Emergency manager’s ex-law firm hired to oversee Detroit restructuring

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Jones Day, the bankruptcy law firm where Kevyn Orr worked before becoming Detroit’s emergency financial manager, has been retained by the city of Detroit as its “re-structuring counsel.” The firm was chosen by Mayor David Bing three days before Orr was appointed Detroit’s EFM and is expected to work closely with Orr to renegotiate Detroit’s $16.9 billion in debt.

The establishment of a “re-structuring counsel” is one of the provisions in Public Act 436, the law which gives emergency managers across Michigan sweeping powers to tear up labor agreements, slash city services and sell off public assets. The law firm is being presented as a benign player whose only interest is to avoid a municipal bankruptcy by giving the city more time to renegotiate current and future debt obligations.

Similar arguments were made in 2009 during the Obama administration’s restructuring of General Motors and Chrysler. Jones Day was one of the law firms hired by Chrysler, and Orr one of the lead attorneys in the bankruptcy case, which oversaw the shutdown of factories and hundreds of car dealerships, the elimination of tens of thousands of jobs and the slashing of workers’ wages.

The same is being done to Detroit. This time the same law firm and bankruptcy attorney are working on behalf of the major financial institutions, which control Detroit’s municipal bonds, in order to plunder the city’s resources and maximize the returns on their investments. Among its clients are major holders of Detroit’s debt, including USB AG, Citigroup, Bank of America’s Merrill Lynch, Goldman Sachs and Muriel Siebert and Co., an affiliate of the SBS Financial Group.

Jones Day is an international law firm founded in Cleveland in 1893 with a reported revenue of $1.6 billion in 2011. It is well known throughout its history for representing the interests of the corporate-financial elite. Its list of clients includes Bank of America, Lehman Brothers Holdings Inc. and Citigroup. The firm boasts on its website—in the article announcing Orr’s new position, no less—that it “acts as principal outside counsel to, or provides significant legal representation for, approximately half of the *Fortune* 500, *Fortune* Global 500, and *FT* Global 500.”

The firm also has direct ties to the Democratic Party. They gave more than $190,000 to finance Barack Obama’s campaign in 2011-2012 and gave nearly $120,000 to the DNC Services Corp, a PAC for the Democratic Party. They also contributed to the Republican Party, giving presidential candidate Mitt Romney nearly $129,000 for his election campaign.

While there is reportedly no *legal* conflict of interest—because Jones Day is not officially representing both Detroit and Detroit’s creditors—there is a clear *ethical and political* one. The firm’s loyalties are towards the banks and corporations now circling Detroit like vultures over a rotting carcass. They, along with Kevyn Orr, will do their utmost to ensure those interests are upheld.

This means a wholesale attack on the working class of Detroit, the one constituency that has absolutely no say over any of these economic or political decisions. Instead, a multimillionaire Mayor and City Council—whose members and appointees have repeatedly been indicted for corruption—a Wall Street law firm and unelected emergency manager are conspiring to downsize and slash the wages and pensions of city workers, gut what remains of essential services like firefighting, transportation and sanitation, and sell off valuable assets like the highly profitable water supply system. The masses of people—those who will lose thousands of dollars per year from the lack of basic services or direct pay cuts—have absolutely no say in what should be done to handle the crisis in Detroit.

The confidence Wall Street has in the team that was sent to loot the city was demonstrated last week when Moody's upgraded Michigan's rating outlook from stable to positive. In a similar move, Fitch brought the state's general obligation bond debt up from AA- to AA.

Another example of this brazen robbery is the plan devised by Quicken Loans founder Dan Gilbert to gentrify Detroit. Tens of millions of dollars of public funds will be used to revitalize an area of Detroit where Gilbert has recently bought three million square feet of downtown real estate. He has expanded his investments knowing he will reap the benefits when the area is remodeled at public expense.

Throughout this process, Detroit's major media outlets have been complicit. They have reported that Jones Day is being retained by the city and that Orr once worked for the company, but they raise no serious objections. Nor do they object to the idea that Wall Street is directly imposing its will over the city in order to sap as much wealth out as possible.

Moreover, both Orr and Jones Day have little to fear from the corrupt establishment that has ruled Detroit for decades. Various lawsuits against Orr and appeals to Snyder, spearheaded particularly by the local trade union apparatus, are only a smokescreen to the backdoor discussions aimed at making sure the city's black Democratic elite gets their cut from selling off public assets and privatizing public resources.

No matter the forms, the ultimate goals of the corporate and financial elite are to squeeze as much money out of Detroit as possible at the expense of the working class. They will do so with the aid of a local political and trade union establishment and the corporate owned media. A genuine opposition will only emerge on the basis of the independent mobilization of the working class against the two big business parties.