

Detroit and municipal bankruptcy

Law



Municipal Bankruptcy: Detroit Introduction The municipal bankruptcy act was enacted in the year 1934 in order to provide protection from creditors to the financially stressed counties. Under chapter 9, the provisions of the law enacted gives protection to the municipals as they negotiate plans to adjust their debts. The law effects its purpose by facilitating the extension of debt maturities, reducing principal interest and establishing means of attaining new loans to settle debts (Nollcamper & Heidi 600). Detroit has the largest population through the United States history. Considering the resource usage subject to the high level of population, bankruptcy would be a good course to pursue. This essay seeks to elaborate on why Detroit should pursue bankruptcy.

Detroit filling of bankruptcy can follow the city's current existing population record. According to the census record taken in 2012, Detroit hosts a population of around 700, 000 residents. This number stipulates that the city stand among the highest populated cities in the state of Michigan (Rattner 15). The high population implies that the city requires relatively higher resources compared to other cities to sustain the residents within the area. Filling for bankruptcy suffices as a good course because it enables the city to maximize on the available resources from tax exemption policies within the enacted act's provision.

The unemployment rate in Detroit has elevated to significantly alarming records. Since the year 2000, the unemployment rates have changed tremendously. The high unemployment rate is evident around the metropolitan areas where it has risen by over 10% of the national average. Unemployment rate factor is directly inversed to other factors like the homicide rates within the city considering that Detroit has the highest

<https://assignbuster.com/detroit-and-municipal-bankruptcy/>

homicide rate and is among the most dangerous cities in the United States of America.

The judicial state within the city raises the significance of filing for bankruptcy. In the year 2014, only 8.5% of cases commenced were solved. This number compared to the 30.5% of the cases solved nationwide indicating that the judicial system requires redress. The security system in Detroit also begs for the filling of bankruptcy. In Detroit city, the response to the police calls averages 56 minutes compared to the 11 minutes nationwide. The faulty security and policing system in Detroit are attributive to the lack of resources. The fire trucks and police trucks conditions neglect is evident in that they are old and cannot work efficiently.

Nevertheless, just like other cities nationwide there are constant resolution and adjustments made to the existing policies in Detroit (Cook 2). The adjustments normally accompany other elements such as tax adjustments. Detroit can then exempt itself from such operational policies at an early stage to disallow the tax system on its residents. Furthermore, there are new policies such as 'Obamacare' health care system. Such policies have been adjusted to accommodate poverty-stricken areas around every state. By declaration of municipal bankruptcy, Detroit enables the citizens in the city to reap the implied benefits.

Conclusion

Filing for municipal bankruptcy might be construed as a failure of an established system to cater to the people within a given jurisdiction. As much as this is true, the system offers a way out of the drastic effects that might ensue following failure to file for bankruptcy. Several cities in the United States that have filed bankruptcy and as a result alleviated its

<https://assignbuster.com/detroit-and-municipal-bankruptcy/>

conditions. Cities like Gould Arkansas and Harrisburg Pennsylvania filed for bankruptcy in 2008 and 2011 respectively. The cities utilized the policy to improve its status. By Detroit filing for bankruptcy, it can reestablish ways of eliminating the risk currently posed to the residents.

.

Works cited

Cook, Michael L. Bankruptcy Litigation Manual: 2012-2013 Edition. S. I.: Kluwer Law International, 2012. Print.

Nollkamper, Pamela E, and Heidi Fron. Bankruptcy Courts & Procedures. Santa Ana, CA: James Pub, 2004. Print.

Rattner, Steven. Overhaul: An Insiders Account of the Obama Administrations Emergency Rescue of the Auto Industry. Boston: Houghton Mifflin Harcourt, 2010. Print.