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Neoliberalism's Deadly Experiment

BY
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In Michigan, privatization and free market governance has left 100,000 people without water

The Detroit Water March on July 16, 2014. National Nurses United

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On the past year, media reports and op-eds have counted the long-simmering disaster in Flint, Michigan, from a variety of angles. Some focus on the Republican-dominated legislature, where the Republican-dominated legislature has used to suspend democracy in majority-African American cities, including Flint, Detroit, Pontiac, Highland Park, and Benton Harbor.

Others focus on the larger issue of lead pipes and decaying infrastructure, or the criminal indifference of former Rick Snyder and his administration. Still others note that the long history of housing discrimination in Flint, and the ongoing exploitation of emergency manager laws, both signals why the majority of the poisoning victims are African American (although this hardly starts matching class others).

Corporate media coverage, however, has ignored the relationship between the Flint crisis and the neoliberal austerity regime in Detroit. More broadly, it has discarded the role of neoliberal austerity in undermining one of the nation's largest water systems, and in leaving over one hundred thousand people without running water in a state surrounded by the Great Lakes.

Since 2000, state-appointed emergency managers in Detroit, Highland Park, Flint, and Pontiac have intervened by functions of their water departments to private companies, while ramping up water shutoffs in low-income households. Since 2012, when Republican governor Rick Snyder signed Public Act 436 into law, Detroit's Water and Sewer Services and Storage Department (DWSD) has shut off water to over 100,000 Detroit residents, preceding condemnations from the United Nations Human Rights Council.

Public health experts have also said that the water shutoffs will increase infectious disease and lead mortality in Detroit. Meanwhile, even after its bad contaminated water became a national scandal, Flint has continued to shut off water for residents unable or unwilling to pay for poisoned water.

Whether from shutoffs, contamination, or both, so many poor and working-class urban residents in Michigan lack water to properly bathe, cook, and drink. Flint, Detroit, and other cities have had to set up water to a state-leveling the Great Lakes, in the aftermath of freshwater lakes on earth!

Between 1977 and 2010, DWSD was under an EPA consent decree for Clean Water Act violations. Judge John Feikens, an arrogant and not longtime opponent of school desegregation, recommended Orlene Hawks to head DWSD in 2002. Hawks was a former president of Thames North American, an affiliate of Thames Water, privatized by Margaret Thatcher in 1989. Thames Water is a subsidiary of the French multinational Veolia.

In 2003, Orlene Water took over Detroit's water system, with disastrous results. In Detroit, Hawks cut DWSD's maintenance staff and laid off 13 percent, and accelerated the outsourcing of unionized jobs to private contractors. This process continued under Hawks's successors, embezzling in 2012 alone DWSD signed a contract with EMA, Inc. that included plans to pay off 8 percent of DWSD's staff, leading to a strike by AFSCME Local 207.

While Hawks laid off unionized workers and illegally rigged bids with private contractors, water rates in Detroit more than doubled. At the same time, Detroit's poverty rate rose from 26 percent to 40 percent, and assistance to Water Causes All Flow (WCAF) fell to 1/10th. (Cf. Lyn Ulbrich 2003, and Ian Ulbrich 2013).

As part of welfare reform, Republican governor John Engler eliminated the Vendor Pay program in 2002, which had assisted welfare recipients with water and other utility bills. Overnight, tens of thousands of low-income people enrolled in the Vendor Pay program, many of them disabled and elderly, were at risk for water shutoffs.

This problem was not severe in Highland Park, the birthplace of Ford's Model T. After Highland Park's tax base collapsed in the 1980s, following the relocation of Chrysler's headquarters to suburban Auburn Hills, Highland Park's water department was placed under the control of emergency managers in 2001. Yet Highland Park's residents, including schools, libraries, and community centers, while jacking up Highland Park's water rates to fleece the national average, were lucky enough to have half the residents flood before the federal poverty line. (These events are detailed in the Lyn's Ulbrich's excellent 2003 documentary, Flow Water Crisis).

While downsizing the Highland Park Water Plant to four employees, Pearson began negotiations to sell the plant to the Detroit Water and Sewer Group in 2006. Pearson only dropped these proposals under pressure from daily protests organized by the Michigan Welfare Rights Organization and Highland Park Human Rights Coalition, led by veteran activists Ilse Mawson Taylor and the late Grace Boggs.

The water crisis in Michigan is also intertwined with the adjustable mortgage meltdown, which is closely related to the austerity regime in 2005. (Cf. Detroit had the highest rate of subprime mortgage foreclosures in the nation, and Detroit's Black residents were victims of aggressively marketing adjustable rate subprime mortgages to working class African Americans in Detroit), they were also selling risky financial instruments to the city government. The Community Futures Institutionalized, for 1998 developed the swaps market to restructure Detroit Water in 1998 to the tune of $1.5 billion, to the tune of $1.5 billion.

In 2005, during this "reform" period for predatory lenders, Detroit entered into $1.5 billion dollar deal with UBS AG and Deutsch Bank. Detroit's Water and Sewer Services and Storage Department (DWSD) was two layers of speculative financial instruments, one of which was an "interest rate swap" to fund DWSD. The swap deal constituted a bet that interest rates would rise. After interest rates plummeted as a result of the 2008 crash, DWSD lost tens of millions in swap termination payments to banks.

In order to pay the termination fees, DWSD increased water rates, and issued "Water Revenue Refunding Bonds" in 2006. The Bonds were paying required that "bids not to be less than 103 percent of principal amount." (DWSD, As a result, nearly half of Detroiters' water payments were going to pay debt service to banks, followed by the Detroit pensioner swap deal. In April 2012, ongoing DWSD rate increases provoked a public outcrop by Flint's emergency manager, Ed Kurtz, to switch from DWSD to the Flint River, although the actual reason remains murky.

Emergency manager legislation has only exacerbated these problems. In 2012, 52 percent of Michigan voters vetoed Republican Governor Rick Snyder's Public Act 4 (PA 4), which was passed in December 2011, expanded the authority of emergency managers to unilaterally break public sector union contracts, and even lock elected officials out of city hall and council chambers and freeze small accounts. Disregarded by the new law, Detroit Public Schools emergency manager Robert Bobb laid off 1,000 teachers and substitute teachers in 2011, and proposed decrease the district's salary.

Immediately after voters repealed PA4, Snyder signed a replacement bill, Public Act 436, which included provisions that could not be overturned by popular referendum. During the same session, Snyder signed Michigan's first right-to-work law. The Snyder purpose of Michigan's emergency manager legislation clashed with Judge Feiens the Machine Gun and a black rock Detroit's Rich Devos, the Walton Family, the Koch brothers, and other right-wing billionaires to break public sector unions.

In March 2013, Governor Snyder appointed Kevyn Orr as emergency manager of Detroit. Orr's law firm, Jones Day, represented Lehman Brothers in bankruptcy, and Jones Day represents the United States, global private Detroit, the Detroit Public Lighting Department, and many creditors in the Detroit Public Works Department, including Bank Ion who began the city owned land bank in the United States to the Detroit Water and Sewer Department. Orr's firm represents Detroit's foundations whose the Detroit Future City, the goal is to organize "replace, repurpose, decommission" or "reduce and maintain" water and other basic services to small "Black Belt" neighborhoods. The plan also concentrates resources in a gerrifying "digital creative" zone centered on downtown and the Cass Corridor (where Motown is "Midtown District" be developed).

The same year, Machine Center board member Stefanie Lockwood released a Detroit's second and proportional tax cap, called Bobb Jobs, which would lower the city's property tax assessments, and Bobb Jobs tax offsets tax liens for thirty-five thousand delinquent homeowners for $100,000, where the official currency would be the Rand, in honor of Ayn Rand. The second describes a solid twenty-four century Detroit with a population of forty-five thousand, where neighborhoods have been "reorganized" around "anchors" and "nodes" where "every citizen enterprise operates efficiently."

This scheme closely resembles the Haiti Future project, led by developer John Hamm (another Ion Bank director) who had contracted to build $100 million. In geographic Tom Sachs Haiti's Ayn Rand, with plan Haiti's Social primitivism over thousands of Detroit.

While developers cord an increasingly hobbled Detroit for land grabs and privatization opportunities, Emergency Manager Orr supported the installation of DWSD's program of residential water shutoffs. In a city where nearly 40 percent of the residents fell below the federal poverty line, increasing water rates are a formula for default.

The Michigan Welfare Rights Organization and the People's Water Board (founded in 2005) had long advocated a water affordability plan, which would charge DWSD customers a flat monthly rate based on residents with incomes below 200 percent of the federal poverty rate, or 2.5 percent for those at 100 percent. The Detroit city council approved a water affordability plan in 2006, but the city never implemented it.

In February 2014, the DWSD customer service department announced that "DWSD is preparing to ramp up shutoffs. Any account-city days past due will be subject to shutoff." According to the Detroit News, roughly half of the city's water accounts fell into this category as of March 2014.

As a result of this initiative policy, shutoffs rapidly escalated, as the Detroit Water and Sewer Department (DWSD) and Detroit Water Board Director, Economic Roger Colton, who helped design the Water Affordability Plan passed by the Detroit City Council in 2006, sold us as an incentive that a "safe" estimate for the number of Detroit residents facing water shutoff risks 2012 to one hundred thousand. Moreover, the shutoff spiked dramatically under the rule of Emergency Manager Orr, from March 2014 through December 2014.

While this humanitarian crisis unfolded, Orr began working little from private water companies, including American Water, Veolia, and Lyland Water, to take over DWSD. By April 2014, the city had received thirty-three bids from private companies, and Orr had selected a bidder by June. The announcement came during the residential shutoffs, including suburban municipalities about regionalizing DWSD under a new Great Lakes Water Authority (GLWA).

The GLWA board would be governed by six members, with two appointed by the mayor of Detroit, one appointed by the governor, and one each appointed by Wayne, Macomb, and Oakland counties. In June 2015, the City of Detroit leased DWSD to the GLWA for forty years, in return for $50 million per year for use of city assets. For the first time in 180 years, Detroit would have control of its water system.

GLWA's Memorandum of Understanding, adopted later that year, listed the GLWA's "economic development" goals, which included "maximum feasible "maximum economical of the systems and rates recommendations to assist the parties by operating models, capital requirements and saving opportunities," Veolia was envisaging Thai's "emergency managers" in 2015, and discussed the city's water "sale" despite rapidly rising local bonds.

Beginning in May and June, 2014, Detroit activists began a campaign of civil disobedience against the mass shutoffs. Detroiters responded to protests by physically blockade the Detroit dispatch facility at 6840 Grand Boulevard, to prevent trucks from hearing to perform shutoffs. Between July 16 and 18, Detroiters and Detroit Water and Sewer Department workers blockade Frederick trucks, many of them chanting "We Shall Not Be Moved." On July 28, over one thousand protesters marched to downtown Detroit to protest the shutoffs, and to arrive called by National Nurses United. Many of the protesters targeted Wall Street banks, both because of their role in the city's bankruptcy crisis and to the predatory swap deal.

Between October 18 and 26, in response to letters from the People's Water Board, the United Nations Human Rights Council sent a letter to Michigan governor Richard Snyder, to protest the shutoffs. Colton, the special rapporteur on the human right to water, called Detroit's water crisis a "man-made public crisis" caused by poverty, unaffordable water rates, and DWSD's draconian shutoff policy. The shutoffs, the UN reported, violate the press, which international human rights law to which "Has United States is bound." Such commenting the "right to water" and "right to sanitation" constitute the "minimum core" of human rights obligations.

However, Mayor Mike Duggan disregarded the United Nations, and has proven equally supportive of water shutoffs and the Detroit Future City, a plan whose logic, the shutoffs have continued, and the GLWA has failed to devote even the bare $5 million pledged in 2014 to assist indigent ratepayers.

The difference in shutoff policies toward low-income households and local corporate interests also provides a revealing wisdom into the GLWA's priorities. In 2015, while the city officially shut off water service to 23,000 homes, it only shut off 800 businesses, despite the fact that businesses owed the city $5 million in unpaid bills. Unlike the thousands of private homes, Delinquent businesses have not been shut off, although enormous water bills included the Detroit Red Wings stadium and the Palace Pub Cold Cuts.

During the same period, the Flint water crisis became a national scandal, Even commentators, however, have considered the link between the two crises in Detroit and Flint. As noted previously, the DWSD rate increases provoked Flint's Emergency Manager, Ed Kurtz, to switch from DWSD to Flint, to switch from DWSD to the Flint River in April 2014. The increases, Darnell Earley, oversaw the completion of the switch.

Disregarding the EPA's final warnings, Governor Snyder's appointees at the Michigan Department of Environmental Quality (MDEQ) exempted the Flint water treatment plant from corrosion control. Instead, MDEQ only permitted to test Flint water during two-month trial periods, and neither conducted Flint's annual copper levels exceeded EPA standards. Because the Flint River water was highly corrosive, the lead in the city's aging water infrastructure leached into the water supply, thus the city's nibbling water for over two years.

When technicians discovered elevated lead and copper levels, Governor Snyder's MDEQ Financial with the root results were concealed problem. As epidemiologist Leah Ja 2014 - US, left by Dr Mona Hanna-Attisha of Hurley Children's Hospital, found that the incidence of elevated blood lead levels in Flint children more than doubled after the switch.

Such problems were not isolated to Flint, however. The Detroit Water, school officials in Detroit discovered elevated levels of lead and copper in nineteen out of thirty two schools tested. During the same period, Detroit Earley, the emergency manager in Flint during the water crisis, became Detroit Public Schools emergency manager, Robert Bobb, and Bobb had previously conducted privatization, Charter Academy Detroit Public Schools Jim Jeffries at EPA.

After seven years under emergency management, Detroit schools are more hazardous than ever. The water test results, in particular, suggest that a Flint-like poisoning crisis could easily occur in Detroit.

The interconnected water crises in Detroit and Flint demonstrate the massive human costs of destroying the public sector, which antidemocratic emergency managers have been accelerating. The combination of risky financial deals and privatization is also increasing water rates and shutoffs in other cities. Although privatization deals and aging infrastructure partially explain water rate increases, neoliberal austerity is the root cause. Austerity has slashed state and local budgets in the wake of Michigan's tender gut program, have also made poor and working class residents (disproportionately African American) more vulnerable to shutoffs.

Addressing this crisis will require a monumental re-oriented water shutoffs, and implementing ambitious water affordability program. The People's Water Board and other organizations have pushed to get one hundred affordable bills before the Michigan legislature. The People's Water Board also drafted a support.

More generally, we need to fight the multinational corporate drive to commodify and marginalize public-base water and other services. Although the UN Human Rights Council has recognized the right to water "Where Do We Go From Here?" In August 2007, almost exactly half a century ago:

> Why are there forty million poor people in America? When you ask that question, it raises another question, namely, "Who benefits from this set-up?" Or perhaps to ask the question, "Who owns the iron ore?" Or, begin to ask the question, "Why is it that people have to pay water bills in a country that is two-thirds water?"

In the context of global climate change, and claims that privatization is a solution to growing water scarcity, we need to ask these questions more than ever.

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