**DETROIT’S TROUBLED WATERS:**

**RACE, POLITICS, BANKRUPTCY & REGIONALISM**

**SUBMITTED TO:**

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**Abstract**

This paper discusses the primary issues surrounding the Detroit Water and Sewerage with the aim to provide some of the possible solutions to the challenges facing the residents of Detroit and its suburbs. The City of Detroit encounters several problems ranging from poor services to the Detroiters, racial segregation and increased rate of unemployment. In addition, following poor management of the city and its resources there increased debts. Further, the retirees have not been paid their pensions. The suggested recommendations have worked for different municipalities and other forms of public administration management. This report shall discuss the core responsibilities of the council of Detroit, urban economics in Detroit and the impacts of racial and economic prejudice as well as the leadership role played by the emergency manager appointed by the Governor of Michigan.

**Introduction**

The City of Detroit is a metropolitan city facing enormous challenges including financial challenges, education, health, and unemployment among other challenges. The fundamental subjects of discussion, in this case, is the determination of the available and viable means of offsetting the city council debts including the payment of pensions to the long overdue retired employees, the city council creditors as well as rendering standard and reasonable services to the Detroit’s population. The management of the City of Detroit presented various financial problems to the council and that the accrued debts are unbearable. Notably, the city exhibits a high degree of racial segregation. It is apparent that most of the whites who used to live in the city relocated to the city suburbs (Varley & Mayne, 2017). On the other hand, the population of the black Americans in the city of Detroit continues to rise especially beginning the mid-20thcentury (Varley & Mayne, 2017). Additionally, the city has a political influence on the management of its resources. However, the efforts to establish a lasting solution to the existing challenge surrounds the Water and Sewerage Department since the system is the most valuable asset of the council (Varley & Mayne, 2017).

**Assessment of the Fundamental Problem and its Causes**

Detroit’s Water and Sewer Department (DWSD) is the most valuable asset for the city of Detroit with services that link the Detroiters and the white populated suburbs. In this regard, the council determines various ways to restructure and improve the services. Firstly, following the increased debts, the council faces the bankruptcy case. Secondly, the Michigan Governor appoints an emergency manager who would find the best way possible to deal with the challenges and provide the lasting solutions. The manager, Mr. Orr, examine the DWSD as a possible way to find resources and harmony among the Detroiters and the White Suburbans. One of the major puzzles is how to ensure the smooth running of the DWSD for the benefit of all the population and at least offset some of the pending council debts. In this regard, the manager initiates the regionalization process of the DWSD that encounters serious opposition by the whites from the suburbs. The manager, following the time limitation, establishes privatization of the DWSD as the only possible solution. However, the negotiations resume with a court-appointed mediator Judge Cox.

The case demonstrates various ways that public administration can lead to mismanagement and consequent bankruptcy or unwarranted court cases, hatred and other public issues. Further, the case study demonstrates the extent to which racism extends in some areas to a point that some of the public utilities may not be effectively negotiated for the benefit of all the stakeholders (Bailey et al., 2017). For instance, while the people from Oakland and other suburbs are financially stable, some of them would better opt out of the DWSD and contract a different water and sewerage system. Additionally, the Detroiters are not able to show the need to include the whites in the management of the DWSD to bring the unity that would eventually solve the problems. In fact, the council shuts off the water supply even after the negotiations to appoint where the United Nations intervenes.

The bankruptcy case of Detroit city council and the water and sewerage department presents a major financial crisis facing the council of Detroit. It is clear that following the financial crisis, the Detroiters have been facing other major economic challenges including educational challenges, health issues as well as unemployment among the greater population (Varley & Mayne, 2017). The council has not only incurred huge amounts of debts to its creditors but also has failed to honor its outstanding pension to most of the retirees. Additionally, the lack of adequate finances, the council has not been able to provide standard services to the constituents of Detroit. It is notable that the council has been over-reliant on the funding from the federal government and the state in the funding of its major programs (Cox, 2015).

In addition, following desperation on the financial concerns, the council has increased the taxes while introducing other forms at least to increase its revenue in order to cater to the services as required by the residents. However, instead of increasing its revenue through the additional taxes, the council loses the revenue following the relocation or transfers of most of the residents to other counties that do not tax heavily. Heavy taxing discourages investors (Henry, 2017). In this regard, most of the investors move to other regions with lower taxes where they would make considerable profits.

There are various causes of the experienced financial crisis. One of the fundamental causes of the financial problems is the leadership and management of the city of Detroit. As explicated in the case, it is apparent that the council has been having poor council administration. Saliently, the council’s administration especially beginning the mid-20th century mismanaged the council resources while involving corrupt deals (Varley & Mayne, 2017). In fact, some of the corrupt officials faced long jail sentences. Additionally, following the corrupt deals, the administration failed in delivering services to the people leading to increased poverty, poor education and health services as well as unemployment among the residents mainly because of lack of qualifications and skills.

It is also important to state that the financial crisis was caused by the increased racial segregation between the black Americans and the whites (Varley & Mayne, 2017). Notably, the whites owned most of the businesses in the region. When the whites started moving to the suburbs, most of the businesses were closed or transferred to other parts including the suburbs. Consequently, a significant number of people particularly the blacks lost their jobs. Additionally, following racial factor, most of the blacks were poorly paid by the whites thus making the blacks less contributing to the economy in the region (Varley & Mayne, 2017). According to economists, the growth of the economy largely depends on consumer spending (Grimmelikhuijsen, Jilke, Olsen & Tummers, 2017). Therefore, with less spending among the poorly paid black Americans, the council of Detroit could hardly collect sufficient revenue to provide standard services to the people (Kettl, 2015).

Another factor that contributes to the increased financial problem in the region is the political formation in the four regions including Oakland, Macomb, and Wayneas well as the Detroit region. Notably, the whites from Oakland have been voting the republic side until their recent political change to the democratic side. On the other hand, Wayne and the council of Detroit voted democratic side in all elections including the presidential voting. While many people would ignore the political aspect in the region, it is clear that it plays a significant role in the financial crisis. While the leaders get insignificant votes from the region of Detroit, they often tend to disregard the need for development programs in the region.

As earlier mentioned, additional factors play a role in creating a wide pool of an unemployed population. For instance, lack of the required skills and academic qualifications increases unemployment. Following unemployment, the population can hardly meet their daily and basic needs. In this regard, many school-aged populations end up dropping from school programs at least to look for means to put meals on the table and other personal developments. Instead of the council creating programs that would enhance the skills among the population in order to get jobs, the council continued to rely on the funding from the state and federal government (Cox, 2015). Apparently, it is important to establish that the economy can only be uplifted when people have a sustainable source of income.

Consideration of the above-highlighted perspectives is important since a single factor leads to the other. In this regard, handling or eliminating one cause of the problem would lead to the elimination of the other.

**Analysis**

As determined above, lack of understanding the human behavior by the leadership costs the people of Detroit. It is apparent that most problems occurred in the city council of Detroit would have been mitigated or dealt with at an earlier stage if the leadership clearly understood different parties involved in various deals. The human relations theory or the behavioral theory helps to understand the relations of the people as well as identifying a different kind of motivations that work better for different personalities (Grimmelikhuijsen, Jilke, Olsen & Tummers, 2017). It is apparent that the core problem is inability and inefficiency by the leadership to direct the resources of the city in the right direction. Firstly, the city council mayor finds different ways to loot the resources of the city council. Notably, the mayor, particularly in the mid-1950s, used corrupt deals that latter emerged harmful to the order of the council and service delivery to the people of Detroit (Varley & Mayne, 2017).

According to the human relations theory, leaders must keep a third eye in the undertakings of the individuals so as not to harm them or distract the core objectives. In this regard, when the other part of leadership realized the corruption in the executive of the council they should have blown the whistle so as to arrest the situation at an early stage. According to this theory, public management requires brave actions that would not harm the relations amongst the people. For instance, the mayor and the other part of administration could have at least determined that some of the resources would be directed to the public. However, the administration could not observe the poverty and deteriorated services in the city of Detroit. In fact, the theory argues that leaders should understand the behaviors of their followers in order to serve them better(Grimmelikhuijsen, Jilke, Olsen & Tummers, 2017). Notably, the leadership failed not only in the resources allocation and their corrupt deals but also in understanding the core needs of the residents.

It is noteworthy that the residents of the city of Detroit needed skills and education at least to improve their chances of getting jobs. In this regard, the leadership could have initiated educational programs that would increase the skills amongst the population of Detroit. In addition, the council would have initiated other programs that would create jobs for the trained within the region. The behavioral theory suggests that understanding the behaviors of individuals helps in minimizing the likely conflicts (Grimmelikhuijsen, Jilke, Olsen & Tummers, 2017). Notably, the failure to understand the Detroit constituents led to a more divided Detroit.

**Responsibilities of the Detroit City Council**

The Detroit city council is responsible for the unity of the people in the city. In this sense, the council should ensure that the people live harmoniously as one nation without any divide. It is observed that racial division increased among the people of Detroit. As mentioned, leaders are uniting factors in every group (Bailey et al., 2017). In this regard, the leaders, as demonstrated by the human relations theory failed to learn the racial dynamics in the region. A united Detroit could easily sort out the ailing issues in the region. However, the leadership ignored the racial dynamics and as hundreds of blacks entered Detroit, thousands of whites left the city to the suburbs (Cox, 2015).

It is clear that there was an increased need for corporation between the whites and the blacks. In this regard, instead of keeping a deaf ear to the racial problem, the leaders would have initiated groups that would bring together the society from both the blacks and whites for unity. In fact, it is even easier to understand the needs of the constituents while in smaller groups as each group would present their problems separately. The mayor and other leaders would not manage to unfaithfully carryout the excessive corrupt deals at the disadvantage of the other population of Detroit.

The council is also responsible for the effective and equitable distribution of the council resources. Firstly, the council should ensure that the water is evenly distributed. Notably, although the council managed to distribute water in the region, Detroiters lacked water at different times of the year. According to the human relations theory, a lack of something brings disorder amongst the people (Kearney, 2018). In this regard, lack of water in various parts of the city made it impossible for the population to handle some of their duties. Additionally, the behavioral theory explains that the desire to possess something often changes individual behavior. In this regard, some of the residents changed their behaviors towards the leadership (Grimmelikhuijsen, Jilke, Olsen & Tummers, 2017). For instance, the whites in the region started to perceive the mayor and other central leaders from a racial perspective and that it was very hard to change their notions. In fact, the latter is very clear from the negotiations on the regionalization of the DWSD. Most of the people from the suburbs demand their share in the management of the department while the Detroiters perceive the DWSD as their valuable and indivisible asset.

It was also the responsibility of the council to ensure that the finances collected from the taxes, the state, and the federal government was used in a manner to help the people of the Detroit and the surrounding. From the human relations theory standpoint, the council failed to manage the finances leading to the emerged corruption. It is important to note that different people have different wants and desires. However, the administration of public resources must be even to all. Nonetheless, most of the leaders, using corruption, marshaled the finances and other resources to increase their wealth (Varley & Mayne, 2017). It is apparent that most of the business people in the region of Detroit gave higher tax to the council in contrast to the services they received. In this regard, the mismanagement of the council resources did not auger well with the whites and felt unfit continuing their businesses in the region of corrupt leaders (Varley & Mayne, 2017). Additionally, the council continued to unreasonably hike the taxes thus turning away the investors. In fact, the mismanagement of the resources in the council contributed to the problem facing Detroiters.

As deduced from the administrative theory by Henri Fayol, leaders must be able to plan for their tasks and the tasks of others (Henry, 2017). However the administration was a major problem especially for lack of proper planning. It is apparent that planning determines the available resources and helps in the allocation of the resources to the available groups. In this regard, the council failed to plan adequately for the available resources for the betterment of the people of Detroit and the suburbs. It is noteworthy that planning is core to every administration and that leaders and managers or administrators must be able to make good use of the available resources by effective planning.

**Urban economics of Detroit and Racial Prejudice**

Besides planning, both the administrative theory and the human relations theory suggest that leaders must be visionary and innovative for effective leadership. In this regard, the administration of the council resources required the leaders to determine the best approach to ensure all the people enjoy the available resources. For example, while the management of the DWSD was at the heart of the bankruptcy case of the Detroit city council, it is important to deduce that the management of the department would be regionalized. Perceived leaders from the surrounding counties could not agree on the management of the department because of the increased racial disparity as well as the witnessing of poor management by the previous regimes as well as the current board. As earlier stated, management of public resources requires an understanding of the behavior of the public.

In this regard, since the problems facing the people of Detroit had escalated to a higher degree, it would be impractical to eradicate the problem overnight. However, regionalization would help both the Detroiters and the whites from suburbs start engaging and slowly eliminate the racial imbalance. Consequently, the whites and other investors would start coming back to the city after the restoration of unity in the region. The latter would improve revenue collection by the council. With improved revenue collection and innovative programs to enhance skills for employment, the council wouldbe able to settle thedebts, pay the pensions to the retirees while improving service delivery standards.

**Lessons Learned From the Case**

From the above analysis, it is clear that public administration requires a high level of integrity (Cox, 2015). Firstly, the major cause of the problem is the leadership of the council and the increased corruption. As deduced from the case, most of the executives of the council especially the earlier regimes were corrupt and thus the resources of the council ended up enhancing the wealth of few persons. Notably, the mayor and the close team used corruption to loot from the people. Later, the people of Detroit ended up experiencing hardships from water, education, health, and other needs (Varley & Mayne, 2017).

The other lesson learned is that public administration and the management at large demands proper planning skills (Bryson, Crosby& Bloomberg, 2014). It is clear that both the management of the DWSD and the other council resources lacked proper planning and execution of available plans. For instance, while noting the transfer of the majority of whites from the region, the council executive would have planned adequately to mitigate further transfer of its residents. Additionally, most of the residents experienced hardships for improper management of the revenue collected both locally and from the state and the federal government. In this regard, it is significant to create a framework and model of operation that would eventually lead to the realization of the desired goals.

As demonstrated by the emergency manager, Mr. Orr, and the negotiations mediator, Judge Cox, public administration demands a visionary and innovative leader. It is notable that the council executive lacked innovativeness and vision. Firstly, despite the perceived racial disparity, both the whites and the blacks needed each other. Besides, the leadership should be able to understand the behavior of the different groups and innovatively strike a balance in the role of service delivery (Grimmelikhuijsen, Jilke, Olsen & Tummers, 2017). However, because of lack of adequate vision and innovativeness, mayor Kilpatrick watched thousands of his constituents transferring to the suburbs and other regions without any tangible action (Varley & Mayne, 2017). The latter not only demonstrates the extent of racial prejudice but also lack of vision and innovativeness among the leaders. Oftentimes, societies experience differences and conflicts. However, leaders would always find ways out of their conflicts for unity and fair administration of the public and the available resources (Varley & Mayne, 2017).

It is also important to state that racial disparity is a major concern that would hamper the development of a place including social negotiations. Besides the corruption and resources mismanagement by the council of Detroit, race played a significant role in aiding the development of Detroit. As demonstrated above, the people of Detroit began to feel extensive hardships with the withdrawal of the whites from the region. It is notable that racial segregation prompts unbalanced resource distribution as well as unfair treatment between different groups (Cox, 2015). For example, although Oakland and other suburbs had enough wealth to share with the Detroiters, they could hardly agree to the request by the Detroiters on paying some money to the city council of Detroit. Instead, they would rather contract a different sewer company from other regions but not to aid in the reconstruction of Detroit by paying its debts and improved services.

As demonstrated in the case, public administrators should not only be able to administer the resources but should be able to solve public conflicts while demonstrating effective communication skills. For example, despite the fact that racial factor played hampered successful negotiations towards the regionalization of the Detroit Water and Sewer Department, Orr and his team either did not communicate all the required facts to the representatives of the other counties in a clear manner or the representatives were not willing to listen to the facts. Apparently, public administrators must be willing to listen to others as well as be effective communicators. Nonetheless, the emergency manager realized the communication breakdown and made his determinations would be privatized or sold if the negations bore no fruits.

**Warranted actions**

While noting that the DWSD is the greatest and most valuable asset of the Detroiters, it is important to engage different administration. In this regard, since the negotiations to introduce regionalization of the management of DWSD with the aim to represent all the parties is not easily realized because of the extreme racial prejudice and fear of similar mismanagement, DWSD should be privatized. In addition, since the council has huge debts, the revenue collected from the DWSD should be dedicated to ensuring standard services to the people and payment of debts. It is apparent that a change in management mostly changes people's perception of a particular concern (Kettl, 2015).

Notably, since the corrupt figures may be present in the council, it would be necessary to establish new procedures for making payments and settlement of debts. Under the leadership of the emergency manager, the council should hand over the management of the DWSD to the private company. It is important to note that the whites from the suburb could be happy with a different management of the department (Kettl, 2015). Additionally, the Detroiters would be happy enjoying improved services.

The other important action is to determine all the debts and the retiree pensions and create a budget that would be achievable from the collected revenue from the privatized DWSD, the State grants, and the federal government funding. As determined and discussed above, planning is a critical function for public administrators and managers at large. Therefore, it would be appropriate to plan for the projected income and expenditure.

**Recommendations**

From the above discussions and theories, it is significant to recommend that the council establishes programs that would improve the skills of the residents. It is with no doubt that a significant population of Detroit does not possess the educational qualifications required by the employers. Additionally, a greater majority do not have the skills despite some having academic qualifications. To deal with the increased levels of unemployment, it is important to introduce such skills-oriented schools that would grant the right skills for the job.

The other recommendation is that the council should privatize the DWSD as demonstrated under the warranted actions. It is notable that privatization is not an easy process (Kearney, 2018). However, following unsuccessful negotiations to regionalize the DWSD, it would be important to hand over the department to a private developer. Nonetheless, the developer must adhere to particular rules especially on the water rates and fair distribution of the waters including poor families. While access to water is a human right, the privatization should ensure that all families have access to water. In this regard, the department should carry out repairs and maintenance as regular as possible to avoid blockages and consequent lack of water in some regions. For example, following hardships and increased debts, the City of Indianapolis handed over the water services to Citizens Energy Group in 2011. Besides the debts transfer, the private entity also paid to the council £500 million. The council used these funds in various ways including transportation infrastructure upgrades. In fact, the privatization has worked well for the City of Indianapolis (Kettl, 2015)

It is also recommended that the council should reduce the tax to affordable and reasonable rates. Notably, high taxes discourage investors. Often times, investors look for regions with low taxes for improved profits. For instance, following the low tax rates in City of Anchorage, Alaska, most of the businesses have relocated or opened branches in the city over the past decade (Bryson, Crosby & Bloomberg, 2014). Logically, high taxes increase business expenditure thus reducing profits. Additionally, highly taxed populations have less savings thus reduced spending power. In this regard, reducing taxes would attract more investors while increasing the consumer spending power. From the economic standpoint, increased consumer spending power influences economic growth and the lifestyle of the people.

As observed from the case, racial segregation is hampering the growth of the Detroit region. Therefore, it is recommended that the council to initiate or encourage social programs that would bring together people from different races. For instance, the council should encourage social competitions that would unite the residents in Detroit. In the efforts to reduce racial discrimination, the State Sporting Associations of Australia introduced sports for diverse communities (Hallinan & Judd, 2014). This strategy has greatly improved the social life amongst the people in different parts of Australia. Upon uniting the Detroiters, the council should start laying out procedures to include the people from the suburbs. It is noteworthy that unity is strength and therefore the council should be innovative enough to bring unity to the residents (Parkhurst & Abeysinghe, 2016). Firstly, the council should start engaging leaders from other counties and eventually manage to unite the people in the city and the suburbs.

It is also apparent that the council is over-reliant to the federal government and state funding. However, the council should determine other ways of getting funds to propel the city forward other than overtaxing (Parkhurst & Abeysinghe, 2016). In fact, the council should go beyond to looking for investors after lowering the rates so that the city can have an adequate source of tax instead of heavily taxing small crippled society. While the community struggles from coping with the poor services provided by the council, the same council somewhat extorts more revenue from the society. Apparently, the population ends up transferring to other regions.

Saliently, the council should at least help reducing unemployment by inducing business skills to the population while donating some funds to the people to start businesses. In many cases, governments grant funds to the people after giving them business skills (Reichard & Schröter, 2018). Notably, while taxing is important for any government, overtaxing is not advisable. Instead, the government ensures that there are many businesses to tax. In this regard, granting business funds would not only empower individuals but also increase the sources of the council's revenue.

It is recommended that the council develops a social policy that involves the distribution of the council resources as well as the supervision of the privatized water and sewer department to ensure integrity and standard services from the private investor. For instance, the city of Indianapolis has adequate policies that regulate the privatized water services. Notably, social policies enhance the management of public resources while improving the lifestyle of among the people as well as the reduction or elimination of corruption and other mismanagements (Parkhurst & Abeysinghe, 2016).

**Conclusion**

The bankruptcy case of the council of Detroit involving the DWSD and consequent attempts for the regionalization of its management would be solved by ensuring that there is a total change in its management. In addition, the leadership of the council is not as visionary as deemed following its reluctance in handling the water and sewer negotiations despite the need for funding to improve the services to the people in the region. It is also notable that corruption and other forms of unwarranted public administration cause the financial crisis in the region. Nonetheless, it emerges that racial segregation would critically hamper development as well as increase hatred and other social socioeconomic implications to the society. Finally, unemployment is a major contributor to the downfall of the economy of a given place. Notably, unemployed society is over-reliant on the well-wishers of the government and that such a population cannot contribute any revenue to the government. Therefore, city councils, states, and the federal government should ensure employment opportunities for the people.

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