

# **Detroit's Decline, 1950-2013**

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## **ABSTRAKT**

Tato bakalářská práce se zabývá vývojem města Detroit od roku 1950 do roku 2013 a mapuje příčiny úpadku města, které vedly k vyhlášení bankrotu v roce 2013. Příčin úpadku města bylo mnoho a jsou popsány chronologicky. Práce nakonec dochází k závěru, že úpadek Detroitu byl způsoben rapidními změnami v hustotě obyvatelstva, nestabilní ekonomikou způsobenou ekonomickými krizemi, úpadkem automobilového průmyslu, nestabilním zastupitelstvem města a rasovými nepokoji.

Klíčová slova: Detroit, automobilový průmysl, úpadek, ekonomické krize, rasové nepokoje, nezaměstnanost, Chrysler, Ford, General Motors.

## **ABSTRACT**

This bachelor thesis studies the development of the American city of Detroit from 1950 to 2013 and maps the cause of the decline of the city, which led to its declaration of bankruptcy in 2013. The causes of the decline were many and are described in chronological order. Ultimately, the thesis concludes that the decline of Detroit was caused by rapid changes of density, instability of economy caused by several economic crises, decline of the industry, unstable local authority, and racial restlessness.

Keywords: Detroit, auto industry, decline, economic crises, racial tensions, unemployment Chrysler, Ford, General Motors.

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I hereby declare that the print version of my bachelor's thesis and the electronic version of my thesis deposited in the IS/STAG system are identical.

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## **INTRODUCTION**

Detroit was once known as the cradle of the auto industry and various music genres such as jazz, techno or R&B. Unprecedented success, however, came to an end in 2013 when Detroit declared bankruptcy. One might assume that the decline of the city was caused by one crucial cause, however, there were, in reality, several of them. This bachelor's thesis charts the evolution of the American city of Detroit, starting with its most prosperous era, the 1950s, when Detroit was the fourth largest city in the country, thanks to its convenient location and prosperous auto industry, which employed hundreds of thousands. Then came a gradual decline throughout the 1960s, spurred by racial tensions which culminated in race riots in 1967, which was one of the main causes of the white flight to suburbs. This thesis then describes events of the 1970s, during which the political instability in the form of leadership missteps and corruption was crucial. The events of the 1980s were led by the decline of the auto industry, which struggled to fight the competition from abroad, leading to the layoffs of thousands of workers and a rise in unemployment. From that point on, Detroit struggled to maintain the stability of the city, resulting in a rise of criminality, a decay of schools and housing. Vacant buildings only served as reminders of the enormous prosperity that led to their construction but that was now long gone. The situation peaked in 2013, when Detroit filed for the biggest bankruptcy in the history of the United States. Ultimately, the thesis identifies four main causes of Detroit's decline: racial segregation, political leadership, the failing auto industry and the national economic situation.

## 1 1915-1950

The Arsenal of Democracy, the Renaissance city, the Paris of the Midwest, or the Motor City – these are just some of the nicknames for Detroit from the past century. Detroit's convenient location by the river was easily accessible by steamboats and therefore easily accessible for natural resources such as coal or iron. With the invention of the assembly line by Henry Ford in 1913 the auto industry easily became the main source of income for the city's citizens. The city was growing and so did the wealth of the people. The industrial reshaping reflected in the growing consumption of society as Detroiters were spending on cars, property and entertainment.<sup>1</sup>

Higher wages and continued progress led to the "Great Migration" of blacks to the city between 1915 and 1930. When the white labor force left for World War I, factories substituted their workforce with blacks from the rural South. Until 1915, almost all American blacks lived in the agricultural South. During the war, blacks motivated by high wages and greater racial emancipation moved to Detroit, as well as to other northern cities such as Chicago, New York, and Pittsburgh.<sup>2</sup> The Great Migration led to chain migration. By 1969, more than 600,000 blacks had migrated from South to North.<sup>3</sup>

After the end of the war, whites returned to Detroit to work for the auto industry. By 1930, Detroit was home to 1.7 million, many of them recent migrant or immigrants. Plenty of the new incomers were southern and eastern Europeans pursuing the American Dream.<sup>4</sup> The Great Depression shook Detroit's stability via declining car production and increased unemployment (25%). During World War II, Detroit's auto industry switched to tanks and airplanes and became the American center of military equipment production. Afterward, the factories began churning out cars again in great numbers. A Second Great Migration occurred as a result.<sup>5</sup>

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<sup>1</sup> Andrew Brooks, *The End of Development: A Global History of Poverty and Prosperity* (London: Zed Books, 2017), 76-88.

<sup>2</sup> "Great Migration," Topics, History.com, accessed March 18, 2018, <https://www.history.com/topics/black-history/great-migration>., "The Great Migration (1915-1960)," African American History, Blackpast.org, last modified March 19, 2018, <http://www.blackpast.org/aah/great-migration-1915-1960>.

<sup>3</sup> Paul Johnson, *Dějiny Amerického Národa* (Praha: Leda, 2014), 537.

<sup>4</sup> John Barnard, *American Vanguard: The Auto Workers during the Reuther Years 1934-1970* (Detroit: Wayne State University Press, 2004), 11.

<sup>5</sup> Nathan Bomey and John Gallagher, "How Detroit Went Broke: The Answers May Surprise You – And Don't Blame Coleman Young," *Detroit Free Press*, September 15, 2013, accessed March 7, 2018, <https://www.freep.com/story/news/local/michigan/detroit/2013/09/15/how-detroit-went-broke-the-answers-may-surprise-you-and/77152028/>.

## 2 THE 1950S

For much of the world, the 1950s was a time of healing from the wounds of the Great Depression and World War II.<sup>6</sup> For Detroit, the 1950s was a time of growth, reindustrialization and increased racial tensions. Increased production led to increased employment and population. By 1950, Detroit had become the fourth largest city in the United States with almost 1,850,000 inhabitants. Since then, Detroit experienced only deterioration.<sup>7</sup>

With jobs plentiful, employees did not distinguish between races or gender, notwithstanding the fact that women had harder times finding a job than men and factories were hiring unskilled laborers who were willing to work for less money than those more skilled and educated. However, when the Fair Labor Standards Act came into force in 1938 and companies had to pay minimum wages to their employees, the demand for skilled labor increased.<sup>8</sup>

### 2.1 Economic situation

Detroit was booming in the 1950s. As Giorgia Bersano argues that the booming economy had an impact on the increased employment, population, and income. In the beginning of the decade, wages were increasing and people could afford to spend more of their money on a property such as houses or cars. Even a working-class black family could afford a house and one or two cars. Henry Ford wanted to accomplish larger sales of cars to blue-collar workers by increasing their wages and therefore accelerating the process of consumption. The economy of the city also influenced the public expenses, a disintegration of political stability and population density.<sup>9</sup>

The Big Three's (Ford, Chrysler, General Motors) market share was almost 95% in 1955 but this soon decreased due to competition from abroad, especially from Germany. Detroit's automobile plants were producing large and heavy cars while foreign competitors were able to offer smaller and lighter cars. The city's automakers underestimated the market situation

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<sup>6</sup> "The 1950's," Topics, History.com, accessed December 5, 2017, <https://www.history.com/topics/1950s>.

<sup>7</sup> Peter Weber, "The Rise and Fall of Detroit: The Timeline," *The Week*, July 19, 2013, <https://www.theweek.com/articles/461968/rese-fall-detroit-timeline>.

<sup>8</sup> U.S. Department of Labor, U.S. Wage and Hour Division, *Fair Labor Standards Act* (1938), 11-12.

<sup>9</sup> Georgio Bersano, "Decentralization of Detroit," (working paper, Centre for Urban Studies, Wayne State University, 1970), 1.

and were not able or willing to quickly respond to the competition. The first response in the form of smaller vehicles came in 1959 when car imports were already at 10%.<sup>10</sup>

Yet, the businesses were prospering as the auto industry still was profiting which led to a growth of job positions. Workers moved to Detroit from all over the United States. The Big Three, as Ford, Chrysler and General Motors were called, enticed thousands of people to the city, among them many blacks. In fact, in the 1950s more than 182,000 blacks moved to Detroit. One of the main reasons for the migration of blacks to the north might be the higher wages in comparison to other industrial cities. The unionists of the United Auto Workers demanded higher wages for workers and eventually succeeded. For instance, negotiations between the unions and General Motors resulted in a five-year contract which included an increase of wages four cents per hour. Besides the increase in the wages, the unions were able to negotiate better pensions and insurance benefits. The average retired worker obtained a pension in the amount of 100 dollars. The unions caused tough times to entrepreneurs who were threatened by strikes, which were common at the time.<sup>11</sup> The demographic shift led twice as many whites to flee the city center, seeking refuge in the suburbs.<sup>12</sup>

## 2.2 Housing in the 1950s and white flight

The housing situation started to rapidly change in the 1950s. As central Detroit was growing, the overpopulation was significant. The overpopulation caused white wealthy and middle working class people to leave the city in favor of the suburbs. A demographic trend is called white flight.<sup>13</sup>

The National Housing Act of 1934 caused higher demands for mortgages. More people could afford a mortgage because of the low-interest rates that decreased under the average rate. The government was offering mortgage insurance for lenders if the borrower was not able to pay off the debt. Providing these mortgages did not bear any risk for the lenders. Low mortgage interests led to increased demand for new housing, especially in the suburbs.<sup>14</sup>

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<sup>10</sup> Thomas Klier, "From Tail Fins to Hybrids: How Detroit Lost Its Dominance of the U.S. Auto Market," *Economy Perspectives* 33, no. 2 (May 2009): 5.

<sup>11</sup> Frederick H. Harbison, "The General Motors-United Workers Agreement of 1950," *Journal of Political Economy* 58, no. 5 (1950): 397-411.

<sup>12</sup> Amy Padnani, "Anatomy of Detroit's Decline," *New York Times*, December 8, 2013. [http://www.nytimes.com/interactive/2013/08/17/us/detroit-decline.html?\\_r=1&](http://www.nytimes.com/interactive/2013/08/17/us/detroit-decline.html?_r=1&).

<sup>13</sup> Bersano, "Decentralization," 2-3.

<sup>14</sup> Daniel Greenup, *The Death of Detroit* (Sarasota: First Edition Design Publishing, 2012), 78.

The main intention of Alber Cobo, mayor of Detroit from 1950 to 1957, was to make the process of suburbanization easier by refusing federal grants for housing projects in the city center and instead, using the money for building new infrastructure. Highway construction was common at that time throughout the United States. The Interstate Freeway System Project of 1956 was supposed to help the population to expand, but it had the opposite effect in Detroit. New highways and more suburbs only facilitated the outflow of working capital. This trend led to declining services and businesses targeting the city's middle class. White flight was also racially motivated. Whites claimed they felt safer in the white suburbs.<sup>15</sup>

### 2.3 Racial tensions

The racial segregation led to reject working side by side with blacks or living near them. Black ghettos were growing because black residents were not given the opportunity to live in the new suburban areas built for white residents. According to Joe T. Darden, in 1957 the black population in Detroit was over 20 percent of which only of the total percent were allowed to live in white areas, even though the rest could financially afford to do so.<sup>16</sup> White residents, trying to protect their territory from the black incomers, were fighting for racial segregation in all way possible. Associations of neighbors were created that were supposed to protect the white suburban areas.<sup>17</sup> The worst situation was in the north-west part of Detroit, where many demonstrations against blacks took place. The associations were trying to persuade the real estate agents to stop selling to blacks.<sup>18</sup>

Darden presents an example of a black man who moved to a white residential area. Soon after he moved in, the neighborhood whites were complaining to the local office that they did not want him in there. The bullying was intensifying to the point that the owner and his property were physically threatened. The racial tensions connected to housing were supposed to change with the Fair Housing Act of 1968.<sup>19</sup> Nevertheless, the process of Detroit's decline started with racial segregation in housing, a problem that was never solved.<sup>20</sup> As Detroit grew, housing segregation increased, as did white flight. Thus, it was in

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<sup>15</sup> Bersano, "Decentralization," 5; Greenup, *The Death of Detroit*, 7.

<sup>16</sup> Joe T. Darden et al., *Detroit: Race and Uneven Development* (Philadelphia: Temple University Press, 1978), 5.

<sup>17</sup> Mathieu Hikaru Desan, "Bankrupted Detroit," *Thesis Eleven* 121, no. 1 (2014): 125.

<sup>18</sup> Darden et al., *Detroit*, 6.

<sup>19</sup> Ibid.

<sup>20</sup> Darden et al., *Detroit*, 6.

the 1950s, that the city experienced its first population loss, stemming largely from an increasing inner city black population that prompted a white exodus to the suburbs.

### 3 THE 1960S

The 1960s were marked by the Cold War because of the American government's attempt to fight against Vietnam political regime since 1955. The war separated the nation into supporters and the opponents of the war. The racial situation in the nation was already tense but according to John F. Kennedy, and later on Lyndon B. Johnson, the decade was supposed to be prosperous for American people. The policy should have been aimed at poverty, education, and equality of people. Discrimination, inequality and racial tensions were supposed to be improved by the government.<sup>21</sup>

#### 3.1 Economic situation

From 1953 to 1960, the outflow of working capital caused decrease of accumulated income and value of land by 3%. The overall population declined by 10%.<sup>22</sup> According to a study from 1962, ten largest cities of the United States should be able to employ around 50,000 workers in the area of their central zone. The central zones had around 160,000 homes in which 14.6% of the population earned around 13,000 dollars per year. If the data from above were compared to the situation in Detroit, only 15,300 people were employed in the central zone which had only around 88,000 homes in which only 5.6% people were able to earn more than 10,000 dollars per year.<sup>23</sup> The average unemployment rate of the United States was 3.5% in 1969. In Detroit, the average unemployment rate was 6.7% Detroit's decline was already ongoing.<sup>24</sup>

Generally, the city is dependent on tax revenue, and when taxpayers move out of town, revenue is decreasing. In response to the outflow of population in the suburbs, the city had to figure out how to get money into the city's budget. Instead of finding a long-term solution, Detroit gained a solution that only worked for a limited time. The solution was supposed to be income taxation. The taxation for individuals and companies was 2.4% of the income and 1.2% of income for people who lived closer to the city center. Businesses had to pay 2% taxes of their profits. It was supposed to substitute the property taxation because the rates of the property taxes were falling down. Detroit's evaluation of land was basically zero.<sup>25</sup>

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<sup>21</sup> "The 1960's," Topics, History.com, accessed March 7, 2018, <http://www.history.com/1960s>.

<sup>22</sup> Bersano, "Decentralization," 10.

<sup>23</sup> Bersano, "Decentralization," 8.

<sup>24</sup> Linda Ann Ewen, *Corporate Power and Urban Crisis in Detroit* (Princeton University Press, 1987), 20.

<sup>25</sup> Bomey, and Gallagher, "How Detroit Went Broke."

Detroit started to print more money as a response to higher taxes. The more money was in the circulation the more the value of a dollar dropped. In order to maintain the value of dollar, the prices of goods and services had to go up.<sup>26</sup>

## 3.2 Racial situation

The racial situation was rapidly changing throughout the decade as the situation in Detroit was already tense when no preventive measures were taken. Racial segregation and treatment of black population escalated in demonstrations of blacks who no longer wanted to live in racism. The whole situation intensified in 1967 when Detroit turned into a war zone. Nonetheless, these events were preceded by responses from American government which attempted to stabilize and unite the nation.

### 3.2.1 Civil Rights Movement and Civil Rights Act

In 1964, The Civil Rights Act came into an action. This legal document was supposed to avoid the racial segregation and discrimination. Blacks and whites were allowed to use the same services, visit the same places and attend the same events. Blacks were allowed to take the same bus or visit the same restaurants as whites. All public signs of discrimination based on the color of skin or nationality were forbidden including unequal rights in the federal election, using the same services as whites or getting accommodation. The government attempted to ensure racial equality and calm tense situations occurring in certain areas.<sup>27</sup> But what was efficient for other cities was not efficient for Detroit as a Michigan governor at that time, George Romney, stated because of the suburban restriction. Black people were left homeless because they were pushed out of their homes and they could not live in the suburbs and they concentrated mainly in the 12th street.<sup>28</sup> The concentration of blacks in ghettos reflected in a reduction of land for sale and therefore there was no area for black kids to spend their free time. This trend caused increasing of criminality among young blacks who were growing up in inconvenient conditions. The result of growing up in ghettos could be seen later in statistics of unemployment of blacks which was close to 40%.<sup>29</sup> Blacks were

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<sup>26</sup> Greenup, *The Death of Detroit*, 9.

<sup>27</sup> The Harvard Law Review Association, "The Civil Rights Act of 1964," *Harvard Law Review* 78, no. 3 (January 1965): 684-96.

<sup>28</sup> "The Civil Rights Act of 1964," Topics, History.com, accessed March 7, 2018, <https://www.history.com/topics/black-history/civil-rights/act>; Joe T. Darden, and Richard W. Thomas, *Detroit: Race Riots, Racial Conflicts, and Efforts to Bridge the Racial Divide* (Michigan State University Press, 2013), 9.

<sup>29</sup> Darden and Thomas, *Detroit*, 10.



given an equal opportunity to obtain a mortgage in 1968 when The Fair Housing Act banned racial discrimination in mortgage and rental policy.<sup>30</sup>

### 3.2.2 12<sup>th</sup> Street Riot

Riots in July 1967 are known as the most brutal event in the history of the city of Detroit and one of the most violent riots in the history of the United States. The riot started at night on July 23 on the corner of Clairmount and 12<sup>th</sup> Street in Detroit, where police were often encroaching because of illegal activities of civil rights club called the United Community League for Civic Action which lead an illegal night club.<sup>31</sup>

At 3:35 a.m., the police invaded a so-called “Blind Pig” night club, which held a celebration for soldiers who were coming back from the Vietnam War. Police assembled all participants outside of the bar in order to wait for police cars to take away all of the 85 people presented at the night club. It was impossible to lead the operation in peace and it attracted the attention of people from around the block.<sup>32</sup>

The onlookers did not like to watch their fellow citizens being arrested and they showed their disapproval by throwing bottles and shouting at the police officers. The crime scene was growing bigger and bigger and did not stop even after the police left.

From the moment on people started to come out to the streets and started to loot local shops, destroy public property, burn cars and protest against local discrimination. A small significant restlessness turned into a warzone.<sup>33</sup> The riots lasted until July 27 and according to Darden, during the four days had been made damage in a cost of 50,000,000 dollars and over 1,000 buildings were destroyed or burned down. During those brutal events, 42 people died, three of them were black and were shot unarmed or while surrendering. Over 10,000 people got hurt, 100 of them were police officers and firemen, almost 5,000 people lost their homes and over 4,000 people were arrested. These events did not leave the majority of whites calm and caused another wave of the white escape to the suburbs.<sup>34</sup>

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<sup>30</sup> Jason Hackroth, “Race and the Production of Extreme Land Abandonment in the American Rust Belt,” *International Journal of Urban and Regional Research* 42, no. 1 (January 2018): 51-73.

<sup>31</sup> “1967 Detroit Riots,” Topics, History.com, accessed March 5, 2018, <http://www.history.com/topics/1967-detroit-riots>.

<sup>32</sup> Ibid; Jon Lowell, “A Time of Tragedy; a Special Report. Detroit’s Riot from 3:30 a.m. July 23, 1967, When it Began, until the Moment It Stopped,” *The Detroit News*, August 11, 1967, 4.

<sup>33</sup> Ibid.

<sup>34</sup> Darden and Thomas, *Detroit*, 1; Lowell, “A Time of Tragedy,” 14.

### 3.2.3 White flight after the Riot of 1967

The white flight was not a new trend in Detroit but most experts argue that the biggest outflow of the white residents happened after the 12<sup>th</sup> Street Riot. According to Darden, around 173,000 white people left Detroit from 1967 to 1969. Suburbs in the Detroit metropolitan area was seen as a safe and prosperous place for the ones escaping from the overpopulated and unstable city. The utopian idea of perfect suburbs was partly created by Orville L. Hubbard, a mayor of Dearborn who provided white citizens with a feeling of peace. There were lower taxes in suburbs, more public services such as maintenance of the streets, police protection, babysitting and others privileges which brought more of white people into the suburbs. These benefits could be enjoyed in suburbs because of the reorganization of government power called decentralization.<sup>35</sup>

### 3.3 Deindustrialization and decentralization

Deindustrialization can be explained as a process of migration of an industry to a more convenient area. In the case of Detroit it was the suburban area. As people were moving out of the city center the auto industry had to adapt to the changes.<sup>36</sup> As Darden states, the auto industry is an export industry requiring not only other industries to supply the manufacturing but also services to provide selling of the product. With the outflow of the auto mills the other supportive industries followed. The process of decentralization was apparent in the 1950s as the auto industry was forced to move their manufacturing to the suburban area because of the mass moving of the white population.<sup>37</sup> Decentralization can be described as a process of redistribution of political power and decision making processes of the city into smaller units of a certain area – suburbs. The little periphery units administrated itself under a supervision of the city hall.<sup>38</sup>

### 3.4 Decline of the auto industry

Competition from abroad was slowly pushing the American car producers out of the market. As a response to successful Japanese or German cars, Detroit car manufacturers presented new models of cars – lighter, smaller and cheaper Ford Falcon and Chevrolet Corvair. The

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<sup>35</sup> Darden and Thomas, *Detroit*, 2.

<sup>36</sup> The Associated Press, "Auto Industry Decline, Racial Tensions at the Root of Detroit's Collapse," *Penn Live*, July 2, 2013, accessed March 14, 2018, [http://www.pennlife.com/midstate/index.ssf/2013/07/auto\\_industry\\_troubles\\_racial.html](http://www.pennlife.com/midstate/index.ssf/2013/07/auto_industry_troubles_racial.html).

<sup>37</sup> Desan, "Bankrupted Detroit," 123.

<sup>38</sup> The Associated Press, "Auto Industry Decline."

demand for the classical American cars increased for a while but as soon as the production rose the automobile producers enlarged the size of the cars which affected the price. The action of enlarging the models was reasoned by testing if the demand for smaller cars is still current. The demand for American cars decreased even more after the discovery of Ralph Nader that American cars were not safe enough.<sup>39</sup> Ralph Nader published a book called *Unsafe at Any Speed* in 1965. This non-fictional bestseller pointed out the danger of American cars. The book dealt with the lack of safety features, a frequency of car accidents caused by technical flaws and last but not least points out the fact that American car producers preferred to invest into luxurious features of the cars rather than into the safety features.<sup>40</sup> Over 47,000 people died on American roads as a result of car accidents.<sup>41</sup> The American government responded to the reaction of car buyers by establishing National Highway Traffic Safety Administration which was supposed to set requirements for safety features of manufactured cars.<sup>42</sup>

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<sup>39</sup> Klier, "From Tail Fins to Hybrids," 5.

<sup>40</sup> Christopher Jensen, "50 Years Ago, 'Unsafe at Any Speed' Shook the Auto World," *New York Times*, November 26, 2015, <https://www.nytimes.com/2015/11/27/automobiles/50-years-ago-unsafe-at-any-speed-shook-the-auto-world.html>; "Review," review of *Unsafe at Any Speed*, by Ralph Nader, *The Journal of Risk and Insurance*, June 1996.

<sup>41</sup> Marek Bednář, "Slavná kniha 'Unsafe at Any Speed' slaví 50 let. Změnila svět, byla ale zavádějící." *Autoforum*, December 1, 2015, <http://www.autoforum.cz/zajimavosti/slavna-kniha-unsafe-at-any-speed-slavi-50-let-zmenila-svet-byla-ale-zavadejici/>.

<sup>42</sup> "Chapter 5 Corporate Abuses, Consumer Power," Citizen Action, Nader, last modified April 13, 2018, <https://www.nader.org/2004/01/04/chapter-5-corporate-abuses-consumer-power/>.

## 4 THE 1970S

As Lee Iacocca claims in his autobiography, there are people in business referred to as financial planners or managers. These financial planners are supposed to create a stable environment in the company where profit and loss are controllable and the controlling system edits costs of the company thus is able to stabilize the company. According to Iacocca, there are two types of the financial managers – the ones who are not so efficient that can bring the company to its bankruptcy and the second ones are those who are proactive and productive but the type of production does not match the competition or lacks the interest in costumers of the company. Ford Motor Company hired dozens of financial planners who were blinded by their own vision of stable production and did not let the company diversify.<sup>43</sup>

Competition mainly from Japan was pushing the American car producers out of the American market share. Toyota was able to offer smaller, more fuel efficient and therefore cheaper cars. The less the cars were the American companies producing the more expensive the cars were. This has lead to a decrease in demand for American cars. The car production in the United States started to be more expensive and therefore the auto industry came with new idea how to produce car components cheaper. They moved the production outside the United States borders and exported the parts into the American market.<sup>44</sup> As was the Japan car production spreading across the U.S. market the biggest car companies suffered badly. Chrysler asked for a federal loan in 1979.<sup>45</sup>

As a result of decentralization of auto industry, Detroit had to cut off about 140,000 jobs related to manufacturing. Detroit's automobile factories were working on bases of large scale economy. It means that the more the cars the factory produced the lower the costs were.<sup>46</sup> The high demand for cars in the past three decades reflected in the high demand for oil. The demand was so high that the U.S. oil market was not able to satisfy the needs of car owners and relied on the Arabian oil market. Nevertheless, the reliance proved to be a wrong approach as the OAPEC (Organization of Arab Petroleum Exporting Countries) put an

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<sup>43</sup> Lee Iacocca and William Novak, *Iacocca – Vlastní Životopis* (Praha: Economia, a.s., 1991), 46.

<sup>44</sup> Thomas J. Hannigan, Marcelo Cano-Kollmann, and Ram Mudambi, "Thriving innovation amidst manufacturing decline: the Detroit auto cluster and the resilience of local knowledge production," *Industrial and Corporate Change* 24, no. 3 (April 2015): 618, <https://doi.org/10.1093/icc/dtv014>., Thomas J. Surgue, *The Origins of the Urban Crisis: Race and Inequality in Postwar Detroit* (Princeton University Press, 2014), 17.

<sup>45</sup> Klier, "From Tail Fins to Hybrids," 8.

<sup>46</sup> *Ibid.*

embargo on the oil export in 1973. Prices of oil increased in a short period of time four times from 3 dollars per barrel of oil to 12 dollars per barrel.<sup>47</sup>

With the arrival of the automation and technical development of heavy machinery that replaced human work, more of the jobs were lost and more of the workers were dismissed.<sup>48</sup> Until the city was flourishing and growing city's government or entrepreneurs did not see any reason to change anything. Even the signs of the slight decline of the auto industry were not paid attention to.<sup>49</sup> The auto industry in central Detroit was declining and the production was moving out of the city. It practically means that the industrial plants widely spread throughout Detroit were left abandoned.<sup>50</sup>

## 4.1 Drugs

After the start of the decline of the auto industry jobless people were looking for options how to provide for their families. As a result of reliance on the single industry, there were not many possibilities left thus from the middle sixties to early seventies, drug dealing became widespread. The most commonly sell drugs in Detroit were cocaine, crack, and marihuana. During this time, the crime rate in the United States doubled. Drug gangs started to develop throughout the city, for example gangs called Bishops, The Errol Flynn's or Black Killers. Drug dealing in a course of time became common among young kids and teenagers as they saw it as an easier way how to earn money. Drug distribution led to drop of education and expansion of violence together with gun selling. The murder rate rose for 62 murders on 100,000 inhabitants in 1975.<sup>51</sup>

## 4.2 Coleman Young

Coleman Young was elected in 1973 as a first black mayor of Detroit. He stayed in the office until 1994 and the reason for his multiple reelections was a sufficiency of voters who were mainly black. As David Lee Poremba claims, Young ensured vote of voters from black communities in 90% of population.<sup>52</sup> Young attempted to fix Detroit's critical economic

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<sup>47</sup> "Energy Crisis (1970s)," Topics, History.com, accessed March 5, 2018, <http://www.history.com/topics/energy-crisis>.

<sup>48</sup> Padnani, "Anatomy."

<sup>49</sup> Bomey and Gallagher, "How Detroit Went Broke," *Detroit Free Press*.

<sup>50</sup> Hackworth, "Race and the Production," 51-73.

<sup>51</sup> Al Profit. "Detroit Bankruptcy Documentary on Crime: Gangs, Drug Dealers, Decline of the Economy." Filmed [October 22, 2012]. YouTube video, 1:22:08. Posted [October 22, 2012]. <https://www.youtube.com/watch?v=RjMXFOMhbeQ>.

<sup>52</sup> David Lee Poremba, *Detroit: A Motor City History* (Charleston: Arcadia, 2013), 137.

situation by rising taxes and cutting the government expenses and public services such as public swimming pools. Young was trying to save money on police and fire departments by dismissing around 2,000 police officers and around 500 firemen and by selling the department's equipment such as vehicles. But he also invested a lot of money into building new car factories.<sup>53</sup>

Coleman's successor Dennis Archer continued in the era of investments and spent millions on sports complexes and casinos. The main aim of the facilities was to draw more people into the city. Archer made great efforts to obtain the area of Rivertown where was located the most successful hospitality industry. Sports centers appeared to be successful and popular, however the casino project failed to realize. The area of Rivertown was left forsaken and unoccupied and the casinos were eventually built in the different area in the 1990s.<sup>54</sup>

### 4.3 Lee Iacocca

Lido Anthony "Lee" Iacocca became a vice president of Ford Motor Company in 1960. His bright insight and leadership skills helped the company in times of loss. Iacocca came up with a plan that every customer who would buy Ford 1956 would pay only 20% of the price of the car in cash and then they would pay 56 dollars per month for three more years. This plan was extremely successful and brought a profit of 1.1 billion dollars to Ford's company.<sup>55</sup>

Iacocca had an enormous feeling for the need of Ford's customers and saw a great purchase power in younger generation. Young people born in the era of Baby Boom made a large group of potential customers in the market. On the other hand, Iacocca noticed the increased demand for fuel-efficient but luxurious cars from older customers and increased demand for smaller sports cars from middle-class families. Women as car buyers seemed to be interested in buying smaller and easy to control cars. After several years of research and planning, Iacocca invented in 1964 Ford Mustang, a reliable car which had a great horsepower engine and was for an affordable price. The model satisfied needs of all of the groups of customers. This campaign brought Ford extreme profit and worldwide success.<sup>56</sup>

After four years of disagreements and personal fights between him and Henry Ford II., was Lee Iacocca dismissed from Ford Motor Company and started to work for Chrysler in

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<sup>53</sup> "Practical Aspects of P.A. 312," Legislative, Police Officers Association of Michigan, accessed April 26, 2018, <https://www.poam.net/category/legislative-updates/>.

<sup>54</sup> Greenup, *The Death of Detroit*, 9.

<sup>55</sup> Iacocca and Nova, *Iacocca – Vlastní Životopis*, 43.

<sup>56</sup> Iacocca and Novak, *Iacocca – Vlastní Životopis*, 59-67.

1978. Chrysler was on the edge of bankruptcy when Iacocca started to rebuild the company from the beginning. The company was in such bad condition that Iacocca had to fix the situation in almost every department of the firm. Restructuring of Chrysler's company included decreasing of salaries of top management, lowering of fixed costs and getting rid of decaying supplies. He also reorganized the management of the company, hired skilled people from Ford. As a CEO of Chrysler, Iacocca fixed problems with logistics and storage of cars by selling off loss items and increased company's equity. He also increased the quality of cars which improvement reputation of Chrysler. Iacocca considered ineffective buying stocks for employees and reduced their obtaining.<sup>57</sup>

Regardless of exceptional saving strategies and measures which lead Iacocca to cut his own wage to one dollar a year, had to Iacocca request a government loan in 1979. At that time requests for the government from companies throughout industries were common, loans exceeded 409 billion dollars. In 1980, Chrysler obtained 2 billion dollars in form of Chrysler Corporation Loan Guarantee Act from American Congress, signed by the president, Jimmy Carter.<sup>58</sup> In two years Chryslers' CEO was able to raise company's profit by efficient marketing, fuel-efficient cars, quieten down relations with labor unions and closing unprofitable factories. In only two years Chrysler was able to repay the federal loan and post a profit.<sup>59</sup>

At the end of the 1970s, the number of imported cars and auto equipment reached 25% of the market.<sup>60</sup> The main cause of the rapid increase of import might be the huge growth of prices caused by another oil crisis in 1979. Circumstances around Iran's revolution and strike of the oilfield workers caused an increase of oil. Other members of OPEC tried to stimulate the situation but they were unable to stop the prices from rising. The prices rose eight times and caused an extreme level of panic among American drivers. People were standing in queues for fuel for hours and gas stations often run out of gasoline. Japanese cars became the most sought-after car brands for their fuel-efficiency and American car producers were left behind.<sup>61</sup>

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<sup>57</sup> Iacocca and Novak, *Iacocca – Vlastní Životopis*, 128-150.

<sup>58</sup> Iacocca and Novak, *Iacocca – Vlastní Životopis*, 157-163.

<sup>59</sup> Klier, "From Tail Fins to Hybrids," 9.

<sup>60</sup> *Ibid.*

<sup>61</sup> Klier, "From Tail Fins to Hybrids," 6; Daryl Worthington. "OPEC and the 1979 Oil Shock." *New Historian*, December 15, 2014, accessed March 26, 2018, <https://www.newhistorian.com/opec-1979-oil-shock-2423/>.

Since the 1950s, Detroit was experiencing phenomenon which is described as a snowball effect. The decline of the auto industry together with racial tensions and drug dealing led to increasing of violence in neighborhoods and decreasing of children attending schools. Detroit was becoming a city of unemployed and uneducated people full of poverty and crime. Corruption of local government caused lack of money in city's budget which was reflected in the city's appearance, public services such as schooling, public transportation or police department.<sup>62</sup>

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<sup>62</sup> Al Profit. "Detroit Bankruptcy Documentary." YouTube video.



## 5 THE 1980S

Since half of the nineteenth century, the Midwest of the United States was called the Manufacturing Belt. This area spreads across the states of Michigan, New York, Pennsylvania, Ohio, Iowa, Virginia, and Illinois. The area was once known as a prosperous area of a heavy industry. The population was rising and people from Europe came here to search for jobs. Nonetheless, as the industries were spreading across the United States, the industrial center started to decline. In the half of the twentieth century, the Manufacturing Belt became the Rust Belt.<sup>63</sup> The recession of 1981 and 1982 is considered the second most serious crisis in the history of the United States after the Great Depression. As the United States suffered visibly, the manufacturing area was hit noticeably harder than the rest of the nation. The Federal Reserve Bank attempted to control monetary policy to lower the higher unemployment rate caused by the oil crisis of 1979. However, the attempt failed in the long run since the inflation rose alike.<sup>64</sup>

### 5.1 Condition of other cities in the Manufacturing Belt

In the 1980s several northern cities were to be found in a similar crisis as Detroit. For instance, unemployment of Pittsburgh reached 17.1% because of inability to beat the foreign competition in the 1980s. The difference between Pittsburgh and Detroit is that Pittsburgh chose to diversify and develop while it was still in critical conditions. The city's specialization was transferred into banking, education, culture, and others. Pittsburgh educated their steelworkers in other fields so they would not have to be jobless and unskilled. It invested in creating highly technically skilled experts due to Carnegie Mellon University who caught the attention of the biggest corporations in the world such as Google. The Carnegie Mellon University contributed not only to the development of technology but also to bloom of culture.<sup>65</sup> With the creation of new job positions government of Pittsburgh made sure the city will not spread the new jobs outside the city but maintain the population stable or increasing. Businesses of Detroit decided to remain in the auto industry and hoped it would achieve such success as it did in the past.<sup>66</sup> John H. Mollenkopf assumes that exist

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<sup>63</sup> Thomas Etzel, *The Motorcity Detroit. Decline and Future Chances* (Munich: Grin Publishing, 2014), 3.

<sup>64</sup> Slaying the Dragon of Debt, "1980-82 Early 1980s Recession," Timeline, accessed March 26, 2018, <http://bancroft.berkeley.edu/ROHO/projects/debt/1980srecession.html>.

<sup>65</sup> David Polanski, "Why Pittsburgh Didn't Become Detroit," *The American Interest*, February 8, 2014, <https://www.the-american-interest.com/2014/02/08/why-pittsburgh-didnt-become-detroit/>.

<sup>66</sup> Desan, "Bankrupted Detroit," 127.

three different types of cities: The first type was not based on industry but on services and administrative. The second type was based on industry but the cities also developed services. These are cities such as New York, Boston, Chicago, San Francisco or Pittsburgh. Albeit these cities experienced similar issues of the decline of the industry followed by massive unemployment as Detroit, these cities transformed their focus on services and development. The last type is the one based on traditional industry and which not diversify where Detroit fits in.<sup>67</sup>

As Krugman, AlHajal and Francis agree, Detroit suffered the most on the grounds of the massive outflow of the population out of the core of the city. While white wealthy families were moving out of Detroit to find better living conditions in suburbs, residents of Pittsburgh chose to stay and contribute to the development of the city. Small businesses became broader and the city's new transport system made a contribution to connectivity and integration of the city. Detroit, on the other hand, was not interesting enough for investors. The abandoned and decaying property together with poverty and black population transferred investors into more prospective areas, such as Pittsburgh or Seattle.<sup>68</sup>

The automobile companies have always had great power in the city leadership but the 1980s were crucial in terms of gaining power in the city government. To be more specific, George Galster states that Detroit claimed the right of eminent domain. It is a process of gaining property from the private sector, usually households, and small businesses by city's authorities and selling it to other subjects in private sector, usually large businesses. A real-life experience can be displayed in "Project Poletown". The city with the lead of Coleman Young was aimed to buy 1,300 of households from almost 4,500 inhabitants of Poletown, then relocate them somewhere else, sell the property to General Motors which planned to demolish the residential area and built a plant instead.<sup>69</sup>

In 1979, Chrysler obtained 1.5 billion dollars from federal government and the corporation repaid the amount in 1983. Prices of gasoline stayed on the same level and the competition from Japan was still widening its production in the U.S. auto market but

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<sup>67</sup> Darden et al., *Detroit*, 6.

<sup>68</sup> Polanski, "Why Pittsburgh.": David Francis, "Why Detroit Won't Have a Pittsburgh Renaissance," *The Fiscal Times*, July 24, 2013, <http://www.thefiscaltimes.com/Articles/2013/07/24/Why-Detroit-Wont-Have-a-Pittsburgh-Renaissance>.

<sup>69</sup> George Galster, *Driving Detroit*, (University of Pennsylvania Press, 2012), 5., Paul Krugman, "A Tale of Two Rust-Belt Cities," *The Opinion Pages*, July 21, 2013, accessed March 30, 2018, <https://krugman.blogs.nytimes.com/2013/07/21/a-tale-of-two-rust-belt-cities/?mtref=www.google.cz&assetType=opinion>.

American car makers were no longer in the loss. The beginning of the decade was prosperous in numbers and it was perceived as a time for new investments. All of the three car manufacturers invested in acquisitions of other businesses. As Thomas Klier states, acquisitions related to companies such as Jaguar, AMC, Saab, Gulfstream and Hughes Aircraft. General Motors besides investing in acquisitions invested in new technologies to accelerate the production.<sup>70</sup>

## 5.2 Condition of the city

The high rate of unemployment together with the decline of population, depreciation of land and property reflected in the appearance of the city. City roads were filled with holes and city's water and sewerage systems were deteriorating.<sup>71</sup> Unoccupied buildings and houses became a target of street vandals, fires and breaking in. Homeowners who rented houses for the sake of profit did no longer see the reasons to keep their property. It became more costly than profitable to maintain the property while it was waiting for someone to buy or rent it.<sup>72</sup> Schools were filled with children from poor living conditions and as a result of the decline of busing policy of the city countless students could not get to the school at all.<sup>73</sup> As researchers showed, from 1979 to 1986, Detroit's underage criminality was three times higher than criminality in ten biggest cities in the United States. According to Ze'ev Chafets, the phenomenon was caused by decreasing level of education together with increasing level of poverty among children.<sup>74</sup> Homicide as such peaked in 1987 when Detroit became the most dangerous city in the United States with 686 murders.<sup>75</sup> However, not only homicides but drug dealing was widespread in the 1980s in Detroit. Colossal unemployment made people sell drugs in order to have at least some income. Criminality rose during the decade and it increased costs of legal proceedings, criminal law, and incarceration.<sup>76</sup> Detroit lost over 200,000 jobs from 1978 to 1982.<sup>77</sup>

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<sup>70</sup> Klier, "From Tail Fins to Hybrids," 8.

<sup>71</sup> Surgue, *The Origins*, 9.

<sup>72</sup> Hackworth, "Race and the Production," 51-73.

<sup>73</sup> Gastel, *Driving Detroit*, 5.

<sup>74</sup> Ze'ev Chafets, "The Tragedy of Detroit," *The New York Times Magazine*, 1990, <https://www.nytimes.com/1990/07/29/magazine/the-tragedy-of-detroit.html>.

<sup>75</sup> Serena Maria Daniels, "10 Things You'll Remember If You Grew Up in the 80s in Michigan," *Only in Your State*, January 11, 2016, <http://www.onlyinyourstate.com/michigan/80s-in-mi/>.

<sup>76</sup> Gastel, *Driving Detroit*, 5.

<sup>77</sup> Hannigan Cano-Kollmann, and Mudambi, "Thriving Innovation," 24.

## 6 THE 1990S

William Frey and Reynolds Farley, American sociologists, declared Detroit as the most segregated city in the United States. In the 1990s, Detroit's population was 75% black and experienced the biggest decline of population - almost 47% of the people left Detroit since the booming 1950s. The racial segregation was reflected in the educational system in Detroit. Approximately 300,000 students were attending schools in Detroit in the 1960s which were the highest attendance in the history of the city. The attendance in the 1990s was 57.6% lower. The study results in high school education were alarming. Students who did not finish high school increase in number and the ones who managed to finish it were not acquired knowledge on a high school graduate level. A high amount of high school graduates lacked proper reading and mathematical skills. One of the main reasons for the situation was a shortage of money in school budget caused by a shortage of money in city's budget.<sup>78</sup>

Teachers argued with enormous spending of local authorities who preferred spending over expensive business trips and private parties rather than contributing to decaying school system.<sup>79</sup> In the 1990s, new types of school started to appear in the United States – so-called charter schools. According to definitions, the charter school is a type of school established by private sectors such as families, communities or businesses and has been funded by the public sector. It is argued whether is this type of school public or private as the students do not pay any school fees but the schools are not ruled by the federal government. This type of school should substitute declining school system run by the government.<sup>80</sup> Measures had to be taken as the budget was shrinking and Detroit voters passed another tax increase and bond issuing. Nevertheless the efforts these measures appeared to be inefficient.<sup>81</sup> The serious issues in schooling were contributed to increasing violence and assaults in schools. The expansion of crime is a natural phenomenon which occurs in critical areas where people live under the poverty line. From the 1970s to the 1990s, the number of people living under the poverty line in Detroit increased from 14% to 32%.<sup>82</sup>

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<sup>78</sup> Jeffrey Mirel, "After the Fall: Continuity and Change in Detroit, 1981-1995," *History of Education Quarterly* 38, no. 3 (Autumn 1998): 242-243, accessed March 30, 2018, <http://www.jstor.org/stable/369155..>

<sup>79</sup> Mirel, "After the Fall," 247.

<sup>80</sup> Surgue. *The Origins*, 18.

<sup>81</sup> Mirel, "After the Fall," 250.

<sup>82</sup> Marc V. Levine, "The Economic State of Milwaukee: The City and the Region," research report, University of Wisconsin – Milwaukee Center for Economic Development, 1998).

## 6.1 Continuing decline of the auto industry

At the beginning of the 1990s, Detroit's auto industry situation stabilized for a while and the Big Three was profiting once again. The competition from Japan drew back because of the bad economic situation in their country and Detroit's car producers were able to quickly recognized demand of costumers for bigger but lighter cars and until 1995 the automobile market was fully in charge of the American auto manufacturers. In 1995, companies Toyota and Honda introduced their minivans and pick-up trucks and seize control of the market once again.<sup>83</sup>

Stagnation of auto industry's differentiation continued throughout the rest of the decade in Detroit. A higher demand for sports cars caused a decrease of production of typical utility cars and therefore a decrease of profit of Detroit's biggest car manufactures – General Motors, Ford, and Chrysler.<sup>84</sup> From 1989 to 1991, General Motors was laying off thousands of employees.<sup>85</sup>

The low income of the city was attempted to be figured in 1996 when representatives of the city passed a law for building three casinos in downtown Detroit. The gambling industry has been used as a source of finances for the city but has been very strictly monitored. The income tax on gambling has served as an income for public schooling, programs for young students and improvement of the overall poor taxation situation in Detroit. One third of the goods and services offered in the casinos has been required to be either locally produced or minority or women-owned in order to set better and equal opportunities for the inhabitants of Detroit.<sup>86</sup>

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<sup>83</sup> Klier, "From Tail Fins To Hybrids," 9.

<sup>84</sup> Surgue. *The Origins*, 17.

<sup>85</sup> Klier, "From Tail Fins to Hybrids," 3.

<sup>86</sup> Michael Wolfe, "Casino Laws in Detroit," *Travel Tips – USA Today*, accessed April 3, 2018, <http://traveltips.usatoday.com/casino-laws-detroit-24395.html>.

## 7 2000-2013

In 2000, Detroit had to, in order to cut public expenses, dismiss half of its public sector workers. However, people were not offered any alternatives to their jobs and most of the people were in advanced age, therefore, they could not work at auto factories. Detroit did not diversify and relied only on the single industry. People had no other choice either to work in the auto industry or be unemployed.

As Thomas J. Surgue describes in his book *The Origins of the Urban Crisis*, the government has not taken into account any consideration of the city and its problems since the 1970s. Jimmy Carter's administration concentrated mainly on the fiscal policy and inflation of the country. President Reagan's administration cut the federal costs and therefore states did not get enough of the budget grants. There were twice as many people in retirement than people in the working process in Detroit in 2003.<sup>87</sup>

In 2008, Detroit suffered from increasing of oil prices again. Ford Motor Company, Chrysler, and General Motors had the biggest market share of the auto industry until 2008 when Toyota, the biggest competitor of the Big Three, took over the market. Toyota became the largest car producer in the world not only because the increasing prices of petrol which reached 4 dollars per gallon were forcing costumers to buy more fuel-efficient cars from Japan as the American car producers were not able to satisfy the demand but mainly because Toyota had a modern producing approach which the Big Three were lacking. Toyota figured a way to enlarge production efficiency– by keeping the current assets low and ensuring it circulates in the company in a short period of time. Japanese manufacturers also required minimal wastage rate which was achieved by slower assembly lines which thus led to more productive workers.<sup>88</sup>

### 7.1 Kwame Kilpatrick

Kwame Kilpatrick was a mayor of Detroit from 2001 to 2008. In his campaign, he promised to obtain Detroit's reputation back. Kilpatrick found his voters in people of the same race and his supporters managed to reelect him as a mayor for the second time. Electing Kilpatrick a mayor second time appeared to be unfortunate and rather in clash with his election campaign. During his term in office he committed several crimes inclusive of corruption,

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<sup>87</sup> Surgue, *The Origins*, 9-11.

<sup>88</sup> Klier, "From Tail Fins To Hybrids," 2; Darden et al., *Detroit*, 27-8.

blackmailing and forging of the city's treaties and beside other was accused of having an affair with his chief of staff and an attack on a police officer.<sup>89</sup> Kilpatrick's extravagance cost the city hundreds thousands of dollars as was the mayor city's money on private trips and jets along with expensive hotels, spa or dinners and he used money from the city treasury to pay his children summer camps. For instance, the former mayor accepted a bribe in form of a trip to Las Vegas in return for giving an investment contract worth of 117 million dollars to MayfieldGentry Realty Advisors.<sup>90</sup> Kilpatrick also required extra security which appeared to be highly costly. After Kilpatrick's sentencing for 28 years of prison, which was the longest federal prison sentencing for corruption in the history of the United States was the former mayor ordered to pay almost 4,600,000 dollars as a compensation of his expenses. It was, later on, cut down to 1,600,000 dollars.<sup>91</sup>

## 7.2 Bailout of the auto industry

Detroit's biggest automakers Ford, General Motors and Chrysler applied for financial aid from the government in 2008. It was first contemplated for the auto producers to file the Chapter 11 and declare bankruptcy but the action would be inefficient in terms of colossal increase of unemployment. The bankruptcy of the corporation would cause a dismissal of more than three millions of worker which the federal government refused to let it happen. Thus the Big Three obtained a financial bailout in January 2009 under the Automotive Industry Finance Program. The three auto companies asked for 25 billion dollars bailout but they had to increase their requirement for another 25 billion dollars. Eventually, the federal government provided loans of 80.7 billion dollars. The bailout lasted until December 2013. Barack Obama's policy used the bailout as a mean of improvement of the auto industry as it was losing over the foreign competition. The government seized control over the corporations and executed several changes in order to fix the situation of the auto industry. Italian Fiat first obtained 20% of Chrysler and hereafter the companies amalgamated as a whole while General Motors were required to make several personal changes in the top

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<sup>89</sup> Greenup, *The Death of Detroit*, 55-7.

<sup>90</sup> Reuters, "Michigan: Ex-Mayor Is Accused in Scheme Involving Pension Fund," *The New York Times*, May 9, 2012, [https://www.nytimes.com/2012/05/10/us/michigan-ex-mayor-is-accused-in-scheme-involving-pension-fund.html?rref=collection%2Ftimestopic%2FKilpatrick%2C%20Kwame%20M.&action=click&contentCollection=timestopics&region=stream&module=stream\\_unit&version=latest&contentPlacement=5&pgtype=collection](https://www.nytimes.com/2012/05/10/us/michigan-ex-mayor-is-accused-in-scheme-involving-pension-fund.html?rref=collection%2Ftimestopic%2FKilpatrick%2C%20Kwame%20M.&action=click&contentCollection=timestopics&region=stream&module=stream_unit&version=latest&contentPlacement=5&pgtype=collection).

<sup>91</sup> WXYZ-TV Detroit| Channel 7. "Kwame Kilpatrick: The Rise and Fall." YouTube video, 25:48. Posted [January 7, 2013]. [https://www.youtube.com/watch?v=MwAioSrD\\_MQ](https://www.youtube.com/watch?v=MwAioSrD_MQ).

management. Chrysler paid off its loan in 2011 and five years after the fusion the company started to post a profit.<sup>92</sup>

Despite the fact that the government bailout helped the car manufacturers to contribute to the American Gross Domestic Product with 500 billion dollars and created job positions for almost 340,000 people, the attempt to save the American auto industry turned out to be unsuccessful. Chrysler filed for bankruptcy in April 2009 followed by General Motors in June. The last option for the companies was to reorganize. General Motors split into two firms – GMAC and Allied Financial while Chrysler became Chrysler Group LLC.<sup>93</sup> Mathieu Desan stated in 2014 that the Big Three currently employs 190,000 of employees in total in the United States and only around 10,000 in Detroit. As Desan states, three times more people are employed in the auto industry in suburbs rather than in the city.<sup>94</sup>

### 7.3 Bankruptcy

The population of Detroit was 713,000 in 2010. The city's budget was built based on tax revenues which expected at least 750,000 inhabitants which thus resulted in a budget deficit. Detroit was facing lack of money by the end of the first quarter of 2012. In March 2012, workers' wages were shortened by 10% in order to save corporations money. A year later, Kevin Orr was taken as an emergency financial manager after an audit which displayed Detroit's deficit of almost 327 million dollars.<sup>95</sup> On 18<sup>th</sup> July 2013, Detroit filed for the biggest bankruptcy in the history of the United States and was declared bankrupt in December of the same year.<sup>96</sup> The official debt of the city was calculated at 18 billion dollars. The city was left with almost 80,000 abandoned housing and utility premises.<sup>97</sup> Notwithstanding Detroit's dreadful condition the suburbs kept flourishing. Detroit's wealthy

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<sup>92</sup> R.M. Schneiderman, "Saving the Big Three (or Not)," *The New York Times*, November 18, 2008, <https://economix.blogs.nytimes.com/2008/11/18/saving-the-big-three-or-not/>; Kimberly Amadeo, "Auto Industry Bailout (GM, Chrysler, Ford)," *The Balance*, accessed March 5, 2018, <https://www.thebalance.com/auto-industry-bailout-gm-ford-chrysler-3305670>; Thomas Noyes, "US Auto Industry: How the Big Three Got to Going Again," *The Guardian*, August 6, 2010, <https://www.theguardian.com/commentisfree/cifamerica/2010/aug/06/auto-industry-obama-bailout>.

<sup>93</sup> *Ibid.*

<sup>94</sup> Desan, "Bankrupted Detroit," 128.

<sup>95</sup> Karen Perog, "A History of Detroit's Fiscal Problems," *Business Insider*, December 10, 2014, accessed March 30, 2018, <http://www.businessinsider.com/a-history-of-detroits-fiscal-problems-2014-12>.

<sup>96</sup> Hannigan, "Thriving Innovation," 618; Perog, "A History."

<sup>97</sup> Perog, "A History."



taxpayers who moved out of the city center a long time ago were contributing to the decent condition of suburbs.<sup>98</sup>

#### 7.4 Statistics

What persists in Detroit is according to Laura A. Reese and Gary Sands, level of poverty, unemployment and underutilized property. According to Karen Bouffard the national poverty rate in the United States was 15.8% while in Detroit the poverty rate raised to 39.3% in 2013.<sup>99</sup> As the number of people living under the poverty line increased during the past decades the wealth gap between poor and wealthy people in Detroit extended sharply. In 2009 the national unemployment rate of the United States reached 9.8% while in Detroit the rate climbed to 29%.<sup>100</sup> As the population of Detroit shrunk from almost two million to almost 700,000 during the past 60 years, the number of abandoned property and vacant houses has enlarged to almost 28%. Projects established in the past are referred to as commercial disinvestment according to Darden. City invested into projects such as Northland Shopping center, Crowley's Department Store or Hudson's emporium in order to maintain Detroit's greatness. Investing into such projects in times of deindustrialization resulted in abandoned property. A similar project was established in 1930 – a project called Frederick Douglass Homes Project which was supposed to solve housing issues connected to the Great Migration. The project was funded by federal government and was supposed to provide homes for incoming African Americans. The project was opened in 1938 with 701 housing units in 6 story buildings and 14 story towers which extended into 941 units in 1941.<sup>101</sup> The project was extremely successful but with the outflow of population during the years, the Brewster Douglass Project, as was the area named later, suffered from vacant units which caused lower rent and less money into the budget for maintenance of the project. Demolition was too expensive for the city government thus the living spaces became a center of poverty, crime and squatters living in poor conditions where drug selling was widespread.

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<sup>98</sup> Hannigan, "Thriving Innovation," 618.

<sup>99</sup> Josh Sanburn, "This is the Poorest Big City in the U.S.," *Time*, September 17, 2015, <http://time.com/4039249/detroit-poverty-rate-census/>.

<sup>100</sup> Hibah Yousuf, "Solution to Detroit's Jobless: Move," *CNNMoney.com*, October 28, 2009, [http://money.cnn.com/2009/10/28/news/economy/metro\\_unemployment/](http://money.cnn.com/2009/10/28/news/economy/metro_unemployment/); Paul Harris, "How Detroit, the Motor City, Turned into a Ghost Town," *The Guardian*, November 1, 2009, <http://www.theguardian.com/world/2009/nov/01/detroit-michigan-economy-recession-unemployment>.

<sup>101</sup> Clickondetroit.com, "Detroit Mayor Says Brewster-Douglass Housing Project Will Be Demolished," *Click on Detroit*, November 15, 2012, <https://www.clickondetroit.com/news/michigan/wayne-county/detroit-mayor-says-brewster-douglass-housing-project-will-be-demolished>.

Barack Obama passed a 6,500,000 dollar fund from the Strong Cities Strong Communities program in 2012 which allowed the houses to be demolished in 2013.<sup>102</sup>

Brian Doucet argues that the quantity of buildings and houses built during the past fifty years was caused by investors' demand for profit. This theory works both for the downtown Detroit and for the suburbs. Until the 1950s, the need for new housing was mainly in the Metro Detroit area as people demanded to live in the city. Projects such as the Brewster-Douglass Housing Project were implemented. Investing into housing provided profitable business until the 1960s when the increasing number of population stagnated. From 1960s, the population was shifting to suburbs, new source of income for the investors. The result of the overinvestment resulted in number of abandoned houses once frequently used such as the Michigan Central Station or the Packard Automotive Plant.<sup>103</sup>

Detroit's Downtown recorded slight recovery which might be credited to development of culture and sports facilities, Detroit Medical Centre, and Wayne State University.<sup>104</sup> However, the city had to close 29 schools in 2009 and according to Dan Greenup, only 6 out of ten students graduated high school in 2010.<sup>105</sup> According to Amy Padnani, in 2012 went to public schools almost 112,000 students less than in 2002.<sup>106</sup> Detroit has been claimed to be the only city in the United States where a family of one parent is more common than the nuclear family.<sup>107</sup>

As the table shows Detroit's population peaked in the 1950s when people were moving to the north to search for jobs in the auto industry. Since then the population started to decline rapidly. It is apparent that the population of whites has been leaving the city more often than the blacks. In the third column of the table is noticeable how the population of blacks has risen through the years. From 1950s to 2013 the population of black rose five times.

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<sup>102</sup> Dan Austin, "Brewster-Douglass Projects," [Historicdetroit.org](http://historicdetroit.org/building/brewster-douglass-projects/), accessed April 9, 2018, <http://historicdetroit.org/building/brewster-douglass-projects/>.

<sup>103</sup> Brian Doucet, *Why Detroit Matters: Decline, Renewal and Hope in a Divided City* (Chicago: Policy Press 2017), 97-101.

<sup>104</sup> Laura A. Reese and Gary Sands, "Detroit's Recovery: The Glass Is Half-Full at Most," *The Conversation*, February 7, 2017, <https://theconversation.com/detroits-recovery-the-glass-is-half-full-at-most-69752>.

<sup>105</sup> Greenup, *The Death of Detroit*, 10-11.

<sup>106</sup> Padnani, "Anatomy."

<sup>107</sup> Kevin Boyle, "The Ruins of Detroit: Exploring the Urban Crisis in the Motor City," *Michigan Historical Review* 27, no. 1 (Spring 2001): 170.

Year	Population	% of black population
1950	1,849,000	16,1%
1960	1,670,000	28,9%
1970	1,511,000	44,5%
1980	1,203,000	63%
1990	1,028,000	76%
2000	951,000	81,6%
2013	689,596	82,18%

Table 1 - Decrease of population (Historydetroit.com)

## 7.5 Efforts made to the recuperation of Detroit

Despite the enormous level of unemployment Detroit managed to create 10,000 jobs from 2010 to 2012. As Joan Muller argues, the city's biggest entrepreneurs such as Wayne State University, the Detroit Medical Centre and Henry Ford Hospital or companies such as Blue Cross/Blue Shield of Michigan, DTE Energy, Strategic Staffing solutions or Quicken Loans have been instrumental in attracting potential experts and young professionals to downtown Detroit. These employers created programs which fund costs connected to moving into the city and getting a new job in order to bring more talented people to Detroit.<sup>108</sup>

Another successful project has been Goodwill Industries of Greater Detroit founded in 1921. In 1970, the organization fused with League for the Handicapped and since then the organization has been creating job positions for people in Detroit. A community of Goodwill Detroit has been creating jobs along with training programs which have helped people to get enough skills and training to become integrated into new jobs. As a result of the massive hiring of unskilled employees in the 1950s majority of unemployed people in Detroit are uneducated in any field. The applicants for jobs get lectures on behavior, literacy, and training so they would be prepared to perform a certain job. The program increases the value of each person on the labor market and increases chances of getting a job. According to statistics from 2017, Goodwill Industries created over 1,000 jobs in Detroit where 83% of people tend to maintain the position for more than three months. The community operates in many fields such as the auto industry which supplies the former Big Three with auto parts.

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<sup>108</sup> Joan Muller, "A Shocking Sight in Downtown Detroit: People," *Forbes*, July 10, 2012, <https://www.forbes.com/sites/joanmuller/2012/07/10/a-shocking-sight-in-downtown-detroit/#34845bf633af>.

Another field is the environment where the community tries to recycle waste from auto industry and reduce waste in general by reconstructing unused buildings and selling the material which is still to use for a cheaper price. The organization repairs property so the owner does not have to buy new and more expensive assets which spare the environment.<sup>109</sup>

As certain projects driven by nongovernment organizations appeared to be pro-community effective other project resulted in opposite effect. City's inefficient transport system cost Detroit millions of dollars and proved to be a rather purposeless investment. Detroit's so-called People Mover was supposed to be a railroad system which would help Detroiters to move around the city center but as was later discovered Detroiters would rather have a better access to their jobs than to cultural entertainment. It is impossible to get an access from an airport to the center as there has been no transportation developed.<sup>110</sup>

One of the attempts to make Detroit thrive has been a project by Tyree Guyton who turned a Heidelberg street in Detroit into art in 1986 after his return to the city. Guyton refused to leave the street in devastating and decaying condition thus and with a help of few neighbors created an installation of collected items from the abandoned houses, and painted the houses or what was left of them with colors and patterns. Guyton's attempt to make the worthless property worthy again became officially a Project Heidelberg in 1988 and since then it has received several art awards and was made into a document. The street became a place for a community where workshops, events, and lectures take place and create a positive environment. From 2013 to 2014 few houses became an object of several arsons and the project suffered substantial damage. However, it is believed the project contributed to community's condition when Guyton decided to turn violence afflicting Detroit turned into art.<sup>111</sup>

A similar approach to decaying streets of Detroit had Mark Covington, jobless Detroitier who decided to clean neighborhood in Georgia Street. He used abandoned yards at houses and planted vegetable which was later given to people in need. This sign of collective compassion created communities contributing to the condition of each neighborhood.

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<sup>109</sup> "About Goodwill," Goodwill Detroit, accessed March 29, 2017, <https://goodwilldetroit.org/about/#mission.>, Jonathan Oosting, "Abandoned Detroit Homes Could Create Jobs Through Deconstruction," *Michigan Live*, July 20, 2009, [http://www.mlive.com/news/detroit/index.ssf/2009/07/abandoned\\_detroit\\_homes\\_could.html](http://www.mlive.com/news/detroit/index.ssf/2009/07/abandoned_detroit_homes_could.html).

<sup>110</sup> Gastel, *Driving Detroit*, 10.

<sup>111</sup> Wendy S. Walters, "Turning the Neighborhood inside out: Imagining a New Detroit in Tyree Guyton's Heidelberg Project," *TDR* 45, no. 4 (Winter 2001): 64-93, <http://www.jstor.org/stable/1146929>.

Special movie nights for children are taking places in vacancies to prevent children crime. Volunteers take local patrols to prevent arson and burglary.<sup>112</sup>

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<sup>112</sup> Harris, "How Detroit."

## CONCLUSION

Detroit's decline is an example of a snowball effect, which escalated into bankruptcy in 2013. For decades Detroit was considered an industrial center of the United States. The auto industry was enormously successful, and Detroit became a car manufacturing world power. The economic growth made people migrate to Detroit in search of better jobs, which led to overpopulation – the first issue the city had to deal with. Increased population density clashed with the racism of the white upper and middle classes and Detroit turned into a war zone in the summer of 1967. The white workforce fled to the suburbs with their money, and the city suffered another loss. As some issues could be prevented, the city was hit by the national economic crises of 1929, 1979 and 2009. With each crisis, the city suffered in the form of increased unemployment, poverty and abandonment. Apart from social issues, the city's representatives were corrupt and incompetent, which resulted in temporary solutions such as investments into ineffective housing projects or shopping centers. As the auto industry played a big role in the rise of Detroit in the first half of the twentieth century, it contributed to the decline as well. A lack of diversification together with massive layoffs left thousands of uneducated and unskilled Detroiters jobless. Detroit went from the fourth biggest city in the United States to the most dangerous city, with extreme levels of unemployment and poverty. The auto manufacturers happened to be in such difficulties that accepting a government bailout appeared to be unavoidable, and yet the financial aid did not stabilize the industry enough to overcome the decline. Despite the repeated attempts to heal, Detroit was forced to file for bankruptcy in 2013. For many, Detroit's decline was caused by the auto industry. This thesis provides a timeline of events, which together contributed to the bankruptcy: Overpopulation, racism, economic crises, leadership missteps, and the inability to fight foreign competition. Detroit suffered for multiple issues, which in combination led to its decline.

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## **LIST OF ABBREVIATIONS**

OAPEC First abbreviation – Organization of Arab Petroleum Exporting Countries

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