

NO EASY WAY OUT
Detroit's Financial and Governance Crises

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ABSTRACT

Detroit is widely regarded as the poster child of de-industrialization. Economic decline and racial tension have left indelible marks on the city and the region. The parallel tracks of recession and race have both exacerbated and been exacerbated by Detroit's political and governing culture. Over the past 50 years Detroit has suffered significant losses of population, jobs and tax base. Despite drastic cuts in services, a projected deficit of \$327 million and long term debt in excess of \$18 billion has forced the City to file for bankruptcy protection under Chapter 9. The history of racial distrust, segregation, and discrimination in Detroit and its environs has shaped a culture where the cooperation necessary for regimes to operate successfully has been absent. The Detroit that emerges from bankruptcy and restructuring will be considerably different than the city in 2012, let alone what it was half a century ago. Detroit's case is extreme but not unique. It provides a cautionary tale about race, severe economic distress, and weak governing arrangements for other cities.

INTRODUCTION

Detroit is widely regarded as the poster child of urban decline that is the result of a panoply of economic and social factors, including globalization, de-industrialization, economic and racial segregation. Several recent books catalog the city's severe distress. Writers and photographers (Vergara, 1999; Austin, 2010; Moore and Levine, 2021; Marchand and Meffre, 2011) have chronicled the extensive physical decay and abandonment that prevails in the city center and many of the city's neighborhoods. Major buildings, like the Michigan Central Station, Packard Plant and Michigan Theater, provide iconic images of Detroit that are more widely recognized than any of the functioning buildings in the city. Early examples of Detroit's negative image are provided by Boyer (1973) and Chafets (1990). The consequences for Detroit of de-industrialization, population loss and ineffective municipal government have been described by Galster (2012), Ryan (2012), LeDuff (2012) and Binelli (2012). Gallagher (2010) and Ryan (2012) offer assessments that are more optimistic, but prospects for realizing their visions any time in the foreseeable future seem slim.

In part, Detroit's current difficulties result from a crisis of confidence in the city as a desirable place to live, work and invest. In recent years, Detroit has attracted few new residents. Immigrants from Latin America and the Middle East have been drawn to the southwest side, while South Asians have settled in the north end. The midtown area has been attractive to young adults (Hudson-Weber, 2013). Despite these gains, Detroit continues to experience a net loss of population.

Economic decline and population loss are only part of the story. Racial tensions have left an indelible mark on the city and the region of which it is a part. Issues related to race have

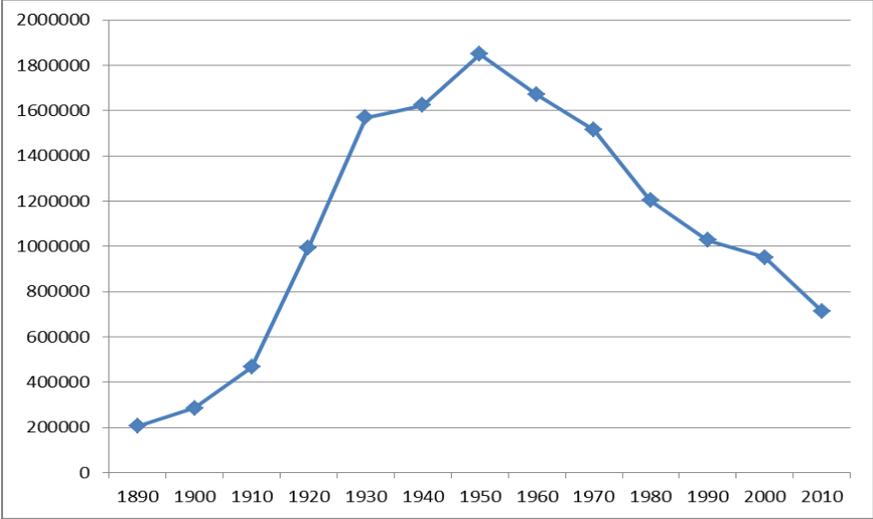
intertwined with long-term economic distress, leaving the city in a position that makes prospects for recovery extremely difficult. The parallel tracks of recession and race have both exacerbated and been exacerbated by Detroit’s political and governing culture.

The paper is presented in four parts. First, a brief history of Detroit’s economic decline and race relations is presented. This is followed by a discussion of the governance culture in the city, which can best be described as “regimeless.” The concluding sections of the paper link the themes of recession, race and regime together, offering observations about what can be expected in the future, and what leaders in other distressed cities around the globe can learn from Detroit.

RECESSION AND RACE

The history of Detroit in the 20th Century is comprised of three decades of rapid growth, followed by decades of decline. In terms of population, the pattern is remarkably asymmetrical – Detroit added 1.28 million to its population between 1900 and 1930 (see Figure 1). Six decades of population decline (1950-2010), saw Detroit’s population fall by 1.13 million, almost as many people as the city gained in the earlier three decades.

Figure 1 Detroit Population Trends, 1890-2010



Source: US Bureau of the Census.

Detroit's spectacular growth at the beginning of the 20th Century has had important consequences. Population increases were matched by public and private construction that vastly expanded the physical city: housing, industrial and commercial buildings, as well as public buildings, streets, water and sewer lines. Today, much of Detroit's built environment is now 80 to 110 years old. Continued use of this infrastructure will require substantial investments in renovation or replacement.

The growth of the auto industry was largely responsible for this rapid expansion. Auto manufacturing jobs generated relative prosperity and wage levels that allowed many of the workers to own homes and purchase the automobiles that they built. Detroit's built environment was dominated by one and two family homes, typically on small lots (4,-5,000 square feet). The widespread availability of private automobiles diminished the importance of the public transit system in the city. By the 1950s, streetcar and interurban lines disappeared, leaving only a dwindling number of public bus routes. Another publicly provided service that arguably has been undervalued in the Motor City is public education. With well paying jobs available in the auto plants, even for those with minimal educational achievement levels, there was less incentive to value and invest in education.¹

The oil embargo of the early 1970s and its consequences for the domestic auto industry further accelerated the city's decline. The number of jobs in the city fell by over half (52.8 percent) between 1970 and 2010,² and the number of city residents in employment dropped by 43.5 percent over the same period. Unemployment has been in double digits during most of this period, kept in check only by the shrinking of the labor force. Residents with limited education

¹ The Detroit Public Schools were generally well regarded until the 1960s..

² The auto companies had begun moving their manufacturing operations out of metropolitan Detroit in the 1950s (Sugrue, 1996).

and skills found it increasingly difficult to qualify for the dwindling number of jobs that were available.

Population losses, often to nearby suburbs, and declining incomes took a toll on the city's housing market.³ Residential vacancies increased, as did mortgage and property tax foreclosures. The growing supply of available housing (much of which was built in the 1910-30 period), found few buyers in the face of shrinking demand. Large areas on Detroit's east and northwest sides became derelict and abandoned (Galster and Raleigh, 2012). Detroit's foreclosure crisis can be attributed more to the decline in employment than to property speculation. The Great Recession of 2008-09 added to these problems, in part by making housing opportunities in suburban areas more affordable. Many Detroit households took advantage of the opportunity to obtain newer homes in communities that offered a more desirable tax-public service package.

Although Detroit was relatively sparing in its use of the Federal Public Housing program, it was an active participant in the Federal Title I Urban Renewal program. Between 1949 and 1974, Detroit carried out some 20 urban renewal projects, most of which provided for new institutional and residential developments (Thomas, 1997). When the Federal Urban Renewal program was folded into the Community Development Block Grant program in 1974, Detroit devoted Block Grant funds to large land assemblies and providing gap financing for high profile projects. This strategy supported major initiatives such as the new General Motors assembly plant, the renovation of the Book-Cadillac Hotel and a new Chrysler assembly plant. High levels of indebtedness to the federal government for these projects, however, left the City with limited funds available for new developments or to support community based organizations.

³ The HUD scandals of the 1970s were a major problem in Detroit; see Boyer, 1973.

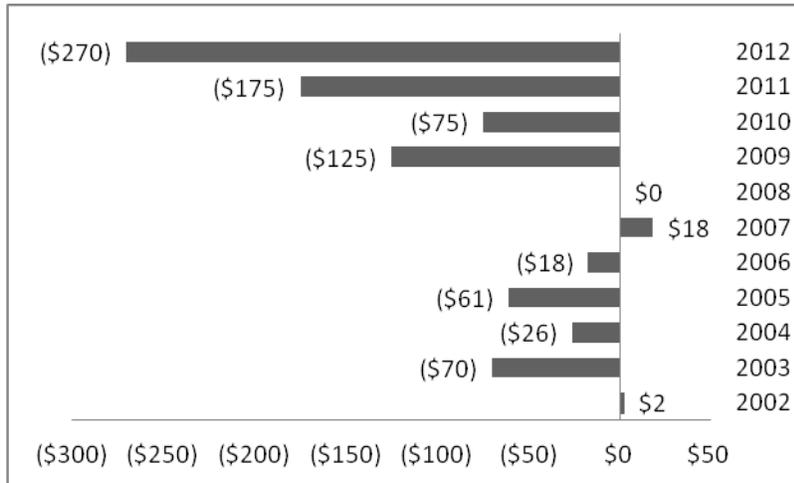
Detroit also sought (and received) funds from the Department of Housing and Urban Development (HUD) for a variety of activities. The city was one of five participants in the Model City program (1970-78). Detroit was designated as a Federal Empowerment Zone community, bringing \$100 million to the city. More recently, HUD funds were obtained for the Neighborhood Stabilization Program, Enterprise Community Program and several public housing redevelopment (HOPE VI) grants. The city also participated in most of the available state government economic development programs, including Renaissance Zones, Cool Cities, MEGA and Neighborhood Enterprise Zones (Reese, 2012).

These efforts produced some positive results, including the Lafayette-Elmwood residential development east of downtown, two new automobile assembly plants, and expansion of the medical center. Projects undertaken primarily to remove blight have generally been less successful than projects for which a developer had already been identified. Speculative efforts to create industrial parks southwest and central Detroit have remained vacant for decades.⁴ Even in the heart of the Central Business District, over 30 years were required to find a developer. Since the 1970s, there have been no major development projects in Detroit that have not benefited from some form of public subsidy (Hodge et al., 2013).

The unsurprising result has been a collapse of Detroit's municipal finances. The city introduced new taxes: a utility use tax in 1962, a municipal income tax in 1964 and a casino wagering tax in 1999. The additional revenue, however, have proven inadequate to meet the rising costs of city personnel and benefits. As shown in Figure 2, the City government has suffered a budget deficit in nine of the past eleven fiscal years. The cumulative deficit over this period is \$800 million, much of which has been covered by long-term borrowing.

⁴ Despite that fact that these Renaissance Zone properties are exempt from property and other taxes.

Figure 2 City of Detroit Balance by Fiscal Year (in millions)



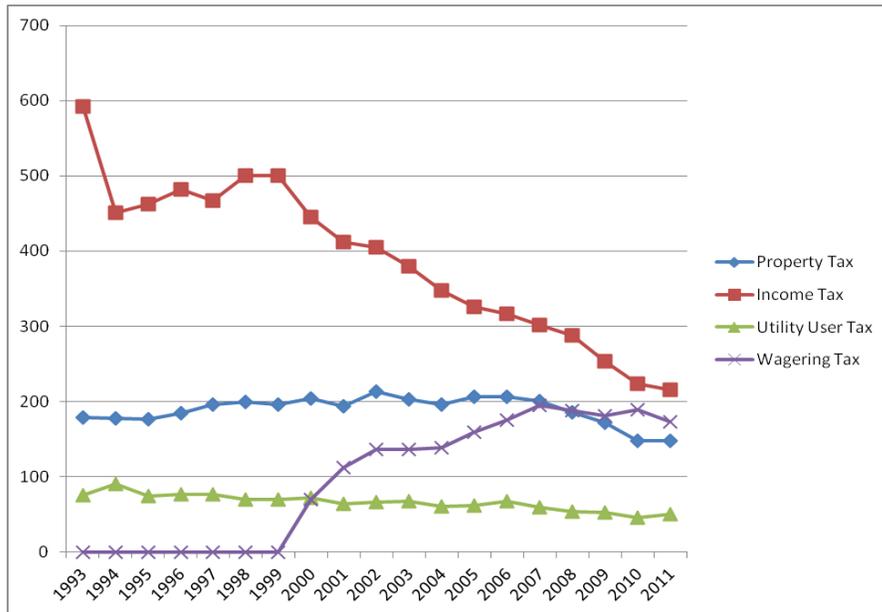
Source: City of Detroit FY13 Budget.

The adopted FY13 budget for the City of Detroit totals \$2.6 billion. Approximately \$1.15 billion in FY13 represents Enterprise Agency appropriations. General Fund appropriations, including debt service, account for \$1.39 billion (Detroit 2012-2013 Executive Budget Summary, B6). Because state law requires that municipalities must adopt a balanced budget, Detroit continues to use borrowing, property sales and optimistic assumptions to meet the letter of the law.

Detroit's General Fund has five major sources of revenue: property tax, income tax, utility use tax, state revenue sharing and casino wagering tax.⁵ Since FY06 revenue from each of these sources has declined, with further declines projected through FY13. Figure 3 shows that, adjusted for inflation, revenues have been declining, with income tax revenues falling most rapidly.

⁵ In addition to the casino wagering tax, which generates about \$180 million annually, casinos contribute 4.2 percent of the total property tax revenue.

Figure 3 Detroit General Fund Major Revenue Sources, FY93-FY11



Numbers on vertical axis are in millions of real dollars (2010).

Source: City of Detroit Comprehensive Annual Financial Report.

Detroit’s property tax revenue decline is particularly noteworthy. Property taxes are a major source of revenue for local governments in Michigan, accounting for an average of one-quarter of municipal revenues (State and Local Government Finance, 2011). It is also the only one of the five revenue sources that is available to all Michigan cities. Detroit residents and businesses are subject to property tax rates that are significantly higher than most other cities in Michigan. Table 2 compares the FY10 property tax burdens on property in Detroit and Grand Rapids, Michigan’s second largest city. The City of Detroit levies a total of 29.5 mills for operations and debt service, which represents 44 percent of the total tax bill for homeowners (Hodge et al., 2013). Detroit property tax rates are more than double those in Grand Rapids, where the city operating millage is less than six mills and there is no debt millage. Compared to other municipalities in Michigan, however, Detroit is actually less reliant on the property tax as a source of revenue. Property taxes provide just 7.38 percent of Detroit’s revenues.

The decline in property tax revenues since 2006 is the result of a combination of factors. The aggregate market value of Detroit real estate has declined substantially in the wake of continued population and job losses, as well as the real estate foreclosure crisis. From its peak in FY07 of \$14.1 billion, Detroit state equalized property value had declined to \$9.4 billion in FY12, a reduction of one-third in just five years. The corresponding decline in taxable property value (the formal tax base) was somewhat less, but the result was a 16 percent decline in potential property tax collections.

Actual property collections have been substantially below the projections. A recent study found that almost half (47 percent) of Detroit properties were delinquent (Detroit News, 2013)⁶. Uncollected taxes are estimated at \$131 million, about 12 percent of the City of Detroit’s general fund budget in FY2012. It is not surprising that many view the social contract between property tax payers and city government as broken.

Table 2 Detroit and Grand Rapids Property Tax Millage* Rates 2010

Taxing Authority	Detroit		Grand Rapids	
	Homestead	Non-Homestead	Homestead	Non-Homestead
State Education	6.0000	6.0000	6.0000	6.0000
City Operating	19.9520	19.9520	5.9178	5.9178
City Debt Service	9.5558	9.5558	-	-
Library	4.6307	4.6307	2.4533	2.4533
School Operating	-	17.8308	-	18.0000
School Debt	13.1015	13.1015	2.2900	2.2900
County	7.8220	7.8220	5.3940	5.3940
Intermediate School District	3.4643	3.4643	4.6903	4.6903
Other	0.3146	0.3146	1.1200	1.1200
Community College	2.4769	2.4769	1.7865	1.7865
Total	67.3178	85.1486	26.2482	46.5382

Source: City of Detroit Executive Budget, City of Grand Rapids. *One mill equals 0.1 percent.

⁶ Detroit’s Comprehensive Annual Financial Reports indicate that the property tax collection for FT12 was 83.68%.

Detroit is also the location of a substantial number of properties that are exempt from local property taxes. These include not only public streets and municipal buildings, but also schools, colleges and universities, hospitals, religious and charitable institutions and other non-profit entities.⁷ In addition, there are a large number of properties in Detroit that are publicly owned as a result of property tax foreclosure. Because the majority of tax foreclosed properties are small residential parcels, the property tax revenue loss is relatively low. The administrative burden of owning more than 47,000 tax foreclosed properties is, however, significant.

City officials have also granted exemptions and tax abatements to certain property owners in return for qualified investments intended to stimulate economic development. While the efficacy of such strategies is the topic of continuing debate (Sands and Reese, 2012), it is clear that abatements and exemptions narrow the tax base, as fewer properties within the city contribute to the total tax effort. With fewer properties contributing, holding revenues constant, the burden on those continuing to pay is necessarily increased.

The consequences of this financial stress have been severe. Reductions in the city workforce have been draconian. The city now has just 10,525 employees, down from 17,772 in FY03 (See Table 3). The proposed City budget for FY14 calls for the elimination of an additional 2,227 positions. Cost savings measures applied to the remaining city workers include wage cuts of ten percent, elimination of step and merit increases, reduction in the number of paid holidays, capping of vacation and sick day banks, and a reduction of the pension multiplier.

⁷ The proportion of tax exempt land in Detroit is actually typical for Southeast Michigan communities (SEMCOG, 2012); nevertheless, the amount of tax exempt land is almost 20 square miles.

Table 3 City of Detroit Employment FY03 and FY12

	Employees		Percent Change
	FY03	FY12	
Total	17,772	10,525	-43.8%
Budget & Finance	449	250	-44.3%
Fire	1,744	1,251	-28.3%
Police	4,523	3,016	-33.3%
Planning	253	122	-44.3%
Enterprise Agencies	4,883	3,247	-35.5%

Source: City of Detroit Comprehensive Annual Financial Report 2012.

Several City departments, including Public Lighting, Workforce Development and Health and Wellness Promotion have been transferred to new public agencies. Most human resource functions will be outsourced by 2014. The litany of service reductions, both intentional and inadvertent, is lengthy. Bus service has been reduced by almost 22 percent. The number of city recreation centers has been reduced from 30 to 17 and the number of public swimming pools from 18 to ten. Half of the City's parks are closed. The city-wide emergency response time is 58 minutes; the average for the precinct with the slowest response time is 115 minutes. The FY13 budget reduced City expenditures by \$570 million, an 18 percent reduction from the FY12 adopted budget. Detroit's proposed FY14 budget calls for additional cuts of more than \$40 million.

Virtually every aspect of the City's financial situation is dire. Estimates of the City's outstanding financial obligations are in the range of \$18-\$20 billion. This is equivalent to an average debt of about \$28,500 for each Detroit resident, in a city where the per capital annual income is just over \$15,000. The city has little bonding capacity left and the general tax levy is at the maximum allowed by the City Charter.

As this is being written, in summer 2013, Detroit has filed for protection under Chapter 9 of the Federal bankruptcy code. The filing has been challenged in Federal court; hearings are set to begin in late October, 2013. Even if bankruptcy is allowed to proceed, it is likely to take years

to settle the claims of more than 60,000 creditors. Even elimination of this crushing debt burden will not address Detroit's fundamental economic and structural problems.

CIVIC LEADERSHIP

Over the past few decades, the response to these challenges by Detroit's civic leadership has been ineffective. In a city plagued by internal conflict and controversy, what are in reality long-term chronic fiscal challenges have been treated as short-term problems. When budget deficits are seen as temporary, officials can justify continued spending levels (or even increases). Underfunding retiree pensions and other benefits is a similarly unwise expedient. Funding cash flow deficits with long-term borrowing is not a rational long term policy. It has been observed that Detroit has been funding budget deficits with bonded debt since the Young administration, more than 30 years ago. Because Detroit's chronic fiscal challenges are the result of deep structural changes in the regional economy, these misguided policies have pushed the City into bankruptcy.

Debt and long-term liabilities have accumulated such that city government is now in a deep crisis. Detroit's fiscal deterioration has played out over the six decades during which specific events and policy decisions have precipitated the decline. There is also an ongoing tale of poor municipal governance embedded throughout this tragic story. The political and civic culture of Detroit and its metropolitan region bear a great deal of responsibility for failing to lead the city out of the ongoing chronic economic challenges as well as its current crisis.

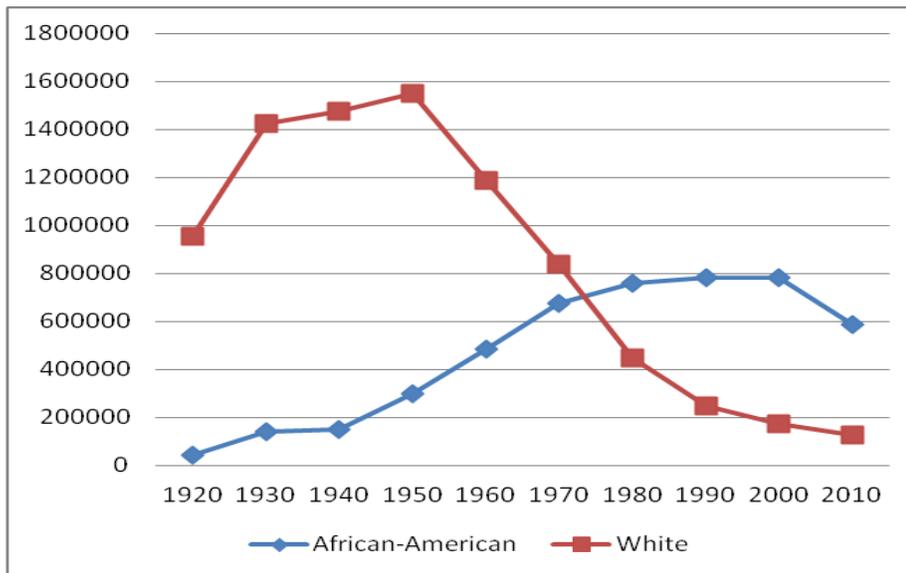
RACE

Detroit has experienced significant changes in its demographic composition in the 20th Century. In the automobile industry's early growth years, an ever increasing demand for labor was partly met by immigrants from abroad. In both 1920 and 1930, the US Census reported that

over one-third of Detroiters were foreign born. During the Second World War, the labor needs of the defense industries were met by migrants, this time by blacks and whites from the American South. By 1980, the city's foreign born population had fallen below ten percent while African-Americans made up 76 percent of the total.

The rapid growth of Detroit's African-American population during the 1940s and 1950s occurred at a time when the city's white population also continued to grow (Figure 6). Detroit's white population peaked in 1950, declining by more than a million by 1980. The African-American population of Detroit, however, continued to grow, reaching a plateau of just under 800,000 in 1980. Since 2000, the number of black residents leaving Detroit has also increased.

Figure 6 City of Detroit Racial Trends, 1920-2010



Source: US Bureau of the Census.

The expansion Detroit's African-American population led to competition and conflict with the majority white population, particularly over housing (Sugrue, 1996). Attempts to integrate the growing black population into white neighborhoods led to protests in 1925 and

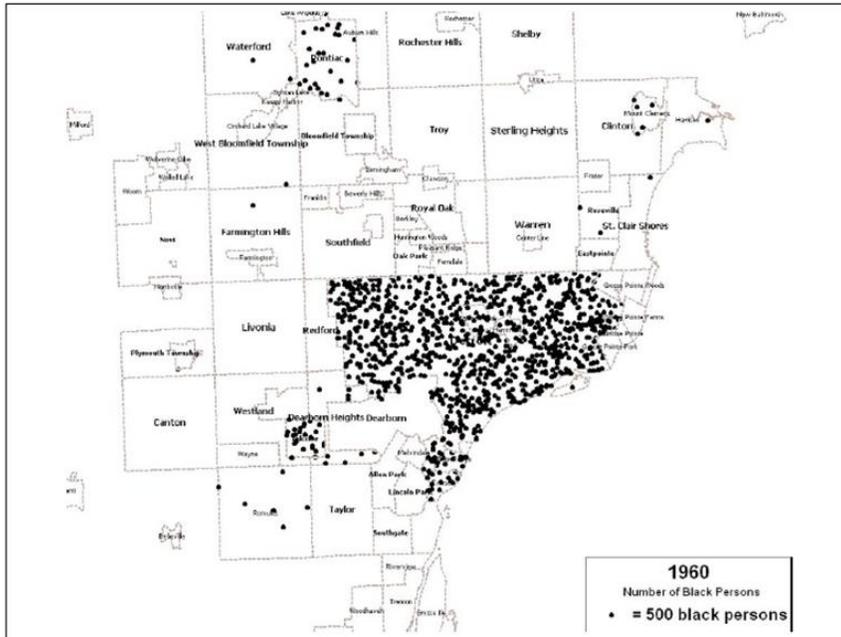
1942.⁸ A major race riot in 1943 reflected increasing competition for housing and jobs between newly arrived African-Americans, white migrants from the South and ethnic whites. The disturbance, which was eventually quelled by federal troops after three days, left 34 dead and was America's deadliest civil disturbance to date (Sugrue, 1996).

Detroit suffered another major racial conflict in 1967, which lasted for five days, resulted in 43 deaths and once again required the intervention of federal troops. As in 1943, a variety of factors contributed to the violence: brutality against blacks by the largely white Detroit police force was a prominent motivation. The riot expanded white flight that had begun well before the 1967 riot/civil disturbance (Sugrue, 1996).

To fully understand the racial history of Detroit, the larger metropolitan area must also be considered. Figures 7 through 10 provide a visual representation of changing racial patterns in the city and its suburbs along with concomitant changes in income. The maps show increasing concentrations of black residents in Detroit between 1960 and 2000. Several suburbs, notably Southfield, Inkster, Pontiac and the downriver communities of River Rouge and Ecorse, had increasing concentrations of African Americans.

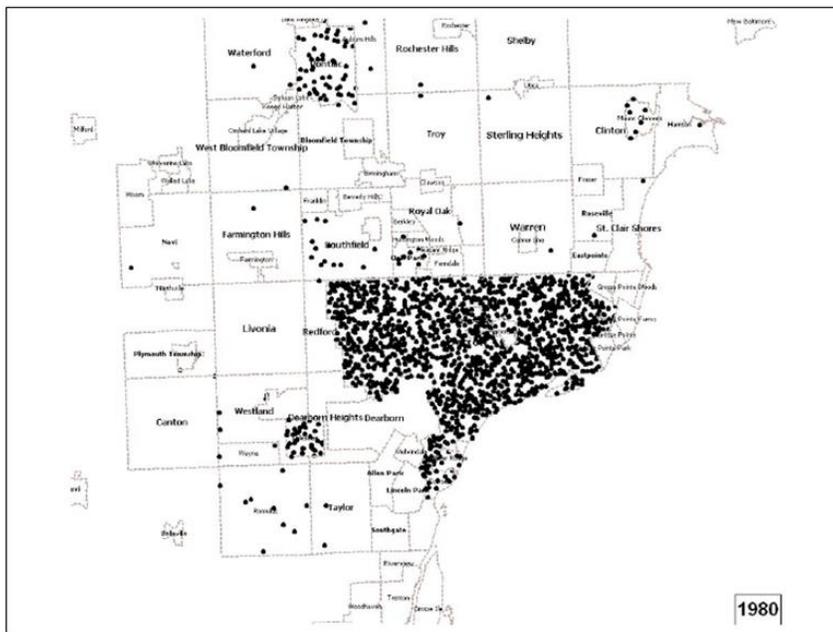
⁸ The city's first race riot occurred during the Civil War in 1863.

Figure 7 Metro Detroit Black Population, 1960



Source: Data Driven Detroit.

Figure 8 Metro Detroit Black Population 1980



Source: Data Driven Detroit.

index score can be interpreted as the percentage of one of the two groups included in the calculation that would have to move to different geographic areas in order to produce a distribution that matches that of the larger area. A majority (74 percent as of 2010) of black (or white) residents would have to move within the larger metropolitan area for Detroit and its suburbs to an even racial distribution. This reality and the racial distrust it has engendered over time have left an indelible mark on Detroit civic culture and, as will be discussed below, has hampered the formation of a stable governing regime.

The confluence of *de facto* racial and economic segregation resulting from the exodus of higher income residents of all colors, as well as businesses, has created a situation that may be analogous to Bantustans in South Africa. These purportedly self governing “homelands” for black South Africans, institutionalized in 1959 through the Bantu Self-Government Act, created quasi-independent states that were underindustrialized and not economically viable.⁹ Detroit has become a majority minority city where political control has not evolved sufficiently to ensure the availability of the capital investments, employment, and fiscal resources required to keep the city economically viable and politically governable.

REGIMES AND DETROIT

The economic dislocations and history of racial segregation and distrust just discussed have had an enduring impact on the governance of the City of Detroit. Regime theory does not adequately explain governance in cities without regimes (such as Detroit) or regime change as a result of external shocks (such as the Great Recession); nor does it engage the larger governing culture of which regimes are only a part. Detroit’s long history of economic distress, racial discrimination and segregation, has prevented the formation of a stable governing regime. Instead, policymaking and implementation has fractionalized into a number of temporary issue

⁹ George Sternlieb (1974) described a similar approach to US urban policy in his “City as Sandbox”.

networks. A long-standing culture of distrust, both internally and externally, has worked against regime formation contributing to the city's inability to address chronic challenges associated with long-term structural economic decline.

Regime theory makes a distinction between the structure of government and the act of governing. Government structure includes the forms of local government organization and the roles of elected and appointed officials. However, to make things happen in a community - to marshal resources, mediate competing interests, and negotiate the necessary agreements to enact and implement policies - government officials need to form coalitions with other groups (Keating, 1991). Local officials are unable to effectively govern without the wealth and influence that powerful business interests possess (Stoker, 1995).

Stone (1989) initially described three regime types: Corporate, caretaker, and progressive, later dividing the progressive category into middle-class progressive and lower-class opportunity expansion regimes (1993). The number of regime types has expanded over time through the efforts of other scholars (see, for example, Orr and Stoker, 1994; Stoker and Mossberger, 1994; Ramsay, 1996; and Imbroscio, 1998). Despite the proliferation of typologies, research clearly indicates that corporate regimes are the most common, because the regime formation process privileges business interests. Most regimes require a cooperative arrangement between local government officials and business leaders (Stone, 1989; Imbroscio, 1998: 234; Dowding, 2001), further, strict definitions of a regime require that business interests must be present and stable over time (Mossberger and Stocker, 2001). Consequently, many cities do not have regimes at all (Reese and Rosenfeld, 2000; 2012) or have had stable regimes collapse in the face of economic shocks.

In addition, regime studies have tended to focus on internal local actors without giving sufficient attention to external forces such as intergovernmental relationships both horizontal and vertical, including both state and non-state actors (Peters and Pierre, 1998; Rhodes, 1996; Kettl, 2000).

Detroit's historically fraught relationships with, and animosity toward, its suburbs and state government are inherently connected to its governing arrangements and the world views of many of its elected officials.

Detroit's Mayoral Leadership

Detroit has a "strong mayor" form of municipal government; a nine member City Council has been elected at large for the past century. This has provided opportunities for mayoral leadership to deal with major crises. Detroit is the only city that has two representatives on Melvin Holli's list of the ten best big city American mayors (1999). Unfortunately, more recently Detroit's mayors have been much less effective.

Detroit has had a history of recovery from economic disasters. The Panic of 1893 had a devastating effect on Detroit and other cities. Hazen S. Pingree, a Progressive Republican businessman, was elected mayor (1890-97) on an anti-corruption platform (Holli, 1999). When the nation-wide financial collapse occurred in his second term, Pingree provided civic leadership, introducing "relief" programs (including the precursor of today's urban agriculture programs) that provided short term benefits that blunted the worst of the economic distress. He also championed municipal ownership of utilities and transit. While these reforms provided some temporary relief and were copied by other cities, real recovery did not occur until Henry Ford and other entrepreneurs began producing motor vehicles that ignited the explosive growth of the city described earlier.

Four decades later, the Great Depression erased much of the city's recent gains. Once again, the election of strong and effective municipal leadership, Mayor Frank Murphy (1930-33), greatly improved the delivery of municipal services and introduced reforms that provided long lasting benefits. He convinced industrialists to make their vacant factories available as shelters for homeless men, extended the repayment period for delinquent property taxes to seven years and encouraged "thrift gardens" on City-owned properties (Bak, 2007). Nevertheless, despite Murphy's efforts, the economic recovery of Detroit (as well as other American cities) did not begin in earnest until the Second World War created demand for new products (tanks and planes this time rather than automobiles) and an outlet for the excess labor force.

Jerome P. Cavanagh's term (1960-70) marked a watershed for Detroit's mayoral leadership. Elected as a reform mayor, Cavanagh was successful in implementing reforms that benefited Detroit's burgeoning black population and in garnering support from the Detroit community. He was also extremely successful in attracting Federal funds from the Kennedy and Johnson administrations.

Cavanagh's promising political career was destroyed by the 1967 riots. He lost the support of both black and white residents, as well as the business community. He was succeeded by Roman Gribbs (1970-74), a former judge and law-and-order candidate, who accomplished little in his single four year term.

Coleman A. Young, a prominent figure in the Civil Rights movement and a State Senator, became mayor in 1974 and served for the next 20 years. Young's rhetoric increased the divide between city and suburbs, which increasingly became a divide between blacks and whites. Although capable of working with individual business leaders (including persuading Henry Ford to undertake development of the Renaissance Center), private sector investment and participation

in Detroit increasingly came at a price. The traditional cooperative government-business regime shifted to a “vendor regime” in which every private investment came at a price in terms of land write downs, tax abatements or other incentives.

Young was not the only local mayor to raise racial issues. Orville Hubbard, the mayor of Dearborn (a contiguous suburb) from 1942-1978, was an open and outspoken segregationist. His public campaign slogan to “Keep Dearborn Clean” was widely understood to mean that non-whites were not welcome in the suburb.¹⁰ Thus, Hubbard and Young were the public faces of a longstanding dialogue of racial distrust between Blacks and Whites in both Detroit and the region.

Dennis Archer, who succeeded Young as mayor of Detroit served two terms (1994-2002). He was a former Chief Justice of the Michigan Supreme Court who was committed to improving relationships with the business community and Detroit’s suburbs. Although Archer had some success in mending fences with the suburbs, the business community remained outside of the governing regime, refusing to make investments unless their projects received public subsidies. As a result, Detroit made surpassingly little economic progress during the boom years of the 1990s.

Detroit’s next mayor, Kwame Kilpatrick (2002-08), resembled Jerry Cavanagh in some respects. He was young, ambitious and eloquent. He also met with political disaster in his second term, when he was removed from office after being convicted on Federal corruption charges. The hallmark of his years in office was corruption and mismanagement. Detroit truly had no regime during the Kilpatrick years.

¹⁰ It should also be noted that this slogan is still in use in Dearborn albeit putatively in its more literal meaning as it continues to be displayed on trash receptacles.

Kilpatrick's successors, Kenneth V. Cockrel (2008-09) and Dave Bing (2009-14), were mayors more in the mode of Dennis Archer – honest and dedicated but essentially overwhelmed by the economic circumstances that they inherited. For both, their time in office was a classic case of dealing with fiscal emergencies; neither had an opportunity to build a governing regime. Given how Detroit's fate has been playing out, it is by no means clear that they would have found any potential partners.

Perhaps Detroit's mayoral "stars" (Pingree and Murphy) are favorably remembered because they benefited from timing and circumstances. The opposite is true for Cavanagh, the last Detroit mayor to enjoy anything like an effective governing regime. For more than three decades, under four different mayors, Detroit has drifted inexorably downward, without a regime to guide it.

Detroit, in particular, is not well served by regime theory in these respects. Initial regime studies of Detroit during the Young administration identified it as having a downtown development regime focused on major projects in the central business district (Rich, 1989); this has also been referred to as a "vendor regime" where development interests propose projects and the city administration facilitates their implementation (Kantor et al., 1997). Yet, many challenges to the maintenance of a stable regime were already present when Coleman Young became mayor (Rich, 1989; Bockmeyer, 2000): economic disinvestment by major corporations, population loss, and racial segregation dividing Detroit and its suburbs. Due to the exodus of the automotive interests—leaving the city "fleeced and abandoned" according to Mayor Young (Chafets, 1990; 50)—and increasing concerns about his downtown revitalization strategy (most prominently the fact that it involved generous tax incentives to businesses while the city's neighborhoods were crumbling), the Young administration never forged a stable regime.

In 1994, Orr and Stoker wrote of a nascent human capital regime potentially developing in Detroit, but they concluded that it had yet to be institutionalized. Bockmeyer's examination of the Detroit Empowerment Zone process in 2000 showed little evidence that this regime had taken hold. Rather, a culture of vertical distrust and "the interlocking factors of racism and capital abandonment endemic to Detroit since World War II, bred doubt regarding the ability of governmental decision-makers to produce corporate reinvestment and cultivated distrust towards policy-makers", thus inhibiting the stabilization of a governing regime (Bockmeyer, 2000: 2435).

Detroit traditionally has had no regime because of deficits in the four key conditions for regime formation and maintenance: an agenda agreed upon by primary stakeholders; a governing coalition of business and public actors; sufficient resources for governing; and long-standing patterns of cooperation or communication between business and local government (Stone, 2005). Further, cooperation between a weak philanthropic sector, community groups, and these interests has also been lacking (Bockmeyer, 2000). Most importantly, the history of racial distrust, segregation, and discrimination has shaped a culture where the cooperation necessary for regimes to operate has been absent (Greenstone and Peterson, 1997). Indeed, the city has leaned more toward a "cult of personality" (a mayor-based machine) that has defied neat classification based on regime theory.

It has been suggested that one of the critical challenges to recovery from Hurricane Katrina in New Orleans is that city, like Detroit, lacks a governing regime (Burns and Thomas, 2006). In such cases fluid networks of stakeholders "rise and fall" in response to specific problems, organized around a particular project (Burns and Thomas, 2006). The concept of governing networks may be more useful in understanding governance in cities like New Orleans and Detroit. Networks link interdependent actors and groups in a non-hierarchical, self-

organizing arrangement in which formal lines of authority are blurred. Their membership extends beyond local government, and in many cases, beyond business interests (Agranoff and McGuire, 1998). The resources necessary to address critical urban issues are assumed to be dispersed across a range of actors. The concept of governing networks creates an urban governance environment that is much more fragmented and fluid than regime theory would suggest and may be particularly appropriate for understanding cities that lack stable governing regimes.

The concept of a civic culture has been applied to better understand the larger environment in which regimes and networks operate. The civic or governing culture is defined as “the range of accepted modes of governance...the formal and informal structures for policing discourses and practices” (Clarke, 2007:10). It is helpful for understanding governing in communities, what is accepted and tolerated as well as what is rejected and protested, and what affects the nature of public policy (Bacot, 2012). Racial and ethnic identities are particularly potent aspects of local culture, leading some scholars to frame culture in terms of conflict, treating cultural politics as a venue for struggle as racial and ethnic groups “forge communities, reproduce inequalities, and vindicate exclusions” (Moore, et al., 2003: 2).

The civic culture framework is particularly useful in the case of Detroit since its history of racial division has created a culture of distrust (Bockmeyer, 2000) that extends both vertically (between individual citizens, neighborhood associations, non-profits, and city government) and horizontally (between the city, its suburbs and the state government). The larger civic culture in Detroit has served as a major obstacle to the formation of a stable governing regime. Essential components of effective regimes, such as corporate or religious leadership, have for the most part failed to engage in city governance. Instead, the external shocks created by the Great Recession

and other events described in the paper have exacerbated the culture of racial divisions to fragment governing to the extent that structural actors (mayor, council, and appointed officials) operate separately from, and in many cases at cross-purposes to, the networks of actors that are needed to implement policies in the city.

DISCUSSION

Detroit's problems are extreme, but they are not unique. Elements of this tale of de-industrialization, depopulation and (perhaps imminent) fiscal collapse are shared by many American communities. Cities from Boston to St. Louis have seen their traditional industrial base disappear. Many of Rust Belt cities have experienced significant population losses. Riots and civil disturbances occurred in more than 30 American cities in the 1960s. The Hurricane Katrina-devastated neighborhoods in New Orleans rival the abandoned ones in Detroit. Detroit is the largest, but not the only city to have filed for bankruptcy.

Virtually every American city has been forced to adopt cost saving measures since the Great Recession. What singles Detroit out from the rest, however, is the extent of the cutbacks and what they mean to a city whose citizens are so poor (36.5 percent living in poverty) and so dependent on public services. In a city with less than half of its street lights working and a high rate of crime, reducing the size of the police force seems unwise. The problems caused by vacant and abandoned structures (Galster and Raleigh, 2012) make a case for maintaining firefighting personnel. Reductions in bus service in a city when the unemployment rate is over 18 percent and a quarter of households do not have a car, seems unconscionable. Reducing recreation and cultural services will have the greatest impact on the population that is poor and has limited mobility.

In the past, cities such as New York (1975), have faced similar deep fiscal challenges; yet city leaders there were able to respond effectively to the circumstances and New York emerged from the crisis on solid footing. Yet, over the past five years, Detroit's efforts to retrench and restructure have seemingly been to no avail. Unable to forge the broad-based coalition needed to address these challenges, elected officials chose to ignore them (Davey and Williams Walsh, 2013).

How is it that some cities are able to transcend deep structural changes, whereas others fail to evolve and ultimately collapse? In the context of Regime Theory, the difference in outcomes depends on whether leaders are able to assemble a coalition of political and economic elites to marshal resources, mediate between competing interests, and negotiate the necessary agreements to enact and implement policies appropriate to meet the new economic realities. Without the formation of an effective regime, local officials are unable to effectively govern (Stoker, 1995). New York, under the Mayors Hugh Carey and then Edward Koch, was able to bring together business and other elites to form a plan that addressed the city's challenges and garnered support of state authorities.

Will Detroit be able to recover from its current plight? Strong local government leadership was important, perhaps critical, in the city's economic recovery from both the Panic of 1893 and the Great Depression. But the real basis of lasting economic recovery from these earlier events has not been innovative local programs but rather the creation of tens of thousands of new jobs. There seems to be little reason to believe that this post-recession period will be any different.

The Great Recession of 2008-10 differs from these earlier episodes in several other respects. For Detroit, it did not represent an abrupt reversal of economic fortunes, as was the

case in 1893 and 1933. In 2008 Detroit was already at the end of decades of economic and demographic decline. The Great Recession made matters worse for a city that had few resources left. While the national recovery from this economic disaster has been slow and uneven, it has been most robust in cities that entered the downturn with relatively healthy economies (Brookings, 2013a). If Detroit could be brought back to 2007 economic conditions, the city would be struggling at, or near, the bottom of the economic ladder of most indicators.

A second key difference between the historic recoveries and today is the significant changes in the racial composition of the city and its metropolitan area. In the 1893 and 1993 economic crises, Detroit’s population was larger than that of the metropolitan area. In 1930, Detroit was predominantly (90 percent) white, while the suburban population was 95 percent white. By 1970, Detroit contained about 38 percent of the total population and more than 87 percent of African-Americans. Since then, suburbanization of both blacks and whites has increased so that, in 2010, Detroit included just over 18 percent of the total metro area population but 60 percent of the area’s African-Americans.

Table 4 African-American Population of Metro Detroit

	City of Detroit		Balance of Tri-County Area		Michigan	
	Population	% African-American	Population	% African-American	Population	% African-American
1890	205,876	1.7%	124,296	0.6%	2,093,889	0.7%
1930	1,558,662	9.6%	618,681	4.9%	4,842,835	3.5%
1970	1,511,482	43.6%	2,588,429	3.8%	9,875,083	10.0%
2010	713,777	82.7%	3,150,147	12.2%	9,883,640	14.2%

Source: US Census of Population.

These demographic shifts have placed Detroit at a considerable disadvantage, both economically and politically (Orfield, 1999; Sauerzopf, 1999). Many suburbanites consider dealing with Detroit’s problems to be Detroit’s problem. Whether motivated by racism, parochial concerns (suburban communities have also lost jobs and tax base), the general dislike for taxes

and government programs, or simply a recognition that Detroit is no longer as important a part of the metro area or the state, there is wide-spread indifference to Detroit's current plight.

A third important factor is the decade's long pattern of sprawling development. Not just population but employment has moved further from the city. A recent study by Brookings Institute (2013b) found that more than three-quarters of Detroit area jobs were located ten or more miles from the city center, one of the highest incidence of job sprawl among the 100 largest metro areas. Moreover, almost half of the remote jobs are concentrated in high density clusters, providing an alternative to the Detroit CBD (Brookings, 2013b). For many suburbanites, Detroit has become irrelevant to their daily lives.

The comparison made earlier to New Orleans is pertinent here. Burns and Thomas note that New Orleans is a "non-regime city:" "The lack of a regime, which predates the Katrina crisis, explains many failures that surround governmental reaction to this hurricane" (2006: 517). If one were to substitute "Detroit" for New Orleans" and "financial" for "Katrina" the statement would be just as true. The policy networks that have developed in Detroit are not sufficiently stable or resourced to counteract the internal and external distrust which is a part of Detroit's civic culture.

During the entire period of decline, whether the mayor was of Caucasian or African American descent, the long history of racial distrust, segregation, and discrimination has shaped a culture where the cooperation necessary for regimes to operate has been lacking. The potential for Detroit to emerge from near collapse ultimately rests on the region's ability to transcend the racial distrust so the players can come together to form a regime sufficiently strong so as to develop effective strategies, implement necessary reforms, and remove the barriers to redevelopment.

- *“We will solve the problems of the city by leaving it” (Henry Ford, 1927).*
- *“[M]otor company executives’ ...view of the prospects for turning Detroit around was gloomy” (Orr and Stoker, 1994)*
- *“Detroit is likely to continue to be the prototype of urban decline” (Sands, 2002)*
- *“...or risk going the way of Detroit” (Florida, 2005)*
- *“The result [of Collective Irrationality] is a dysfunctional, unsustainable metropolitan area” (Galster, 2012)*
- *“There was no one in charge of the city anymore” (LeDuff, 2012, 112)*
- *“There is no financial emergency. They want our stuff” (Detroit Mayoral candidate Tom Barrow March 1, 2013)*

The above quotes are illustrative of how Detroit’s problems are perceived by residents and outside observers. Finding appropriate responses and the political will to change has simply not been possible. Nevertheless, despite all of its problems, Detroit is still inhabited by 700,000 people in a 140 square mile space. Neither the people nor the place will simply vanish. Detroit’s problems must be addressed. Although continuing to ignore Detroit’s problems may be the option favored by many outside the city, this is unlikely to result in a fully satisfactory resolution.

Post-Bankruptcy Detroit

Will bankruptcy bring a recovery to Detroit? This seems unlikely. Municipal bankruptcy is, first and foremost, about determining who will be repaid and how much they will receive. With total obligations in the neighborhood of \$20 billion and tens of thousands of creditors and pensioners, it is impossible to predict the final outcome with certainty. Some of the City’s debts will be restructured (repaid over a longer term at a lower interest rate), some (perhaps retiree health care costs) will be shifted to others and some will simply be defaulted.

The bankruptcy settlement will impact future municipal operations, setting the parameters of available resources. A number of public services may be eliminated, others privatized or subjected to new or higher user fees. Some services may be shifted to other public

agencies. Regionalization may be an option for some services but there is only limited precedent for this in metropolitan Detroit. Restructuring the City of Detroit's operations may provide a new definition of essential public services.

In time, bankruptcy may help to create some measure of investor confidence in the City. It will not, however, address the fundamental realities faced by a city that has few jobs and a work force that is often lacking in basic skills, let alone the ones necessary to succeed in the new economy. Even if new firms can be attracted to the city by cheap land and other incentives, they may provide limited direct benefits to Detroit residents. Bringing new jobs to Detroit is not the same as bringing new jobs to Detroiters.

It is expected that it will be at least two years, perhaps longer, before Detroit emerges from bankruptcy. It is virtually impossible to predict what the city will be going forward. There are a number of possible scenarios, none likely to be appealing, either to Detroiters or other Michigan residents:

- Municipal operations could be reduced to the barest essentials, including only the services that could be supported by a realistic budget established that ensures the City is able to maintain fiscal balance.
- All public sector functions of the residual Detroit could be taken over by other governmental entities, including newly-created local or regional authorities or by the county or state.
- Detroit could be dissolved as a municipal corporation with the more viable areas incorporating as smaller municipalities.¹¹ In some instances, the more viable areas might be annexed by adjacent suburban municipalities. The balance of the Detroit territory would revert to Wayne county control.
- The City divests itself of responsibility for most public services; these would be provided by regional authorities or the private sector. City residents would have little voice in decisions about the public services that would be provided.

¹¹ The State of Michigan has recently used this approach to dissolve two small, insolvent public school districts.

- The city could be treated as a “homeland” or “sandbox” (Sternlieb, 1974), with limited political and decision making powers available to city residents. By confining the problems of the city to the city, the suburbs and the rest of the state will ignore them.
- The city becomes a *de facto* colony, with its resources exploited primarily for the benefit of others. This scenario has considerable currency among Detroiters (see Barrow quote above), but it may be the least likely of the potential outcomes. In reality, for most suburbanites, Detroit offers little of value.

Will Detroit, as it goes forward, find a benign path to recovery, one that offers lessons for other aging Rust Belt cities? Or will the prevailing culture of racism/mistrust/antipathy that exists in Southeast Michigan trump the efforts to address the financial and political issues? However Detroit’s future plays out over the next decade, there is no assurance that the city that emerges will be better off than today. But it will most certainly be different.

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