathologize its causes after interviewing Detroit's policy-makers. Those whom I interviewed made reference to the racial dynamics of the city, along with the story of deindustrialization in Detroit. However, there is a different narrative to the story that is discussed when speaking of Detroit's current fiscal crisis and why the city went bankrupt. Throughout the media and perspectives coming from state government officials, blame has been confined to Detroiters for why the city went bankrupt. I disagree with these claims and argue Detroit's fiscal distress speaks to the uneven development fuelled by neoliberal policy prescriptions that led to the abandonment of federal and state support for localities.

According to the media and those part of the bankruptcy process, the current fiscal crisis the city is facing is caused by the inefficiency of public sector unions and pension obligations, a bloated municipal bureaucracy, and poor and corrupt fiscal management. The general narrative was the city, and its citizens should be responsible for their own fiscal demise. I argue that by narrating Detroit's fiscal problems are due to the inefficiency of the public sector and the social state, fiscal purging and extreme austerity measures became rationalized and necessary solutions.

Poor Leadership and Fiscal Mismanagement

The first narrative pathologizes the city's fiscal crisis by blaming economic mismanagement and an incompetent city government as to why Detroit went bankrupt. Consulting firms were hired by the State of Michigan to make an assessment of Detroit city's financial position, and these findings were reported in a *Proposal for Creditors* report in 2013. Although this report provided new and useful data of Detroit's financial status, it tended to internalize the city's poor finances. Ken Buckfire, a top consultant in Detroit's bankruptcy and who was part of creating this report stated that the city's financial collapse "was not inevitable" and that "it was simply a lack of leadership" of an administration making "bad decisions" (Ferretti, 2014). Ed Glaeser in the *Boston Globe* similarly describes Detroit's fiscal crisis as an event that could have been "avoided" if it wasn't for the city overspending and misreading its diminishing tax base:

> "When cities or citizens are getting richer, it occasionally makes sense to borrow. But sensible people don't incur debts during their peak earning years and then expect to pay the bills when their income starts to fall. Detroit did just that. Detroit's debt overhang doesn't just impose overly high costs on the city's now modest tax base. It also scares off new businesses. What firm wants to own part of that obligation?" (2013)

In an interview with John Hill, Detroit's Chief Financial Officer, when asked about the underlying causes of Detroit's fiscal distress, he stated the biggest problem was "lack of unrealistic budgeting" where the city "did not take all the actions necessary to operate a balanced budget" (John Hill Interview, 2015). Ron Rose, who is the executive director of Detroit's financial review commission also pointed to weak and corrupt fiscal management, along with overspending, as the reasons for why the city went bankrupt. Moreover, George Cushingberry Jr, a Detroit city councilor expressed unrealistic leadership as playing a factor, as well as having a "bloated workforce" that was inefficient, and needed to be downsized for the city to move forward (George Cushingberry Jr. Interview, 2015). In fact, out of the 10 interviews I conducted, almost every interviewee mentioned poor fiscal management or unrealistic budgeting as one of the reasons as to why Detroit became fiscally distressed.

Much of this blame is placed on the Kwame Kilpatrick administration, which in 2006, unable to offer city workers wage increases, promised extensive retirement benefits instead. The Kwame Kilpatrick administration borrowed tremendous amounts of funds to sustain its operations. In 2013, Detroit's long-term debt was reported to be between $18-20 billion, partly because the city was in a vicious cycle of continuous borrowing to be able to service previous debt obligations. However, due to circumstances of the Great Recession, the city was forced to borrow just to pay for operating expenditures because they had no other option.

Mismanagement of finances was also used to blame the reduction of income coming into the city, rather than the erosion of the tax base. Ron Rose described the reduction of revenue coming into the city over the last decade, and claimed that nearly one-quarter of property taxes are uncollected due to blighted property, foreclosed homes, but mostly due the "ineffectiveness" of city government operations. In a *Detroit News* article, the U.S Internal Revenue Service referred to Detroit's income tax collections systems as "catastrophic" in 2012 where "workers spent too much time processing taxes and not enough time making sure people were paying them" (Helms, et al, 2014).

The way Detroit's city government and delinquent taxpayers have been blamed for the city's loss of revenue has resulted in the State of Michigan taking over Detroit's income tax collection as a part of the city's post-bankruptcy restructuring efforts, along with using funds from the city's reinvestment initiatives to upgrade Detroit's income tax software system and improve operations. This move is seen to "boost compliance" for the city's finances and in a statement made by John Hill in *The Detroit News,* “more efficient tax collection also means the city will have more resources to provide vital services to our citizens” (Helms, 2015). John Hill referred to this new income tax process and the implementation of a new collections management system in our interview and claimed, “it will help tremendously to identify people who should be paying income taxes that may not be paying…this placed a dire weight on Detroit’s finances” (John Hill Interview, 2015).

Detroit was forced into a vicious cycle of deficit spending over the years, due to the reduction of federal and state aid, and also due to the inability to attract revenue into the city that others cities successfully were able to do following the Reagan era when federal grants to cities were completely cut, and many had to rely on the private sector and develop entrepreneurial strategies to bring in revenue (Harvey, 1989). The result of this has been a structural shortfall of funds for investing in transportation, utilities, and social services, driving an increased reliance on competitive sources of financing from the private sector, relying on speculative development, on debt financing through bond markets (Hackworth).

The ways in which fiscal mismanagement of the city has been narrated suggests the blame for Detroit’s fiscal crisis is has been offloaded onto to Detroit citizens. Rather than situate Detroit in a wider context of a financial crisis, solutions to Detroit’s fiscal problems has been displaced onto citizens, rather than resolved.

Underfunded Pensions

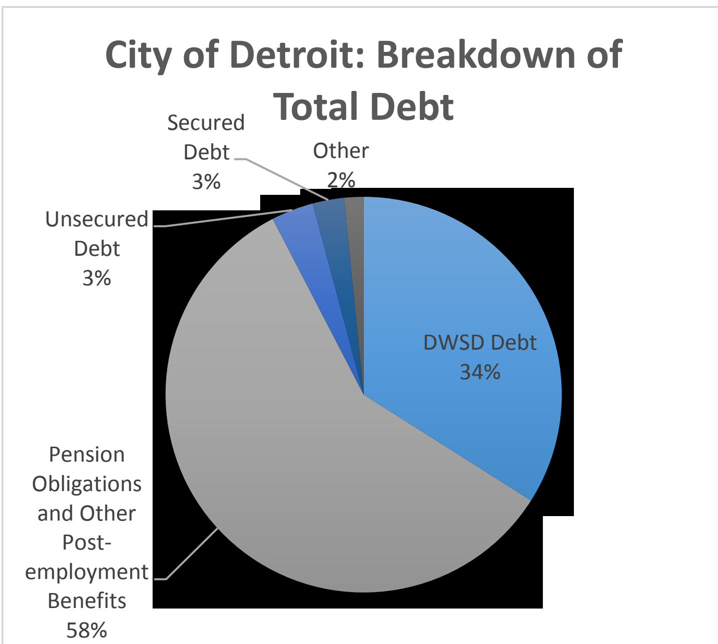
Throughout interviews conducted with several members of Detroit’s emergency management team, when asked what drove Detroit to file for Chapter 9 bankruptcy, the answer of excessive retiree benefits and health care obligations came up quite frequently. My findings after interviewing members of the emergency management team suggest that the inability of pensioners to negotiate cuts to their benefits with the city was the primary driver behind why emergency mangers forced the city to file for Chapter 9 Bankruptcy. The descriptions of the mediations for consensual resolutions between Detroit's public sector unions and creditors leading up to the filing suggest the blame for Detroit's fiscal crisis was placed on city workers. George Cushingberry Jr. describes pensions and providing city services as being mutually constitutive, where "it was either the city cuts retiree or health care benefits, or city services suffer – the city can't do both" (George Cushingberry Jr. Interview). When Kevyn Orr and his emergency management team failed to resolve negotiation with city pensioners, Orr filed for bankruptcy in 2013. It is first important to note that Detroit is not the only municipality with underfunded pensions. In 2012, Moody's estimated that U.S states and localities owed $2 trillion in unfunded liabilities (Plummer, *Washington Post,* 2013). In 2012, 83 percent of city spending was dedicated to pension and health care contributions and debt services, compared to only 38 percent in 1960. (Bomey and Gallagher, 2013). Before Detroit filed for bankruptcy, the city maintained $1 billion in annual revenue. From that existing revenue, nearly 45% of every dollar of revenue went to retiree costs and legacy costs, and according to Heiman, this was projected to reach 67% by 2017 (David Heiman Interview, 2015; Office of the Emergency Manager, 2013: 24).

To begin, it is important to note that over time the balance between active workers and retired workers has shifted, and this is due to the downsizing of Detroit's workforce. There are now significantly more retired city workers than active workers paying into the pension system. According to Orr, by the time these agreements were entered, there were 20, 000 employees and only 10, 000 retirees. Therefore, more people were paying into the pension fund, and more revenue being generated for retirees. However, in 2013, that trend had changed. There were

9,000 workers for 20,000 retirees. Orr refers to this issue as an inevitable demographic shift, simply due changes in population and the "baby-booming era" (Kevyn Orr Interview, 2015). I argue this change was the result of years of downsizing and privatizing Detroit's city workforce over the last decade, which speaks to the age of austerity urbanism cities are entering. Between FY 2008 and FY 2013, the city laid off nearly 2,500 workers, reduced workers' pay, and was already in the process of cutting future health care benefits (Turbeville, 2013). Since the Great Recession, the city's total expenses have decreased by $356.3 million, driven by a 38 percent reduction in operating expenses (Office of the Emergency Manager 2013: 24). Many city services have been privatized over the years, which include their transportation system, lighting department, and demolition and blight removal department. Moreover, once city-owned assets such as the Zoo, the Cobo Hall Convention Center, and the Eastern Market, have all been transferred to public-private nonprofits over the years as a way to free the city from making capital investments in them (Gallagher, 2015: 113). This has all contributed to downsizing the city workforce, and a move towards lean government operations – not the result of demographic shifts.

Kevyn Orr emphasized that the problem of Detroit's fiscal crisis and why the city needed to file for bankruptcy was because the city no longer could fund retiree benefits. Orr's justification in regards to cutting pensions was that the city has, "excessive retirement benefits and health care obligation, we're giving those retirees platinum level health care. Other cities only provide bronze or at best gold; they have low deductibles. This is a moral hazard because over the years you took [the city's] money" (Kevyn Orr Interview).

At the time the city filed for bankruptcy, Detroit's long-term debt burden stood between $18-20 billion; over half were for underfunded pension and health care liabilities (See Graph 1). According to Kevyn Orr, the city had been deferring pension payments for nearly a decade, and they were not making payments like they promised. Moreover, roughly $6.5 billion was retirees' health care. According to Orr, "the city had not set aside a dime for" (Kevyn Orr Interview, 2015) meaning that the city was simply not funding their pension system. There is blame put on what Orr refers to as the "labour leadership" who had promised their members certain benefits.



According to Orr, pension leaders "managed the pension fund quite poorly. In fact, four pension fund trustees were in jail for fraud" (Kevyn Orr Interview). The political will was not there and according to Kevyn Orr, "nobody wanted to do a deal without being compelled to do so" (Kevyn Orr Interview). This was Orr's rationale for filing for Chapter 9 bankruptcy protection.

However, Shirley Lightsey, who is the president of Detroit Retired City Employees Association, claims that the city was unwilling to negotiate and compromise with pensioners. In 2006, Lightsey recalled trying to push the mayor and city government to do a pilot program on future predictions of pension benefits and to form health care committees because she knew eventually the city was going to run out of cash to pay for pension liabilities. After several attempts, Lightsey claims no one at the mayor's office had the time or was willing to look for alternative solutions to deal with growing pension and health care contributions (Shirley Lightsey Interview, 2015)

Moreover, it is important to consider that Detroit's $18 billion outstanding debt is irrelevant to why Detroit went bankrupt. Detroit is bankrupt not because of its outstanding debt obligations, but because it was in cash flow crisis. As a result of job losses, foreclosures and other effects of the national and global economic crisis, city revenues fell dramatically. Since 2008, they have decreased by more than 20 percent, declining $277.5 million (McDonald, 2014: 3312). The city was no longer generating enough revenue to cover its immediate operating expenses. Kevyn Orr even referred to a time when the city was starting to bounce workers' cheques. This is important because it demonstrates some misleading justifications that were used to push the city into bankruptcy, and restructure the city the way it did. The primary assertion by Kevyn Orr was that the city was bankrupt because it was in a significant amount of long-term debt and therefore the city needed to implement extreme measures to cut and reduce their severe debt obligations. It is important to note that when it comes to municipal bankruptcies, under Chapter 9 of the United States Bankruptcy Code, a municipality is eligible to file for bankruptcy when a city is unable to match their revenue against its expenses and unable to pay its debt when they come due (Levitan, 2012: 1402). In other words, when a city becomes cash insolvent. Therefore, a city does not go into bankruptcy based on the amount of long-term debt they are in; it is only when they are unable to make those mortgage payments that cities can to file for bankruptcy. The main narrative determining the fate of Detroit's future meant getting rid of the city's long-term commitments to city pensioners, and this could only be done through a municipal bankruptcy.

The structural fiscal challenges created by disinvestment, uneven revenue capacity between Detroit and its suburbs, and high levels of poverty have not been part of the official narrative of Detroit's crisis, which instead centers on a lack of political capacity to dismantle and offload commitments to its citizens and employees. The roots of the problem were directed at pensions and mismanagement of finances. Throughout the bankruptcy, the city is burdened with a narrative that suggests public-sector irresponsibility, and this in many ways re-politicizes the crisis. In this case, language matters. How the crisis is framed primarily by those in positions of power – city councilors, consulting and legal experts, the financial emergency management team, and the media – is significant because it enables and legitimates neoliberal restructuring strategies that is shaping a new mode of urban crisis management in Detroit. The following section will demonstrate that Detroit's bankruptcy was driven by a severe decline in revenues, rather than an increase in obligations to fund pensions or fiscal mismanagement.

From my findings, narratives of Detroit's urban crisis focus less on the broader market failures of the financial market collapse, and instead on the inefficiencies of the Detroit municipal government in which the city was dragged down by irresponsible public budgeting, unsustainable municipal debt, and pensions burdens. I argue that such narratives of Detroit's local crisis depoliticize the local and national policy decisions that have hindered Detroit's ability to weather this economic downturn. Moreover, a vision of downsizing government operations of permanently limited services illustrates that Detroit has accepted its future that its precarious finances are inevitable.

4.4 Understanding Detroit's Fiscal Crisis in the Context of Austerity Urbanism

This section aims to situate Detroit in a broader framework of austerity urbanism by contextualizing the underlying factors leading up to the bankruptcy. As was discussed earlier, Detroit has been in decline for decades, and this has taken a definite toll on the city's revenue base -- causing both property and income tax revenues to decrease as homeowners and jobs have left the city. In 2007, as in most major cities, Detroit's income dropped dramatically as housing prices fell. The Great Recession unleashed a wave of fiscal stress in the US cities. Detroit, along with other major cities, is supported primarily by the taxes they levy upon property owners and those who of business in the city. By 2013, the City of Detroit was in a cash flow crisis. What this means is that the city became cash insolvent, there was not enough revenue being generated to cover the city's expenditures (Office of the Emergency Manager, 2013). Andy Dillon and David Heiman explained this scenario, where the city was at risk of being unable to pay their creditors and debt obligations. It is important to note that filing for Chapter 9 bankruptcy was forced into legal action not because the city wasn't able to provide essential services to their citizens, but because they were unable to meet obligations to their creditors -- banks who the city owed money to. According to the city's bankruptcy filing, the emergency management team projected a $198 million annual cash flow shortfall for the fiscal year 2014. I argue that the City of Detroit went into a financial crisis primarily because of a reduction of revenues coming into the city to pay their operating expenses. There are three reasons for why this occurred: a significant decline in property taxes, reduction of state and federal aid, and lastly, increases in debt payments following the 2008 financial crisis.

Erosion of Tax Base

Due to the long-term decline of Detroit's population, this has taken a significant toll on the city's tax base, causing both property and income tax revenues to shrink as homeowners and jobs have left the city. Detroit's revenues have decreased by more than 20 percent since 2008, declining by $257.7 million (Turbeville, 2013) This problem was exacerbated following the Great Recession, where Detroit was hit particularly hard both by the foreclosure crisis and unemployment crises. The number of employed Detroit residents fell by 53 percent from 2000 through 2012. During the recession, property values decline significantly, very quickly eating into the city's capital base (Farley, 2015: 92). The drop in property tax revenues since the Great Recession is due to some factors. Real estate in Detroit has declined since the subprime mortgage crisis. According to a Haas Institute Report (2013), Detroit is considered to have the largest percentage of subprime mortgage victims per capita of any city in the United States. It was calculated that foreclosures in Detroit persist at one of the highest rates in the country, and where more than 47 percent of Detroit homeowners are still "underwater" on their mortgages, which means they owe more than their homes are worth (2013: 7). Despite the implementation of new taxes such as a utility user tax and a casino wagering tax, Detroit has suffered a budget constraint due to a loss of revenue. The decline in revenue is the result of reduced employment and population in the city, and a massive decline in property taxes as a result.

The loss of property and incomes taxes was not all that contributed to Detroit's loss of revenue, but also offering generous corporate subsidies has contributed to Detroit's fiscal decline. The city has provided significant tax subsidies to a large number of developers and enterprises as incentives to engage in downtown development projects. It was estimated that the city has handed out as much as $20 million in private interests (Turbeville, 2013: 3). This program was a burden on city revenues. The disappearance of the tax base is the key reason for the cash flow crisis that was soon to erupt in the city, but other factors accelerated Detroit's fiscal crisis.

Risky Financial Deals and the 2008 Economic Crash

Detroit's financial expenses have increased significantly, and that is a direct result of the complex financial deals Wall Street banks urged on the city over the last several years. In 2006, when the city did not have enough money to make its required pension contributions, the city signed a deal with Syncora to cover the costs and assumed $1.6 billion in debt (Proposal for Creditors 2013: 28) However, instead of issuing regular general obligation bonds, the city financed the debt using certificates of participation (COPs), which is a financial structure that municipalities often use to get around debt restrictions. Why is this important? This is because the city had reached its debt ceiling, and thus financing their debt through COPs was the only way the city could borrow money. Why this became problematic, especially following the 2008 economic crash is because these COPs carried a variable interest rate, which the city synthetically converted to a fixed rate using interest rate swaps (Walsh, 2014).

Following the collapse of the market in 2008, the Federal Reserve drove down interest rates to near zero in response to the financial crisis. The deals included provisions that would allow the banks to terminate the swaps under specified conditions and collect termination payments, which would entitle the banks to immediate payment of all projected future value of the swaps to the bank counterparties. Such conditions included a credit rating downgrade of the city to a level below "investment grade," appointment of an emergency manager to run the city and failure to the city to make timely payments. This mean that debt-service payments for these COPs increased significantly and banks were demanding an additional of $250-350 million in swap termination payments - money the city does not have and cannot borrow because they've already reached their debt ceiling (Office of the Emergency Manager, 2013: 23).

State Revenue Sharing

The state of Michigan has exacerbated Detroit's revenue crisis by slashing $67 million in state revenue sharing with the city. State revenue sharing had decreased by $161 million since FY 2002 approximately 48% and by $76 million, about 30.6% since 2008 (Office of the Emergency Manager ,2013: 3). About $24 million dollars of these cuts were due to revenues allocated among cities and towns based on population. Detroit's allocation was reduced because of population loss in the 2010 census. However, the remaining $42.8 million (64 percent of the total state cuts) were due to statutory revenue sharing and were at the discretion of the state. By cutting revenue sharing with the city, the state effectively reduced its budget challenges on the backs of Detroit citizens. These cuts account for nearly a third of the city's revenue losses between FY 2011 and FY 2013 (Office of the Emergency Manager, 2013) Focusing on the fiscal health of local governments, the Michigan Public Policy Survey noted in 2014 that other localities in Michigan, not just Detroit, have faced about a decade of strained revenues. From their findings, state aid was reduced cumulatively by $4.2 billion from fiscal year (FY) 2000-01 through FY2011-12 (MPPS, 2014: 5).

4.5 Conclusion

Detroit's bankruptcy is, at its core, a cash flow problem caused by its inability to bring in enough revenue to pay its bills. While emergency manager Kevyn Orr has focused on cutting retiree benefits and reducing the city's long-term liabilities to address the crisis, Detroit's bankruptcy was primarily caused by a severe decline in revenue and exacerbated by complicated Wall Street deals that put its ability to pay its expenses at greater risk. What has been described above is indicative of a moment that Detroit and other cities are experiencing -- an age of austerity urbanism. The conditions of austerity urbanism are very evident in Detroit where the city was relying on debt-based financing and confronted with excessive borrowing to cover expenditures (periodically taking out more loans to simply cover previous debt obligations) until they no longer had enough revenue being generated due to the erosion of their tax base and pressures from the reduction of state aid. The shift towards a new system of fiscal federalism during the Reagan administration that was anti distributive and forces cities to live within their own fiscal means reflects the way in which Detroit's fiscal crisis was framed as a local state failure, rather than a systemic problem of the U.S model of fiscal federalism.

5 Chapter: Chapter 9 Bankruptcy and Austerity Budgeting

Apart from playing a contributing factor in Detroit's fiscal distress, the 2008 economic crisis served as an opportunity to constrain Detroit's finances and translate austerity into actual policies by filing for municipal bankruptcy, providing a regulatory space to encroach the neoliberal project onto the agenda of the city's local government. Austerity urbanism marks a shift in urban governance in Detroit. What Detroit has been experiencing, particularly driven by its bankruptcy, is a set of new "restructuring" strategies in which fiscal purging of the social state is a reoccurring feature. In the previous chapter, I examined the ways in which public and private officials who were involved in Detroit's bankruptcy blamed the citizens of Detroit and the failure of Detroit's municipal government for the reasons why the city went bankrupt. These narratives had material effects in justifying austerity budgeting and the use of technocratic forms of governance to strip away city pensions, erode worker's rights, and downsize Detroit's city government.

Austerity budgeting, policies that seek to squeeze and cut costs, is indicative of the ways in which austerity needs to be theorized as a downward process that involves displacing and pushing the costs, risks, and burden of economic failure not only onto other branches of government, the state, and municipal level but also offloading them onto subordinate classes and social groups. This section will address what austerity urbanism means institutionally in the City of Detroit by identifying technocratic forms of governance that became foundational political technologies for the implementation of austerity measures. This section will argue how Detroit's "restructuring" plan formally known as their Plan of Adjustment (2014) provided a manual for urban austerity budgeting through a series of different sites and vehicles of policymaking, particularly Emergency Manager Law in Michigan, which was guided by expert practitioners, consultants, and other private think tanks. Chapter 9 Bankruptcy proved to supersede local elected officials' powers by having the ability to erode collective barraging agreements, stripping public assets, and downsizing city government bureaucracy as a way to restore budget integrity. This chapter will discuss the ways in which austerity budgeting is being carried out in Detroit.

5.1 Emergency Manager Law and Technocratic Governance

After months of negotiation assessing Detroit's financial position, Governor Rick Snyder, and Kevyn Orr determined that there was no other way to rectify the City's financial emergency but to adjust the city's debts under Chapter 9 of the United States Bankruptcy Code. In November 2014, Honorable Judge Steven Rhodes confirmed the City of Detroit's Chapter 9 Plan of Adjustment. The plan seeks to reduce the city's estimated $18 billion debt burden by approximately $7 billion, "restoring the city's financial solvency." At an American Bankruptcy Institute conference, Mr. Orr told the audience "the opportunity to restructure is unique in America, many people look at the bankruptcy as a [bad thing] as opposed to a business tool that has achieved normalcy" (Stech, 2014). Chapter 9 municipal bankruptcy is used for two reasons: when reorganizing a municipality's finances, or two, adjusting its debts (Wiesen, 2015: 28). As part of Chapter 9 Bankruptcy, a city needs to receive a judicial approval of their plan of debt adjustment. Under this scheme, the city can shed some of its pension and service obligations by providing a technical, cost containment blueprint on how it will manage its debt going forward. According to the Office of the United States Courts, the primary objective of a Chapter 9 Plan of Adjustment is to create a debt-cutting restructuring program that increases revenues, decreases expenses. But, its role is also to redirect municipal services and spending decisions in order to ensure the city can meet future financial obligations (Office of the United States Courts, 2016).

A unique feature of Michigan law is the ability of the governor to appoint an emergency manager (EM) to take over operations of financially distressed units of local governments. This ranges from school districts to entire municipalities. Shortly after the state's February 2013 official declaration that the City of Detroit was in a financial emergency, Governor Rick Snyder appointed Kevyn Orr as Detroit's Emergency Manager Under new legislation that went into effect on March 28, 2013 (Public Act 4, Emergency Manager Law), Governor appointed EMs are allowed to take extraordinary measures, including bargaining agreements and filing for a municipality to enter into Chapter 9 Bankruptcy. When Chapter 9 protection is sought, the EM has the sole power to propose a restructuring plan to the bankruptcy court (Amromin and Chabot, 2013: 1). The intervention by the State of Michigan was to develop "fast" and "cost-effective" solutions for Detroit, and was undemocratic at best, as city councilors were temporarily relieved of their political duties. According to Michigan state officials, Emergency Manager Law serves as an important process because it allows for government intervention by providing relief and third-party assistance when a city is distressed from experts such as Kevyn Orr, whose profession is formally a financial consultant, skills that those in city politics may not possess. (Dennis Muchmore Interview).

In the United States, nineteen states are allowed to intervene in a city, town, or country in financial crisis. However, the level and nature of the intervention vary widely (Mattoon, 2013: 3). Richard Mattoon, a senior economist and financial advisor, writes, "some states (e.g., Michigan, North Carolina, Pennsylvania, and Rhode Island) are more aggressive than others when they intervene," (Mattoon, 2013: 3) which I argue is the result of policies similar to Michigan's Emergency Manager Law that can act as a vehicle allowing unrestricted and absolute authority into the policy agendas of local governments.

Through the use of the Emergency Manager Law, austerity budgeting was quickly executed without disruptions from the local political sphere of city government. The implementation of an EM manager in Detroit was to oversee and control the process of municipal restructuring in a manner that conforms to the urban austerity model. This includes drawing on a circuit of knowledge and techniques by hiring external private consultants and finance practitioners to employ solutions in which the end goal was to achieve budget integrity. An integral component of enforcing EM law is hiring a team of people to take over the operations of the city until the State comes to an agreement that the city is in a good enough financial standing to govern and manage operations. Rather than consisting of former city councilors, or individuals with experience in local political sphere, Detroit's emergency management team was made up of financial experts from various consulting agencies and bankruptcy restructuring law firms. Under Emergency Manager Law, the focus for Detroit's emergency management team was finding technical solutions to an annihilated fiscal budget and this is reflected throughout the city's Plan of Adjustment, in which accountability, measurability of outcomes, cost-efficiency, and innovating service provision was used to give effect, rationalize, and justify austerity measures.

Moreover, even the language and vocabulary used by these financial experts suggested an attempt to frame austerity budgeting as a technical solution to an already crippling budget and as a way to effectively justify austerity budgeting. Throughout my interviews, the use of the word "restructuring" is often used when discussing new changes, or cuts being made to the city as mandated by the bankruptcy. I argue this word is used as a way to depoliticize the deep socio-economic consequences of these changes. Using the word "restructuring" serves as a technocratic, logical, and rationalized way of both fiscally and operationally reorganizing the city. These changes are discussed as necessary "fiscal realities" where there are no other viable alternatives to address Detroit's fiscal crisis. Since the bankruptcy, there has been a radical restructuring of Detroit's finances and rightsizing of government services reflecting a move towards a leaner government. Kevyn Orr has famously described Detroit as "the Olympics of restructuring." (Davey, 2013).

Fiscal disciplining has been a very crucial feature of austerity politics in Detroit that I argue has enhanced the legitimacy of policy decisions by involving external experts. Technocracy is defined by McDonnell and Valbruzzi (2014) as a system of governance that is ruled by expert knowledge (654-658). "Technocrats" refers to individuals who exercise government authority solely based on their technical, elitist knowledge. A primary goal of the bankruptcy was to reform management structure in Detroit's city government, and technocratic control of the city has been done in the name of "emergency management." My findings suggest that the implementation of the Emergency Manager Law was more than just trying to achieve fiscal solvency. My interviews with members of the emergency management team suggest that unilateral decisions were being made by appointed financial advisors rather than local elected officials in order to "institutionalize behavior" and "renew public confidence" in a situation that was dire. (Kevyn Orr, Andy Dillon Interview, 2015) According to my interviews, institutionalizing behavior was done by laying off and eliminating public city workers, and hiring private consultants to train new employees. This was precisely one way in which the city internalized their fiscal problems, which was blaming city workers and even public elected officials for being incompetent and forcing the city into a bankruptcy.

This for one speaks to the ways in which the emergency management team consisted of experts, such as restructuring professionals and financial consultants and lawyers, rather than comprised of elected municipal officials, community members, and/or citizens. Why is it that technocrats were overwhelming sent by the state to legitimize Detroit's finances? As Jamie Peck (2015) has said, "rule by accountancy" is becoming a hallmark of austerity governance in U.S cities (20). It is not only downsizing government operations and making cuts that reflect how cities are operating in an age of austerity urbanism, but also how new forms of organizational governance are changing from decisions being made by elected public officials to now financial experts, or what Peck calls "fiscal disciplinarians" (20).

In a recent 2015 study, Alexander Bor finds that technocratic governments in the U.S and Europe all have been responsible for implementing harsh austerity measures, where technocratic-initiated austerity measures enjoy higher legitimacy than policies implemented after a popular vote (Bor, and Csonka 2015: 14). This is very much reflected in Detroit, where elected city councilors and the mayor were viewed as not fit to handle the responsibilities of public administration. Detroit for 18 months was under the control of emergency managers. Financial reform and a new financial management system were a key goal of the city's restructuring plan. This was primarily accomplished by external restructuring and financial consultant professionals, rather than city government officials. Detroit's Emergency Manager, Kevyn Orr, is a restructuring consultant and financial advisor for Jones Day Law Firm, along with two other members that were part of Detroit's emergency management team, David Heiman and Heather Lennox. Andy Dillon was also a member of Detroit's emergency management team was the Michigan State's treasurer at the time of the bankruptcy, and is now a restructuring financial consultant for Conway Mackenzie, a firm that also assisted in restructuring Detroit's finances and constructing Detroit's Plan of Adjustment.

In a Detroit City Council session, city councilors expressed their concern with the ways in which austerity budgeting is being rolled out in undemocratic ways by using external, private consulting companies that are controlling policymaking in Detroit. Secondly, city councilors described how new reforms being conducted by a consultant are changing the structure, workers' rights, and the processes in government (City Council Formal Session, 2015). For instance, the ways in which all finance, purchasing, and grants within all departments and divisions need to report to the CFO to centralize, and provide oversight on all budgets, purchasing, and grant activities that were outlined in the Plan of Adjustment (2014).

What emerged out of Detroit's bankruptcy process were new techniques of urban governance designed to enforce fiscal discipline on city councilors and most vulnerable Detroiters. During the bankruptcy, the emergency management team appointed a Chief Financial Officer, a position that never existed in city government before the bankruptcy. The objective under executive orders of the emergency manager was to reorganize the Finance Department. The Finance Department restructuring is factored into the city's Plan of Adjustment. In an article, Hill expressed how, "the current staff operates in a tangled web of disjointed, misaligned systems that produce unreliable and in some cases, unverifiable information" (Ferretti, The Detroit News, 2015). Hill then goes on to emphasizes how he will create a new, "operational environment of financial accountability and integrity [that] will promote the long-term economic recovery of the city" (Ferretti, 2015).

As of 2014, Detroit's emergency manager has been relieved of his powers and duties, however an unelected Financial Review Commission (FRC) has been created to oversee the city and its finances as part of what is required for Detroit to exit bankruptcy. This commission will retain control over Detroit's city budget for the next thirteen years. This financial review committee has nine members, of which five are expert consultants who have no experience in city politics (Dennis Muchmore Interview, 2015). Established through a bipartisan vote by the

Michigan state legislature, the unelected body will have a “broad array of responsibilities and tools to oversee the City’s fiscal integrity,” Judge Rosen said. These will include: the authority to approve the city’s 4-year financial plans, including a two-year budget, to approve all contracts over $750,000, to approve all collective bargaining agreements, and lastly, oversight responsibility for the City’s pension funding obligations (Ron Rose Interview, 2015) The commission can also make cuts and reduce expenditures without needing approval from city government officials. Additionally, the city has to report a balanced budget three years straight before the Financial Review Commission is dissolved. (O’Connor, 2014).

According to Orr, the FRC will serve an important oversight function for the city because it gives local officials “management structure” when it comes to policymaking and managing municipal affairs, in which local elected officials are now held accountable to a higher level of authority (Kevyn Orr Interview). According to Kevyn Orr, having a Financial Review Commission gives financial advisors and trained experts the opportunity to train city employees towards “a different way of doing business.” When asked about the context of this statement, Orr replied that, “whatever [the city] was doing before regarding reporting, forecasting, collections, and only collecting 47% of taxes, that system will not be allowed under the oversight of this Commission” (Kevyn Orr Interview). Similarly, John Hill placed emphasis on the need to implement a system that addresses the significant loss of revenue, specifically when it comes to income and property taxes, which he attributes to delinquent taxpayers, rather than structural causes such as falling property tax values that have led to significant reductions in property tax revenues. There is emphasis placed on delinquencies by other members of the financial emergency team who discuss the city government’s inability to address these issues. John Hill throughout our interview discussed that Detroit city officials have failed to fully enforce property tax compliance. Both John Hill and David Heiman place blame on the city's outdated departmental databases where both estimate that nearly 90 percent of overdue payments to the city are uncollectable primarily because the city is unable to keep track of delinquencies (O'Connor, 2014; John Hill Interview, 2015). The narrative from my interviews suggest that Detroit's public sector is inefficient, according to responses from Detroit's emergency team, which caused the city a structural deficit, particularly in regards to effectively collecting taxes that residents were delinquent on. The solution to this city's fiscal crisis became austerity budgeting to rectify such problems, along with strategies of fiscal discipline that include adjusting work behaviors outlined by members of the emergency management team. This demonstrates the ways in which policy makers are localizing not only the causes but also even the solutions to the city's fiscal problems, indicating the costs of austerity urbanism is a downward process.

Since the bankruptcy, micro-managing city operations has been a tactic used to achieve fiscally sound budgetary policies and as a way to ensure fiscal discipline. This was done by one, the creation of the FRC as mandated in Detroit's Plan of Adjustment, and two, managing and restructuring Detroit's finances by the use of external financial advisors and consultants, rather than elected public officials. As mentioned in the previous chapter, the narrative of a state and local government crisis has become a strategic way to legitimize austerity budgeting, specifically during Detroit's municipal bankruptcy. Reducing public spending was achieved by various strategies, policies, and debt-cutting mechanisms throughout the city's municipal bankruptcy. The Plan of Adjustment was submitted to Bankruptcy Judge Rhodes, and on September 2, 2014, the bankruptcy trial began. As part of the municipal bankruptcy process, Judge Rhodes had to decide whether the Plan of Adjustment submitted by Kevyn Orr and his emergency management team is fair and equitable to Detroit's debtors and whether the strategies proposed in the plan reserves sufficient funds for Detroit to function after the bankruptcy and in the foreseeable future.

The Plan of Adjustment served as a manual for the steps that will be taken to reduce Detroit's deficit. Specifically included, public assets (that were once held collectively and were collectively bargained) were highlighted in the Plan of Adjustment to be monetized, adjusted, and reduced to meet the city's future financial obligations. The city's pension fund debt was one of the few remaining assets that were targeted during the bankruptcy.

5.2 The Loss of Pensions

The first motive of the bankruptcy, I argue, was an opportunity to terminate long-held pension rights and benefits. In 43 States, including Michigan, pension benefits are constitutionally protected under Article 9 and Section 24 of the Michigan Constitution, which provides that pension obligation "shall not be diminished or impaired" (State of Michigan Legislative Council, 1963). Detroit unions had argued that pensions could not be amended because of this protection. However, early in the bankruptcy proceedings on December 5th, 2013 Judge Steven Rhodes ruled that pension debts were not given "extraordinary protection" under Michigan's constitution (Chung, 2014: 817). When approving Detroit's bankruptcy filing the court ruled that the Chapter 9 bankruptcy did not violate Michigan's constitution, claiming that pension benefits are a contract of the city, and thus should be treated like any other contract claims. Judge Rhodes held that pension obligations are subject to impairment like any other contractual liability in Chapter 9 (Buccola, 2014: 588). In other words, Detroit's pension-fund was given the same legal status as other creditors because pension contracts were considered to be on the same equal footing as any other contract.

Many legal publications have commented on the ways in which Detroit's bankruptcy has set a precedent for the ways in which this constitutional protection of pension rights is superseded by a bankruptcy (Chung, 2014; Eisenbrey, 2015; Garvey, 2014). A national organization of financial professionals named Detroit's bankruptcy "Restructuring of the Year" in recognition of the hired consulting firms who negotiated agreements and strategies leading to $7 billion in slashed debt for the city. Conway Mackenzie received several advisor awards along with seven other firms that worked on the case: Miller Buckfire, Ernst & Young, Barclays, Jones Day, Kurtzman Carson, Miller Canfield and Pepper Hamilton. Jones Day, an international law firm that played a significant role in Detroit's bankruptcy, has written several articles and publications discussing how the Chapter 9 municipal bankruptcy law could be used to override constitutional protections for public employee pensions. In one article, Jones Day states:

> "Current and future pension liability constitutes one of the largest problems facing municipalities. Considered to be virtually untouchable in countries that treat retirement benefits as 'vested rights' (and therefore not subject to unilateral amendment or termination based upon various Constitutional concerns), most efforts to reduce or modify these obligations outside of Chapter 9 end in failure or, at best, with minute changes. The question remains, however, whether Chapter 9 provides an opportunity to expand the circumstances under which the pension liability problems can be addressed" (2010)

In other articles, Jones Day attorneys identify certain tools and strategies that can be used through Chapter 9 bankruptcy as a way to get rid of pension obligations and when collective bargaining agreements can be voided by imposing certain requirements laid out in the Bankruptcy Code (Benvenutti, et al, 2010). The ruling on voiding city's pensions, a ruling that argues pensions are to be treated as contracts and therefore can be compromised in federal bankruptcy court, is now in the process of being applied in other Chapter 9 cases, such as Illinois and Puerto Rico. In a news article, Orr explicitly acknowledges that, "the threat of such a bankruptcy is a tool he can use to force cooperation on creditor and retiree and employee benefits groups […] to accept losses or benefits" (Heims, 2013). Without the bankruptcy, retirees were unwilling to negotiate their collective bargaining agreements with the city, especially in a time of a recession as was well documented throughout negotiations between union leaders and the emergency management team (Shirley Lightsey Interview). The bankruptcy court became a political apparatus to erode collective bargaining agreements the city has with its pensioners.

With this ruling, Detroit's long-term retiree benefits were no longer protected, and municipal retirees were forced to accept a 4.5% cut to their pensions and a 95% cut to their health care benefits, along with agreeing to halt cost of living increases (Plan of Adjustment, 2014: 521). Under the proposal, city retirees will now need to purchase a health care plan on their own. As is explicitly written, "Effective March 1, 2014, non-Medicare eligible Retirees are required to obtain their medical insurance coverage (for themselves or their dependent family members)" (Disclosure Statement, 2014: 71). Cuts in pension health care benefits are predicted to save the City between $27.5 to $40 million a year (Reindl, 2013: Page A10). This includes not only health care benefits but also dental and vision coverage as well. Moreover, it is important to note that it is not only the individual retiree who is losing these benefits but also family members (considered dependents) who are losing their coverage (Shirley Lightsey Interview, 2015). Shirley Lightsey stresses the concerns of completely stripping retiree health care benefits, where many of these retirees are either widows or elders, who rely and depend on health care coverage (Shirley Lightsey Interview, 2015). According to Lightsey, retirees are now paying 300-400% more for their health than they were before under the city's coverage. Lightsey comments on her reaction when these cuts were finalized in bankruptcy court: "I sat there in court and watched them take away all of it and that's when I realized what power the Chapter 9 Bankruptcy had" (Shirley Lightsey Interview, 2015). Most importantly, Shirley Lightsey highlights that the majority of retirees who have since lost their pension are predominately black citizens who maintained employment with Detroit's city government at a time where discriminatory hiring practices in the private sector, specifically the auto industry, prevented black citizens from attaining well-paid jobs (Shirley Lightsey Interview, 2015). Eroding pensioners only source of income during a time of increasing need for public and social services demonstrates the ways in which the most vulnerable Detroit citizens are bearing the greatest costs of austerity.

Many citizens of Detroit, including pensioners, were against the ways in which the bankruptcy and emergency manager law had eroded labor contracts and significantly stripped money away from retirees. For one, the average city retiree lives near the poverty line where the average annual income is $19, 000, and therefore, many retirees were significantly impacted by these cuts (The Economist, 2013). At a first open public meeting held at Wayne State University titled "Detroit's Bankruptcy – One Year Later," an event in which I had the opportunity to attend, journalists were able to ask questions to Judge Rhodes, Governor Rick Snyder, and executives from DWSD. The event ended up getting shut down by Detroit's police officers who confronted activists peacefully voicing their opposition of the unjust austerity outcomes the bankruptcy put on Detroit citizens.

These activists had a clear message: the bankruptcy was undemocratic, it did not serve or represent Detroit citizens, and it was a political tactic to use the courts to override and void pension obligations that are otherwise protected by the state constitution. This was demonstrated by citizens, such a black woman who was there with her three children, interrupting and yelling from the audience that cuts in her benefits has led to her inability to pay medical bills when her children get sick. Other activists emphasized the ways in which Emergency Manager Law is used to erode the rights of black Detroiters as it undermines public discussion and inclusion by usurping the power of city government and city councilors. The fiscal crisis that was created by the Great Recession set the stage for a pension theft. Precipitated by financial stress, the chronic underfunding of public services has been used as a justification to erode long-term retiree and employee benefits. The city's financial position, from the perspective of the emergency management team, was so dire that simply funding city pensions consequently meant neglecting of public services. The city could only afford one or the other.

5.3 Downsizing Detroit's City Government

A second component of Detroit's austerity budgeting plan called for eliminating, outsourcing, and spinning-off city departments and downsizing city services as a way to reduce labour costs and dismantle what was left of the social safety net in Detroit. There was enormous pressure to downsize the city bureaucracy as a way to address Detroit's budget deficit, and this speaks to the ways in which we need to think about Detroit's fiscal crisis in the wider context of austerity urbanism, rather than a local problem. Since the bankruptcy, new budget proposals have called for the elimination and outsourcing of city departments to outside non-profit agencies, which include the human services departments, such as the Recreation Department, and the Health and Wellness Department; solid waste and custodial services; payroll administration work; and general accounting work (Disclosure Statement, 2014: 117). When asked how the bankruptcy has improved the city, Dennis Muchmore, Michigan State's chief of staff commented that new budget cuts have allowed the city to restructure its operations, and "downsize the city by shedding divisions and employees that they really no longer could afford" (Dennis Muchmore Interview, 2015).

Keeping in line with bankruptcy restructuring plan, the city's 2013-14 budget crafted by both the mayor and financial emergency management team, reduced the city's general fund expenditures by $246 million, with $170 million in spending reductions and $76 million allocated to paying down the city's accumulated deficit. The budget decreased the city's workforce by 2,800 people from every department (more than 20 percent of its employees), mostly through layoffs, resulting in an estimated savings of over $100 million (Disclosure Statement, 2014: 118; Soloman, 2014: 31). Additionally, caps/reductions have been placed on vacation/holiday pay/overtime/sick days, and health care coverage for existing city employees has been reduced by nearly one-third (Disclosure Statement, 2014: 134). As reflected in the city's budget, the restructuring plan sought to impose tough terms regarding wages, benefits, and work rules in new union contracts. The city's unionized employees currently represent 47 bargaining units. During the bankruptcy, union agreements were forced to re-negotiate for reasons suggesting that labour unions were too costly, and were maintaining significant autonomy and power over Detroit's city government (David Heiman Interview; Judge Rosen Interview; Ron Rose Interview). According to my interview with Ron Rose, labour in the city government has become "too costly," for the city to uphold because of increasing costs to benefits (Ron Rose Interview).

The Plan of Adjustment (2014) highlights that, "the City's pre-bankruptcy Collective bargaining agreements with these bargaining units imposed work rules and other restrictions that impaired the efficient functioning of City government" (Disclosure Statement, 2014: 43). According to bankruptcy reports, limitations were placed on management rights that "reduced the City's ability to manage policies, goals, and the scope of operations for many City departments (most notably about the right to implement and modify disciplinary policies)"

(Disclosure Statement, 2014: 43). These collective bargaining agreements were terminated as a result of the city's restructuring plan, and replaced with City Employment Terms ("CETs"), which now includes a management rights clause and is estimated to save the city more than $200 million annually (Disclosure Statement, 2014: 44). A variety of work-rule changes were designed to enhance flexibility and produce financial savings according to the pre-bankruptcy report to creditors (Proposal to Creditors, 2013: 12).

The city has been downsized significantly to mitigate a budget cash flow squeeze by reducing expenditures. However, by doing so, public safety services are facing the deepest cuts. The budget slashed the Police Department's budget by $90 million (or more than 13 percent) to $340 million. It cut the Fire Department's budget by 13 percent from $183 million to $160 million, and added more responsibilities to the department, which includes not only fire suppression and prevention, but also to be responsible for emergency medical services to provide pre-hospital care and transportation for the sick and injured. A Federal SAFER (Staffing for Adequate Fire and Emergency Response) program grant of $22.5 million saved 108 firefighter jobs for two years out of 164 threatened with layoffs (Solomon, 2014: 32).

In regards to the Recreation Department, the budget reduced the funding from $18 million to $12.3 million. A new nonprofit organization, the Detroit Recreation Trust, will receive close to $15 million form private sources, including $5 million over a ten-year period from Lear Corporation, $2 million from the General Motors Foundation, and $3 million in federal Community Development Block Grant funds, to keep the city's recreation centers open. Cultural organizations also saw their subsidies cut. For example, the general fund's subsidy form the Detroit Institute of Arts went from $375, 000 to zero (Disclosure Statement, 2014: 125).

Following the proposed budget cuts, more than 72% of city employees are just for public safety – police officers, paramedics, and firefighters (Kevyn Orr Interview; Disclosure Statement, 2014). City operations in Detroit have been downsized so severely that what is left is what Orr calls a "public safety budget." The city since the bankruptcy does not provide any other real core services, except for emergency services. Essential services such as transportation, and water and sewerage, have both been privatized following the bankruptcy, despite the bottom line in the emergency manager's bankruptcy filing being the city's deficiency in services (Proposal to Creditors, 2013). Kevyn Orr and other members of the emergency management team reiterated the city's substandard quality of services throughout their interviews. Some common scenarios that were referred to were police response times reaching over an hour due to decrepit and non-functioning equipment that the city cannot afford to upgrade. Moreover, Ron Rose referenced the thousands of streetlights, some of them in the downtown core, but majority in the poorer neighborhoods, which are more than a hundred years old, arguing that the city lacks the capital investments to update the street lighting system and electrical grid. Since the bankruptcy, the 2013-14 budget contained a long-term plan to transfer street lighting operations to a private authority having the ability to issue debt that would be able to finance the needed capital improvements.

David Heiman also references scenarios where the city's Fire Department is running out of water when extinguishing fires due to the fact that water has been permanently shut off from certain neighborhoods that have high foreclosures rates and are semi-abandoned in order to save resources (David Heiman Interview, 2015). Not only were the city fiscally insolvent, but also service delivery insolvent as well. This was proposed as a strong indication as to why the city needed to file for Chapter 9 bankruptcy (Proposal to Creditors, 2013: 24).

Detroit's Chapter 9 bankruptcy and subsequent restructuring plan has thus been viewed as a restart button for the City of Detroit as means to effectively and promptly eliminate their anchoring deficit that was argued to be preventing the city from investing and revitalizing in adequate public services. After reviewing the restructuring plan and reading expert reports from financial advisors who were chosen by the U.S Bankruptcy Judge to study the city's debt adjustment plan, such as Marti Kopacz, a chair member of Detroit's Financial Review Commission, their findings predict that the city's Plan of Adjustment (2014) will generate an additional $1.7 billion in order for the city to be able to reinvest capital in public services. The city proposes to spend this money over the next ten years to (A) improve the operating performance and infrastructure of its police, fire, EMS and transportation departments (among other departments), (B) comprehensively address and remediate residential urban blight, (C) modernize its information technology systems on a City-wide basis and (D) address lingering issues plaguing the City's electrical grid and lighting (Disclosure Statement, 2014: 114). My findings indicate this is inaccurate and misleading, suggesting that a municipal bankruptcy will generate additional money for the city that would be used to fund public services when the sole objective of the bankruptcy restructuring plan was to reduce budget costs, eliminate outstanding debt, and minimize city expenditures. Throughout my interview with Ron Rose, the executive director of Detroit's Financial Review Commission and who oversees and manages these Reinvestment Initiatives (RIs), I asked how these funds were generated if the city slashed $9 billion dollars of debt throughout the bankruptcy. Ron Rose's response was, "$1.7 billion that is mentioned in the Plan of Adjustment of RIs over 10 years is not money that the city has on hand. Only $200 million was on hand through the exit financing and money borrowed by the city" (Ron Rose Interview). In other words, the ability for the city to improve and revitalize public services is conditioned on the premise that the city can generate a budget surplus, a task the city even after years of downsizing already has failed to achieve.

I strongly disagree with the assertion made by Detroit's emergency management team and the Financial Review Commission indicating that Detroit will generate a surplus following the city's exit from bankruptcy, in which excess funds will be used to reinvest money into improving services. Instead, my findings indicate that other cuts are just being made, and more services are being outsourced to lower budget expenditures. For instance, reducing labor costs was one of the ways around cutting costs and containing the city's budget. The outcomes of this are still yet to be known, as the restructuring process is still ongoing. However, Detroit's disclosure statement explains, "as part of the City's overall financial restructuring, reduction in costs associated with represented and unrepresented workers will be necessary" (Disclosure Statement, 2014: 117). According to the emergency management team's analysis, labor costs of the city represent more than 41% of the City's estimated gross revenue, and therefore, a primary objective has been to decrease these operating expenses (Proposal to Creditors, 2013: 35). There was an emphasis to reduce the city's operating costs outlined in Detroit's Plan of Adjustment and has since been materialized. The city's disclosure statement specifies that "significant labor cost reductions may be possible by restructuring jobs and streamlining work rules for both represented and unrepresented workers" (Disclosure Statement, 2014: 119). This reflects a move towards downsizing the city operations by reducing staff as employees' salaries and benefits are considered to be one of the highest budget costs that the city has (Office of the Emergency Manager, 2013). However, austerity budgeting in the case of a restructuring plan following Detroit's municipal bankruptcy was not simply about just reducing costs but it was also about giving more power into the hands of emergency managers and Detroit's Financial Review

Commission, and away from workers' rights.

The objective was to reduce their General Fund subsidies through increased revenue and reduced costs by either privatizing certain services or significantly reducing subsidies to prevent the General Fund from absorbing any costs (Office of the Emergency Manager, 2013: 45). Here is a statement written by the officer of the Emergency Manager to Judge Rhodes outlining plans to reduce spending during Detroit's bankruptcy:

> "The Emergency Manager currently is evaluating the City's assets to determine the most advantageous course of action to preserve or maximize the value of such assets for the long-term benefit of the City. The City will evaluate all options, including keeping the status quo, entering into partnerships with other public entities, outsourcing of operations and transferring non-core assets to other private or public entities in sale, lease or other transactions." (Office of the Emergency Manager, 2013: 46).

Although this may raise temporary revenues for the city, it is not a long-term way to manage public finances. The bankruptcy was a court-administered structural adjustment plan in which the city needed to prove in court and to its creditors that is made a genuine effort to downsize their operations as best they could. Once the bankruptcy was approved, the courts legally had the right to strip Detroit of its assets through budget cuts to then offer to creditors because the city was unable to meet both its pension and debt obligations.

5.4 Conclusion:

The policy responses following Detroit's bankruptcy suggest austerity budgeting. My findings indicate that not only has the blame for Detroit's fiscal crisis been localized, and viewed as a "Detroit problem," but the solutions to such problems have also been internalized. Significantly reducing public spending and downsizing the city government workforce, particularly cutting vital service departments that Detroit's low-income citizens are most dependent on, such as public safety, demonstrates who is most impacted by the outcomes of austerity. Structural adjustment in Detroit was intensified through rhetoric of fiscally disciplining the city by eroding workers' rights. By demonizing the public and portraying the city as irresponsible, downsizing and deregulation became rationalized, viable options. There are political consequences for framing Detroit's crisis as a local problem. The resulting fiscal imperative is there is no alternative but to downsize the social state, and the residents must bear the consequences. This illustrates the pervasive logic of austerity urbanism – pushing down the blame of political accountability that also legitimizes and enables fiscally and socially redistributing the costs downwards. Regarding recovery, Detroit is enacting austerity budgeting policies as a way to contain their fiscal crisis. It is the idea that the remedies of Detroit's problems must also be found locally– this is not a solution for the City of Detroit.

6 Chapter: The Challenges of Austerity Budgeting

6.1 The Rise of Private Authorities in Detroit: Transforming the Financing, Operations, and Access of Public Services

The adoption of austerity budgeting following Detroit's municipal bankruptcy is shaping the urban political sphere in Detroit. The approach taken by the emergency management team was to achieve budget integrity by reducing public spending that I argue has created several challenges when it comes to the provision of public services. This section will outline the policy rationales behind the creation of Detroit's Great Lakes Water Authority (GLWA) to manage water and sewerage services in Detroit, and the ways in which public service restructuring involving the creation of private authorities marks a shift towards austerity governance. I will then explore inter-urban tensions of austerity by providing a case study on Detroit's water shut-off program, demonstrating how costs and risks are pushed onto Detroiters.

In a time of low budgeting and economic stagnation in Detroit, finding new and innovative service provision strategies has provided a lexicon for urban austerity through a series of public-private partnerships, specifically transitioning the operation of public utilities from city departments into private authorities. In this chapter, I characterize authorities as public-private entities, which fall outside the public sphere, and no longer are the responsibility of a municipal government when it comes to delivering, managing, and financing these services. While Detroit had been privatizing many of its services prior to their bankruptcy, new emergency manager laws, along with having the opportunity to enforce debt-cutting measures without local elected officials involved in the process, made privatizing vital services, such as water and sewerage, a strikingly attractive avenue to do so.

The use of private authorities to provide services was carried-out, particularly during the bankruptcy process, as a way for both third-party consultants and advisors of the bankruptcy and city government officials to evade any sort of political accountability to citizens and elected city councilors, and this is because a private authority operates outside of the municipal political sphere. For the purpose of my analysis, I will characterize "private authorities" in the following way. Firstly, an authority is still partially seen as a public entity by some Michigan state government officials and Detroit municipal officials considering they are still providing what is viewed as a public service to citizens and moreover, regulated by a board consisting of public officials who are appointed by each member local government – Detroit, Macomb, Wayne, and Oakland (GLWA, 2015b). However, my research suggests the line between the public and private sector has become increasingly blurred when characterizing private authorities.

Secondly, an authority is an agency that is not controlled by an elected governing body, such as a city government. Instead, similar to a corporation or business, it maintains a CEO and other executive positions such as CFO, who oversee the day-to-day operations of the private authority. In other words, authorities are exempted and free from city regulations or from being accountable to a municipal government and its citizens. Although most authorities do consist of voting board members who are appointed by surrounding municipalities, their powers are limited and do not include decision-making power over for instance, the increase of fees for a service, such as water sewerage rates. Thirdly, authorities can access credit markets in a more accessible way than most cities can with lower interest rates considering a private authority is viewed by credit agencies as a separate legal entity that is no longer associated with the City of Detroit, and rather it is a joint entity between its rate users and the governance structure of the private authority (GLWA, 2015, 15).

Detroit's attempt to find new ways to avoid financial responsibility in providing public services through innovating public-private service provisions is distinctive of new fiscal pressures Detroit is undergoing, marking a decisive shift towards austerity urbanism. Throughout my findings, transitioning core city services into private authorities has become an attractive new way of offloading service provisioning responsibilities from local governments, evading costs financially from city budgets, and undercutting collective bargaining agreements. Over the last few years there has been a rise of private authorities to manage various public services that for decades were controlled and operated by the City of Detroit. As part of Detroit's Plan of Adjustment (2014) to reduce the city's accumulated deficit, core public services have been shifted to private authorities. This includes transitioning Detroit's Water and Sewerage Department into the Great Lakes Water Authority, Detroit's Department of Transportation into a Regional Transit Authority, Detroit's Public Lighting Department into the Public Lighting Authority, and also, Detroit's Building, Safety, and Engineering Department into Detroit Lank Bank Authority (Disclosure Statement, 2014: 114).

I argue that because achieving budget integrity has become a central objective surrounding the policy agendas of local governments, private authorities have become a financially attractive way of service provisioning. Using the private sector to absorb the public sector's responsibilities represents a direct challenge of fiscal austerity. The City of Detroit no longer has the economic and fiscal capacity to manage core public services, such as water and sewerage, which requires unremitting capital investments towards upgrading infrastructure (investments the City of Detroit has been neglecting for decades) (Oosting, 2016). Unlike other services, such as upgrading roads and parks, or public safety equipment, adequate investments in water and sewerage services can be very costly for a municipality to maintain on user fees alone. Increasing costs and falling revenues are forcing cities like Detroit to find new ways to divert these services to the private sector, such as water and sewerage, which are services that have been municipally-run in Detroit for nearly a century.

Shifting services to be managed by private authorities are a way for the State of Michigan and Detroit's emergency management team to confiscate public power away from Detroiters and elected officials, who have been viewed as incompetent and inefficient, placing responsibility on city workers for the fiscal failures of Detroit's Water and Sewerage Department. When asked if the private water authority will provide services more effectively than the city department did, their responses were overwhelming positive in regards to the success of the Great Lakes Water Authority (GLWA). They viewed this transition as a reset button, specifically referring to the work rules of the employees in the private sector. Kevyn Orr, David Heiman, and Dennis Muchmore refer to work behavior inefficiencies in city departments, discussing the hindrances of collective bargaining agreements on the work behavior of city employees by highlighting the ways in which DWSD employees have been historically known to maintain poor work behavior. There were examples discussed in my interviews that on average the city has 30 percent absentee employees simply because they know they can get away with it because they are safeguarded by their union (Kevyn Orr Interview). Dennis Muchmore claims that with a private authority, "there's a new sheriff in town, and it's a new perception of the accountability of that worker and work rules" (Dennis Muchmore Interview).

According to other responses, people are now working efficiently to the rules of the authority because there are now different expectations of both the employer and employee at the Great Lakes Water Authority (GLWA). (Board of Water Commissioners, 2015). George Cushingberry Jr., a Detroit city councilor, conveyed in our interview that privatizing the DWSD has been in discussions for nearly a decade, but could never materialize due to the criticisms received from the public, city unions and workers, and city councilors. If these changes were not mandated throughout Detroit's Plan of Adjustment (2014), they would have had to been approved by Detroit's City Council, a scenario that was unlikely to occur (George Cushingberry Jr. Interview).

According to Dennis Muchmore, the creation of new authorities allowed the city to get a hand on day-to-day operations, without having to get approval from other governing bodies, such as city councillors or ensuring individual decisions follow strict municipal regulations (Dennis Muchmore Interview, 2015). Transitioning the provision of services to authorities allowed the delivery of services to be more efficient due to its legal independence from the city according to both Kevyn Orr and Dennis Muchmore. The public sector is viewed as "unreliable" and "unadaptable," particularly in times of economic downtown when cities like Detroit are working with constricted budgets (Kevyn Orr Interview). Unlike the private sector, the primary goal of a government public service is to provide a public good, not to make a profit or find innovative ways to cut costs. However, the capacity of authorities to operate in the private sector gives them this ability to undertake the effort of "being smart" and shifting their priorities to be cost-effective in times of a recession. The rationale underlying the inefficiency of Detroit's city government to provide services as suggested by Kevyn Orr and Michigan State's Chief of Staff, Dennis Muchmore, further demonstrates the ways in which Detroit's financial inability to deliver public services has been internalized and localized as a Detroit local government problem.

Previously, when decisions were made with Detroit's Water and Sewerage Department (DWSD) such as water and sewerage rate increases, these proposed changes had to be approved by a voting system by Detroit's City Council. With the new Great Lakes Water Authority

(GLWA), rate hikes are approved without the consent of municipalities and their elected officials.

6.2 The Case of Transitioning Detroit's Water and Sewerage Department (DWSD) into the Great Lakes Water Authority (GLWA)

Detroit's emergency management team's Plan of Adjustment (2014) called for converting DWSD into a regional, private authority that would permit them to operate DWSD assets through a lease agreement. One of the main challenges of austerity budgeting is the burdens that are placed on the funding and provision of municipal public services, particularly at times of economic downtown and high unemployment, where people are more dependent and in need of affordable services, such as water. Attempting to rearrange how water and sewerage services can be delivered, and an attempt to move these services from the public to private sector was an important aim throughout Detroit's municipal bankruptcy to cut costs, to further deregulate the financing and operations of public services, and to dismantle organized labour in city departments. Before transitioning the water department into a regional private authority, DWSD was already making cuts to its staff and contracting out most of their operations. In early 2012, Detroit's water department was undergoing a restructuring plan that aimed at reducing its work force as much as 81% in efforts to cut costs, and also engaging in a controversial water shut-off program to address delinquent accounts (Wisely, 2013a).

Leading up to the bankruptcy in March 2013, restructuring consultants hired by the State of Michigan and city department officials created a report to oversee DWSD's assets and to make recommendations on the future viability of the water department under the control of the city. In the report it was concluded that "the city's financial distress has directly negatively impacted DWSD's bond rating, making it more expensive for DWSD to borrow money to fund capital projects needed to ensure long-term compliance" (DWSD, 2013: 2). The report also emphasizes the benefits of potentially transitioning DWSD into a private authority that would effectively create "a more autonomous DWSD operational model that would be designed to provide a recurring revenue stream to the City of Detroit, enhance DWSD's operational and legal independence from the City, and better ensure compliance through financial stability" (DWSD, 2013: 2). The report outlines the dire financial situation of Detroit which caused two rounds of bond rating downgrades, a declaration of default for DWSD debt obligations, and the incurrence of additional indebtedness by DWSD to resolve these defaults which ultimately led to higher costs of capital for DWSD and higher rates for its customers (DWSD, 2013: 1). The report indicates the ways in which inaccessibility to credit markets contributed to DWSD's incapacity to maintain upfront capital costs needed to invest in infrastructure, which became so dire that the city's water and sewerage system was at a point of "non-functioning" (DWSD, 2013: 2).

The announcement of a semi-privatization of the Detroit's Water and Sewerage Department (DWSD) received significant attention from the media and also from grassroots organizations, such as Detroit's Water Brigade, who viewed privatizing water and sewerage services as socially and financially detrimental to Detroit citizens, predicting higher rates and capital cost reductions to service water operations, and cuts to investments in water and sewage infrastructure (Detroit Water Brigade, 2015). Throughout my interviews and assessing various policy documents such as the Great Lakes Water Authority lease agreement with the City of Detroit, I discovered key insights concerning the justification underlying the semi-privatization of DWSD by the emergency management team. These reasons suggest a need to take all measures necessary to reduce budget spending and downsize big line-budget obligations, one of them being the water and sewerage department.

Detroit's emergency management team viewed DWSD as a valuable asset to be monetized in order to address their structural deficit, and viewed privatization as an effective governing strategy because a private authority would be able to issue bonds and take out loans at a better credit rating considering it acts as a separate entity from The City of Detroit. As of 2014, DWSD's credit rating was categorized as deep-junk status and had been significantly downgraded over the last several years since the financial crisis. According to Fitch Ratings, bonds issued on behalf of the DWSD were downgraded to below investment grade in 2014 due to "weak financial performance [and] believe economic improvement over the near term is unlikely given recent disclosure regarding the full scope of customer delinquencies" (Fitch Ratings, 2015). Detroit's emergency managers have highlighted the ways in which using a private authority will save the City of Detroit millions of dollars in interest payments from borrowing money. As it is stated in a preliminary agreement between DWSD, Detroit's emergency managers, and suburban counties, "The Authority will finance Detroit local system improvements through the issuance of Authority bonds with the debt service to be allocated solely to Detroit local system ratepayers" (United States Bankruptcy Court 2014: 5). The media also views transitioning water services under the control of private authority as a financially beneficial move indicating, "the goal is to separate the department from the city, which has a municipal bond rating among the worst of the nation. The theory behind the deal is that with a better bond rating, the water department could refinance more than $6 billion in long-term debt at lower interest rates, saving money" (Wisley, 2013b). The transition to a private authority will provide the opportunity to issue bonds at a better credit rating and at significant lower interest rate than the City of Detroit. Since the City of Detroit filed for bankruptcy in 2013, the city's credit rating has been downgraded to below junk status by Moody's and Fitch Ratings, and is likely to be negatively impacted for years to come redlining the city from access to credit markets and issuing bonds (Moody's Ratings, 2013; City of Detroit, 2015).

The transition of essential city services into the hands of private authorities is becoming very common in Michigan due to the different capital structure that exists, and considering many cities, such as Flint and Detroit are experiencing moments of fiscal distress. As cities are becoming more dependent on speculative investment and the private market as a result of declining revenue bases and lack of federal and state aid, accessing better credit is fundamentally critical to the day-to-day operations of municipalities, demonstrating the ways in which austerity is reshaping local politics. Due to the fact that private authorities are not affiliated with city governments, they receive a much higher investment grade than a city department. As Kevyn Orr states, "the capital markets view [authorities] as a more responsible and accountable organization so you run the cost of credit down" (Kevyn Orr Interview). When asked what is different about the operations under authorities versus how services are run by city departments, Dennis Muchmore described that typically a city department in the general fund budget has to abide by local government codes of conduct and policies the city does, whereas private authorities are not covered by the same civil service rules that the city departments would be. Authorities can generate and create their own income, their own revenue, and their own management structure (Dennis Muchmore Interview, 2015).

A second way the city is avoiding from having to maintain financial responsibility for water and sewerage services is that a significant portion of DWSD's debt has since been transferred over to the Great Lakes Water Authority (GLWA) as part of the mandated agreement. As is written in the Great Lakes Water Authority Agreement with the City of Detroit that was finalized in 2015, under Section 4.1, "the City hereby assigns and the Authority hereby assumes all of the

City's rights and obligation under the contracts with bond insurers and surety bond providers with respect to DWSD Sewer Bonds" (GLWA, 2015: 15). Bonds that were issued to funds improvements to surrounding suburban communities' water and sewerage infrastructure have been transferred to the new private authority, servicing this debt is no longer the responsibility of the City of Detroit (GLWA, 2015: 14). By shedding debt from the city through this arrangement, George Cushingberry Jr. argued that privatizing water services will benefit the citizens of Detroit because, "it gives [the city] a chance to shed a great deal of debt, [giving] the Great Lakes Water Authority a better bond rating than DWSD, and taking responsibility for all the old bonds too" (George Cushingberry Jr. Interview). This is significantly beneficial for the City of Detroit from the perspective of George Cushingberry Jr. because it means that DWSD's bonds are no longer burdening the city, i.e. preventing them from accessing good credit by the city risking a default on this debt.

The privatization of public services and the erosion of Detroit's governmental capacities define the conditions under which cities like Detroit have become 'responsibilized' (Peck, 2014) in a dual sense -- politically responsible for their own fortunes, but also responsible for their own economic growth. Detroit's emergency management team and local government officials have revealed that such political and economic fortunes are to be internalized. This was revealed by the ways in which unionized labour and public services have been repeatedly criticized as financial burdens to the city. The welfare state has been unilaterally reformed by an agenda of fiscal austerity. The offloading of servicing water and sewerage services to the private sector in order to access private capital indicates an intensification of inter-urban competition in an age of austerity. Cities like Detroit with poor credit status are governing in a resource-starved environment for private investment, where the privatization of services has become the only viable option for some. The constraining and disciplinary effects of inter-urban competition (Harvey, 1989) induce cities to become cost-cutting machines. Such strategies have placed highly uneven pressures and costs on Detroit citizens.

6.3 Downwards Austerity: Delinquent Detroiters and the 2014 Water Shut-Off Program

According to Detroit's emergency management team, privatizing the city's water and sewerage services in a municipal bankruptcy took precedence. The water department alone accounted for approximately one-third of Detroit's' accumulated debt (See Graph 1). The privatization of one of the most essential public services, water, demonstrates the governmental capacities of cities like Detroit competing in a competitive urban environment, marked by uncertain returns. Such conditions leave cities unable to provide mere basic services to their citizens. Detroit's Water and Sewerage Department has more than 4 million customers and annual revenues of more than $800 million, and over 60% of revenue to the DWSD came from user fees from the local customer base, which includes four central counties – Wayne, Oakland, Macomb, and Flint. Other than the City of Detroit, there were over 180 separate municipalities being serviced by Detroit's Water and Sewerage Department (GLWA, 2015: 78) (See Illustration 1).

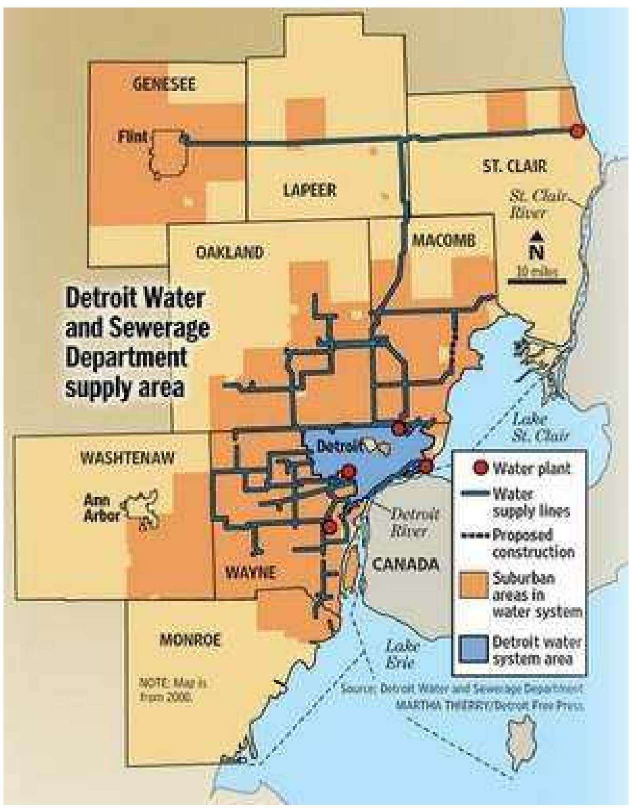


Illustration 1 DWSD service areas
Source: VoicesofDetriot.org

An important objective of my interviews involving Detroit's water shut off program was to decipher if there was a correlation between the city's water shut-off program and pressure to privatize water services during the bankruptcy. The privatization was framed as an inevitable policy move that was rationalized because the city was on the brink of becoming bankrupt, and could not match revenues with expenditures even after issuing their maximum level of debt (Proposal to Creditors, 2013: 67). Similarly, Detroit's emergency management team expressed that DWSD could not afford to run operations effectively because their revenue base was too small to support the system, but more importantly, that there were too many delinquent water ratepayers in Detroit that the department was unable and unequipped to sufficiently monitor delinquent accounts (Kevyn Orr Interview). According to Judge Rosen, who was an active mediator and consultant on the privatization of the city's water department, over the last five years, the City of Detroit was only collecting nearly half of their water bills on average. Judge Rosen's response to the high number of delinquent accounts began with, "the suburbs were subsidizing Detroit water users, they were carrying their weight" (Judge Rosen Interview).

Nick Shroeck, director of Transnational Environmental Law Clinic at Wayne State University, maintains that the new private authority will overall improve water services in the region due to "stable revenue streams" paying into the GLWA, specifically from the suburban counties, while also arguing a tense, long history of racism that exists between city versus suburbs, suburbs versus city in Southeast Michigan where there are many decades of mistrust between suburban customers and the city (Nick Shroeck Interview). Shroeck believes one of the goals in transitioning the department into a private, regional authority is it gives more "management and operational control to suburbs." According to Shroeck, suburban communities now have more say in setting rates through the regional governance that the GLWA offers, whereas before prices were largely dominated by the city. As early as 1955, during a regional debate over whether DWSD should extend services further into the suburbs, DWSD's manager at the time, Laurence Lenhardt warned the city that financing suburban growth could take away from Detroit's resources and residents (Bellant, et al, p.2). In our interview, Kevyn Orr discussed some of the pressure him and his team faced from suburban communities over seeking regional control of the water department, and pointed to the growing tensions between suburbs and the city, particularly in regards to certain scandals Detroit's city government was suspected on, such as hiding inflations to increases to water rates for the suburbs (Kevyn Orr Interview). Kevyn Orr rationalizes the reasons why transitioning DWSD into a private authority was necessary:

"we would make the suburban customers and the cities, wholesale customers and they would be responsible for the default rate of their own customers so rich counties like Oakland, who have a number of great affluent suburbs would not necessarily be in the position of subsidizing Detroit anymore, they would be responsible for their own customers and that way they can adjust their own rates. Their [suburban counties] major concern was if we continue working with Detroit -- Detroit dilutes the default rate of its customer base. The city harms [the suburban communities] by increasing the rate on all customers due to their own delinquent customers. The suburbs are paying a disproportionate share because of Detroit's inability to pay and collect their water bills. We're paying for somebody else and that's not fair" (Kevyn Orr Interview).

The emergency manager views transitioning the water department into the private sphere will be beneficial because it shields them away from Detroit's default rate to operate in a "more business standard way." According to Orr, this will generate cash flow to repair the infrastructure of water lines that is nearly a century old (Kevyn Orr Interview).

In 2014, DWSD's implemented a mass water shut-off program to address delinquent accounts due to pressure arising from suburban communities, during the same time Detroit's emergency management team was looking into options and entering agreements to transition the department into a private authority. In the span of several months in 2014, thousands of Detroit resident's water were aggressively shut-off by DWSD under a new mandated policy to address delinquent accounts. DWSD's new shutoff program took effect in late March of 2014 for any customer who has a past due amount that exceeds $150, or a bill that is over 60 days past due (Jeffries, 2014). In April, Detroit entered into a 2-year, $5.6 million contracts with Homrich, a demolition company, to carry out 70,000 shutoffs in 730 days (Bellant, et all, p.7). DWSD has disconnected at least 27, 000 households in 2014, with as many as the total of 10, 000 without running water in October 2014, although DWSD says many customers have since had service restored (Gottesdiener, 2014 Al Jazeera). However, since the delinquent campaign began, nearly 50, 000 shutoffs have been conducted by DWSD (Hunter, 2016). Throughout the bankruptcy process, there were welfare rights advocates, along with human rights lawyers, and DWSD customers, who asked Judge Steven Rhodes to place a six-month moratorium on residential water shut offs. They argued that the city implemented shutoffs unfairly, without notice and with little financial assistance for low-income Detroiters who lack the means to pay (Helms, 2014). Water rights advocates argue that corporate accounts should be prioritized over residential shutoffs, and should perhaps pay a deposit for service, as a way to generate water more quickly rather than shutting off the water of residents (Detroit City Council, 2014).

Maureen Taylor, who is the state chair of the Michigan Welfare Rights Organization, discussed her experience while visiting hundreds of homes where there has been no water, and where families have to rely on bottled water to drink and bathe them. She also described the fear of people, especially elders who are experiencing a medical condition and how they have to cope without running water. John Armelagos, who works as a nurse at the University of Michigan Health System and is the president of the Michigan Nurses Association, also testified in court and detailed hygiene and sanitation problems, and the community health effects of those

Detroiters living without water, such as “greater vulnerability to hepatitis A and other diseases, head lice and scabies” (Detroit Journalism Cooperative, 2014). Many water rights advocates and welfare rights organization point to rate increases that are making water services unaffordable for many Detroiters without a realistic water affordability plan. The Detroit Water Brigade, a local organization working against the privatization and the prevention of water shut-offs in Detroit, reports that despite water rates in the city having increased 119% in the last decade, a 9.3% hike that was approved for the 2015-2016 fiscal year would place significant pressure on low-income Detroiters, potentially creating a disastrous scenario for the number of delinquent accounts (Williams, 2015).

City attorneys and consultants disagreed with initiating a moratorium on water shutoffs and asked Judge Rhodes to dismiss the request of halting the water shut off the program as it interferes with the bankruptcy case and with the daily operations of the water department. Consultant Eric Rothstein was hired by the State of Michigan to form and finalize the Great Lakes Water Authority as part of the bankruptcy negotiations. In court, Rothstein testified about the consequences if the City were to stop the water shut-offs. His testimony claimed the deal for the new regional water authority would be jeopardized if the shut-offs were discontinued. Moreover, Rothstein claimed that if people won’t have their water shut-off, some do not pay their water bills, and if those funds are not coming in, the financial projections for the new authority won’t be accurate and any potential deal would essentially collapse or lose its legitimacy (Pardo and Ferretti, 2014). The justifications for the mass water shut-off program signify that the city was exploring options to privatize the water department, and thus needed to demonstrate to buyers that they were current on their accounts. The DWSD claims that “bad debt” from customers in 2014 amounts to $90 million, and that nearly one-third of these accounts are high-dollar commercial and municipal accounts (DWSD Retail Delinquency Report by Sales Class, July 14, 2014). Detroit's Water and Sewerage Department director, Sue McCormick, told Detroit Journalism Cooperative, "the city can't afford to ignore payments for service." McCormick also argued, "the department needs the funds to operate and to maintain its bond rating so it can borrow money for infrastructure improvements" (Detroit Journalism Cooperative, 2014). Many of the concerns coming from Detroit water advocates was that DWSD was targeting low-income residential accounts as opposed to multi-million dollar businesses with much larger delinquent accounts such as the Palmer Park Golf Club owing $200, 000, the Joe Louis Arena, home of the Detroit Red Wings, owing DWSD $80, 000, and Ford Field (home of the Detroit Lions) owing $55, 000 on their water bills to DWSD (Detroit Water Brigade, 2014; Cohen, 2014).

In response to public outrage and mass demonstrations over the water-shut offs, along with lawsuits filed against the city for violating human rights, in late September 2014 Detroit's bankruptcy judge ruled that, "although water is a necessary ingredient to sustaining life" residents nevertheless have "no enforceable right" to water and that the city needed the lost revenue to effectively operate services (Gottesdiener, 2014). After this verdict, Detroit's water shut-off program received worldwide attention where Detroit activists collaboratively worked together to appeal to the United Nations for assistance. UN experts came to assess the situation in October 2015 who rendered Detroit's case to violate internationally recognized human rights standards, such as the right to clean and safe drinking water. UN officials reported that increasing water rates, and the city's high unemployment rate, made water bills "increasingly unaffordable to thousands of residents living under the poverty line" (Al Jazeera, 2014). UN officials recommended to U.S government officials the creation of a mandatory federal water and sewage affordability standard, as well as special allowances for those in, particularly vulnerable circumstances. From my findings, there has been no action taken to construct such policy of water affordability at the federal level.

At a July 17th DWSD meeting, Chief Operating Officer Cheryl Porter said the department's revenue has increased due to the shutoff program. According to Porter, "since we've engaged in the process, we've seen an increase in revenue which will address the roll over costs," Porter said. (Michigan Citizen, 2014, Jeffries). Since the shut-off program, DWSD has collected nearly $2 million in merely 90-120 days. During the bankruptcy, there were not only discussions of transitioning the department into an authority, but also serious meetings regarding complete privatization. For instance, Kevyn Orr and his team met with Veola as a potential buyer of DWSD (Kevyn Orr Interview; Nick Shroeck Interview). My findings conclude there was a concerted effort on part of the city and DWSD to try and bring accounts that were delinquent, current, as soon as possible as a way to clean up the balance sheet in a very short amount of time, specifically before the end of the bankruptcy when a potential private sale of the department would occur. This new shut-off policy created a cycle that disproportionately impacted low-income families. When DWSD would shut-off a residential or business' water service, you were required to pay an additional fee to get it turned on again and charged extra penalties if you were not able to keep up with payments to service your water bill debt. According to Shroeck, because of high unemployment, low wages, there were a disproportionate number of residents in the city unable to pay and as a result, have accumulated a massive amount of debt on these bills that will take years to pay down.

6.4 Conclusion:

The uneven outcomes of Detroit's austerity agenda are reflected by DWSD's water shut-off program, in which access to water was not a right, but a privilege. The challenges of fiscal austerity led to offloading fiscal responsibilities from Detroit's city government to low-income Detroiters. The urgency to privatize Detroit's water department placed unforeseen costs onto Detroiters in disciplinary and punitive ways.

Detroit's water shut-off program demonstrates the ways in which austerity operates and is pushed downwards -- financial responsibilities were offloaded and displaced onto low-income Detroiters. In an attempt to privatize and reorganize the city's water department due to pressure received from Detroit's emergency management team in addressing the water department's fiscal insolvency, austerity felt its way down to the most vulnerable citizens in Detroit by creating a system of privilege and antagonism between Detroit's city governments and its citizens, rather than one of community solidarity in times of socio-economic hardship.

The water shut-off program demonstrates materially and concretely the consequences of austerity urbanism in the City of Detroit. Detroit's water shutoff program was not directly addressed or solved throughout Detroit's bankruptcy, and the water shut-offs still are ongoing.

7 Chapter: Concluding Thoughts and Further Considerations

Detroit's recent austerity budgeting patterns mirror in many ways the shift towards austerity urban governance. The shift has seen new costs and risks being offloaded onto marginalized Detroit citizens, with the introduction of Detroit's Plan of Adjustment (2014) following the city's municipal bankruptcy, aimed at eroding city pensions, downsizing the city workforce, and privatizing city services.

Operating on an already neoliberalized landscape; I have explained that austerity urbanism marks not a complete rupture from neoliberal urban governance, but rather is an extension of it in times of a recession. I demonstrated the problems and contradictions associated with the neoliberal model of fiscal federalism that prioritized deregulation and private investment, created patterns of uneven urban development between cities, reducing support to municipalities in times of economic downturn, and forcing cities to live within their fiscal capacity. As a result, this shifted cities to rely on the private sphere rather than the public sphere by using credit markets to fill the gap of reduced federal and state aid.

I have demonstrated that the shift towards austerity urbanism in Detroit is characterized by particular conditions of a fiscal crisis that Detroit is currently experiencing. This is due to new economic pressures downloaded onto municipalities following the 2008 economic recession, such as further cuts to state revenue sharing and a significant decline of property taxes. I argue that austerity needs to be conceptualized as a devolved process (Peck, 2013), which facilitates a regressive redistribution of the costs and risks of deregulatory failure and financial instability by displacing risks, debt, and deficits onto local scales.

By conceptualizing austerity urbanism as a process of "push politics" (Peck, 2013), I examined the post-crisis moment in Detroit by illustrating the ways in which the blame for the economic crisis was directed at the local state and framed as a local state failure of Detroit, in which solutions to these fiscal problems have been internalized, as was indicated throughout my interviews conducted with Detroit's emergency management team, city government officials, and Michigan state public officials. I have also demonstrated that the shift towards austerity urbanism in Detroit can be characterized by new forms of technocratic governance such as *Emergency Manager Law,* that ceded political power away from Detroit's city government and to private financial consultants and bankruptcy lawyers. Such undemocratic laws were justified in times of economic crisis where Detroit was considered to be in a "state of emergency" (Proposal to Creditors, 2013). Lastly, I demonstrated how institutionally austerity urbanism was being rolled-out in Detroit by examining the policy responses of Detroit's Chapter 9 Bankruptcy that consisted of a plan for austerity budgeting. This plan involved significant cuts to services and semi-privatizing services such as water and sewage, dismantled and eroding city pensions, and downsizing Detroit's municipal government.

While Detroit's recent developments reflects similar national, even global trends, in terms of the fiscal distress other cities are experiencing, I have also demonstrated that the "actually-existing" adoption of austerity urban governance has also been contradictory, and specific to Detroit, as I draw on the rise of new private authorities which are taking over the city's role in providing vital public services. By examining the transition of Detroit's Water and Sewerage Department (DWSD) into the new Great Lakes Water Authority (GLWA), I present main challenge of austerity budgeting in Detroit, which is offloading the provision of services into new public-private arrangements, diverting political power away from city councillors and Detroit citizens. Moreover, I demonstrate inter-urban tensions of austerity budgeting during

Detroit's bankruptcy by analyzing the city's 2014 water shut-off program, which targeted low-income Detroiters.

These insights contributed to the body of work concerning austerity urbanism (Peck, 2013) and neoliberal governance (Peck and Tickell, 2002; Harvey, 1989; Brenner and Theodore, 2002), as well as Detroit's economic decline, more specifically (Sugrue, 1996; Martelle, 2014; Clement, 2013; Galster, 2013). My analysis on Detroit's bankruptcy contributes to the literature on austerity urbanism by showing that austerity budgeting isn't solely just about reducing government budget deficits – brining revenues closer to expenditures. It is more complex than that, and there are social, indirect effects to austerity budgeting, as was demonstrated by the thousands of water shut offs being carried out in Detroit during the bankruptcy process. By analyzing how those in positions of power understand austerity to be an inevitable and local problem, I demonstrated some of the material effects of this: usurping democratic power away from citizens and city councillors, completing eroding pensioners' rights, and enforcing complete stoppages of vital city services, like water.

Understanding austerity as a devolved form of discipline (that goes beyond economic processes to include historical, political, and institutional dynamics) is a useful and underexplored framework for the study of austerity urbanism. By exploring specific austerity policies, how they have been carried out in Detroit, and under what conditions – we can make visible the parameters of austerity governance in a manner that underscores neoliberalism's resiliency and path-dependent character. Employing this conceptual framework allows us to examine "actually-existing" (Brenner and Theodore 2002) ways in which neoliberalism has affected urban development patterns, including the contradictory ways it may be negotiated or contested, that classical political-economy critiques of neoliberal urban policies may fail to recognize; for example, in Detroit, the historical and institutional racial tensions facilitates the implementation of neoliberal urban governance. Furthermore, by employing a Marxist framework that explores the underlying structural causes of cities' fiscal problems, when examining Detroit's fiscal crisis we can recognize neoliberalism as a process that has varying effects, in light of historical, political and institutional contexts.

One important avenue for further research would be an in-depth analysis of social movements concerning austerity in Detroit following their municipal bankruptcy in 2013. From this analysis, one can better determine the relational power between agents representing social movements and their associated agents operating within the state itself, and how these powers can influence the direction of urban policies.

During this research project, some other potential directions for further study became apparent. Firstly, most of the high-ranked public officials who participated in this study were predominately white cis-gendered males, majority who were part of the decision-making process of implementing austerity budgeting in Detroit during the city's municipal bankruptcy. Exploring perspectives of city workers, city councillors, or members of the city's pension union, who were either black, or a woman, may present an excellent opportunity for understanding how austerity policies have been shaped, and more so, challenged differently, in the urban political sphere as both women and black communities face particular challenges associated with austerity that are worth closer examination.

Finally, recent events in Detroit have dramatically reoriented the urban austerity landscape since the research for this project was conducted. The second round of water shut-offs are undergoing, and an announcement of an increase in water rates has been announced since the official private authority take over which officials in which operations have started in early 2016

(Ramirez, 2016). Moreover, the Flint water crisis (where lead was found to be contaminated in the city's water system) is currently preventing citizens from using of drinking the water. When the Great Lakes Water Authority agreement was signed, Flint opted to not be a part of the regional private authority. Rather, the city (who is also under emergency management) chose to switch its water supply to the Flint River in April 2014 (Milman, 2016). In January 2016, President Obama declared a federal emergency in Flint over the dangerous levels of lead and over the neglect of properly regulating the water systems by the State of Michigan. Given the international attention the Flint water crisis received, it has sparked federal investigations into the socio-economic and "third world" (D'Souza, 2016) conditions Detroiters are experiencing, opening up scrutiny to how austerity is being felt differently across spaces, and to the uneven socio-spatial inequality between inner-city black communities and surrounding affluent suburbs.

Future researchers should be attentive to shifts in discourse that reframe Detroit's development trajectory since its bankruptcy as a reinvention of the city and a creative moment for finally "cleaning up the city" (LaFaive, 2014). Given the state of debilitated federal politics in the United States, it would seem that the attempt of constructing a new social and fiscal justice around cities, and urban policy, will have to be grassroots, being from below, and not above.

Appendix A: Sample Questions for Semi-structured Interviews

1. What do you think were some of the main causes of Detroit's fiscal distress?
2. Why did the city file for Chapter 9 bankruptcy?
3. Do you think the 2008 financial economic crisis contributed to some of Detroit's fiscal distress?
4. Do you think Detroit's fiscal constraints along with its cash flow insolvency is particular to Detroit's situation, or do you think it's a phenomenon that many cities are facing or will be facing in the future?
5. Can you speak a little about some of Detroit's restructuring strategies that emerged out of Detroit's Plan of Adjustment, and how will these strategies benefit the city moving forward?
6. What do you think the city is hoping to achieve from their "Reinvestment Initiative" that was a key component of Detroit's Plan of Adjustment?
7. What were some of the positive outcomes that came out of Detroit's bankruptcy process?
8. In what way did going into a municipal bankruptcy specifically benefit Detroit citizens?
9. Why was privatizing Detroit's Water and Sewerage Department an important objective during the city's bankruptcy?
10. What is operationally different from private authorities versus city departments?
11. Can you speak a little bit on Detroit Water and Sewerage Department's water-shut off policy? What were the main objectives and goals of this policy?
12. Detroit Water and Sewerage Department's water shut-off policy was publicly criticized across the globe. It went so far as the UN having to intervene in the matter, in which UN

officials declared the water shutoffs in Detroit as a violation of human rights to safe drinking water. What are your thoughts on this event?

13. Did the bankruptcy impact the City of Detroit's ability in providing city services to its citizens?

Appendix B: Description of Interviewees

Kevyn Orr:

- Appointed as Detroit’s Emergency Manager in 2013
- Bankruptcy lawyer and partner at Jones Day law firm

Andy Dillon

- In 2006, was elected as the Speaker of the Michigan House
- In 2011, was appointed as the Michigan State Treasurer
- Member of Detroit’s emergency management team
- Currently executive director of Conway Mackenzie, a financial advisory and consulting firm (same firm was hired by the City of Detroit during their bankruptcy process)

David Heiman

- A lawyer in the bankruptcy/restructuring area
- Member of Detroit’s emergency management team
- Chair of the American College of Bankruptcy
- Currently works for Jones Day law firm

Dennis Muchmore

- Former Michigan State Chief of Staff
- Was an advisor to Governor Rick Snyder and Kevyn Orr during Detroit’s bankruptcy
- Currently works for Detroit law firm Honigman Miller Schwartz and Cohn

John Hill

- Currently Detroit’s Chief Financial Officer, who was appointed by Kevyn Orr in 2013 during Detroit’s bankruptcy

Judge Gerald Ellis Rosen

- Judge of the United States District Court for the Eastern district of Michigan

- He was appointed as the lead mediator in Detroit's bankruptcy case

Ron Rose

- Bankruptcy lawyer and restructuring consultant
- Current executive director of Detroit's Financial Review Commission

Shirley Lightsey

- President of Detroit Retired City Employees Association (DRCEA)
- Represented pensioners during Detroit's bankruptcy

George Cushingberry Jr.

- Current member of Detroit's City Council
- Has worked in Detroit's municipal politics for over 30 years

Nick Shroeck

- Director of the Transnational Environmental Law Clinic
- Expert on southeastern Michigan's water systems

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