

# Detroit trod a surefire path to economic ruin



**O**n July 18, Detroit made an announcement heard around the world—it had filed for bankruptcy.

It is the largest city by far to resort to that extreme measure. Since then, numerous analyses have been made as to what pushed the city that once dominated the world with its cars into the financial abyss, and what could be learned from it.

To me, three factors stand out.

First, Detroit has failed to change with the times. The city rose by the car and sank by the car. Car manufacturing was the fundamental factor making Detroit a shining city, but cars contributed significantly to its problems. Cars have been the principal factor enticing Americans to move out of the congested city centres to the suburbs.

That movement a few decades ago was accelerated by racial conflicts as

more African-Americans migrated from the South to cities in the North. In Detroit, the conflicts led to the five-day riot of 1967 that killed 43 people and injured more than 1,100 before it was stopped by federal troops.

Migration to the suburbs has a serious impact on any city's tax base. First, the number of taxpayers declines. In Detroit's case, the population has gone down from over 1.8 million in 1950 to about 700,000 today. Furthermore, those who move out generally have higher incomes than those who stay. Bloomberg news recently reported that the per-capita income of Detroit city residents is US\$15,261, while that of those who live in its suburb of Birmingham is \$67,580.

In car manufacturing, Detroit started to lose its edge once other countries had caught up with the United States in automobile technology and free trade had opened the US market to foreign cars. This is partly because labour costs in other countries were often lower as their labour unions were not as strong.

After establishing a firm foothold in the US market, most foreign car companies have sought to make their cars there, but bypassed Detroit and located their factories where labour unions are

non-existent or much more cooperative.

Second, while the tax base has been shrinking, the residents of Detroit keep electing politicians who promise more goods and services to run the city. This has resulted in more programmes and employees, whose pensions and retirement benefits are only partially funded.

Although Detroit is not unique in this regard, over the years, it has accumulated more debt as the budget gaps continued to widen.

With debt service and health benefit costs taking more and more out of the revenues—for the current fiscal year, those costs take \$461 million (14.5 billion baht) out of the general revenues of \$1.1 billion—the city has not much left to

fund other essential expenditures.

This state of affairs has been going on for quite some time—as a result, 40% of the city's streetlights are now not working and 66% of its ambulances are out of service.

In filing for bankruptcy, Detroit seeks to restructure its long-term obligations of more than \$18 billion, including unfunded pensions and other retirement benefits.

Third, the populist programmes have served to mask the incompetence and corruption of a long line of city officials—at least for a while, but long enough to have done serious harm to the city.

Recent months have seen these events: The last police chief left the post after

scandals involving him broke out, which are still under investigation. One of the top administrators of the public library system was fired for taking kickbacks. A long-serving attorney and a trustee of the city's two pension funds have been indicted for bribery and conspiracy.

The mayor who served during 2002-08 was convicted of racketeering, extortion, attempted extortion, bribery, mail fraud, wire fraud and filing false tax returns. He awaits sentencing for those crimes.

These three factors had primed Detroit for a serious fall once the Great Recession, which pushed two of the three major US car manufacturers into bankruptcy, set in.

To some extent, those factors could be found in other US municipalities that have recently filed for bankruptcy as well as in European countries that have sought debt restructuring.

Any one of them—failure to adjust to the changing environment, cumulating populist programmes and corruption—is bad enough in itself. Together, they are fatal.

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## Local Concerns: Public participation

PLOENPOTE ATTAKOR

# Locals left in the dark on plans for elevated 'roof' road

**A**s a state project with an impact on the life of locals, construction of an elevated highway along Ratchadaphisek-Asok Road has to involve public participation—a principle endorsed in the constitution.

But like so many state works, the public participation process of this particular project, proposed by the Public Works Department of Bangkok Metropolitan Administration (BMA), was something close to cosmetic—at least until the locals became fully aware of the project.

The BMA has hired three consultant firms—Wisit Engineering, Asian Engineering Consultant and Arun Chaiseri Consulting Engineers—to design the elevated structure, dubbed as a "roof" by locals, from Rama IV Road to Rama IX Road, and to canvass public opinion about the project, which is to cost about 4.5 billion baht. The firms are required to submit their final report to the BMA by end of this month.

The consultants already interviewed stakeholders on April 10 and between May 17 and 25.

The process, however, has drawn fierce criticism from a group of locals who complain they have been left out in the cold. After missing the previous meetings, which they say they did not know about, the locals formed the "Rak Asok" (Love Asok) group, which is affiliated with the Siam Society.

Rak Asok members organised their own forum at a Sikh temple on Asok Road on June 1 to discuss the project.

They invited representatives of the consultancy firms to listen to their views. The number of participants at the Rak Asok meeting was much higher than at the consultants' forums.

At the Rak Asok event, many participants complained of being "poorly informed", not just about the project but also about the public hearing process and, as a result, they had no chance to attend the official meetings.

One participant recalled an invitation to the May forum was placed at her front door late in the morning of the actual meeting day. With such short notice, she could not attend the forum. Several participants said they were treated the same.

An officer at the Asian Engineering Consultant Co conceded the number of participants attending the company's forum appeared small, but he said this was because the forum mainly targeted community leaders.

It was up to individual leaders if they wanted to include people in their community in the process, he said.

Besides, it was not a coincidence that there were different conclusions reached at the different meetings. According to the consultants, participants in the April and May forums agreed that the traffic problems on Asok Road must be solved, and no one opposed the project.

Those attending the Rak Asok forum, however, challenged the notion that the elevated structure would be a sound solution to Asok's traffic woes given that both Rama IV and Rama IX roads are also congested and can hardly take more vehicles from the elevated part.

To them, the project, initiated in the 1960s to make Asok part of a Bangkok ring road, is an outdated plan as the city—not to mention land use—has changed tremendously since.

Opponents of the elevated road say it will be an eyesore that threatens the Siam Society's Kamthieng House Museum, which is a major city landmark.

They say it will add to pollution in the area, as the "roof" will cause dust and engine fumes to linger longer. Also, residents will have to be evicted from the area and the land value will likely fall.

The consultants may well have overlooked these concerns in the prior meetings, well before the locals came together to take part in the process.

The group members echoed their opposition to the project again during another meeting last Saturday—a prelude to their final meeting this morning at Bangkok Chada Hotel in Huai Kwang district.

With true participation, the consultants will have to rewrite their reports, while the BMA will have to listen more carefully and review the project more seriously.

**Ploenpote Attakor is Deputy Editorial Pages Editor, Bangkok Post.**



Congestion clogs Asok Road in the Sukhumvit area. The BMA's plan to build an elevated highway to cover the road has been challenged by locals who believe the new structure is useless and will add to pollution. PATIPAT JANTHONG

# We should all be wary of Larry Summers' arrogance

## FEDERAL RESERVE

STEPHAN RICHTER

**W**hatever one wants to say about Larry Summers' intelligence, it is also true that, despite all his professional success, he remains a highly insecure kind of guy. He can't help his arrogance. Most people shouldn't take it personally. They should just consider it a direct reflection of his insecurity.

But that does not bode well for the job he is now up for—and which represents the likely culmination of his career, even since he did not get the World Bank presidency. What Mr Summers brings to mind is an earlier period of the "whiz kid" syndrome, under none other than Robert McNamara, John F Kennedy's Secretary of Defence. He was the man whose sheer and unassailable "brilliance" got the United States fully trapped into Vietnam.

When it comes to selecting a US Fed Chairman, three criteria are important: professional competence, open-mindedness and the ability to rest in oneself. Unfortunately, Larry Summers

scores only 1.5 out of 3 on those criteria.

Janet Yellen, the current vice chair of the Fed, would be close to 3 out of 3 on anybody's book. She has no temperamental issues. Of course, that does not keep those who implicitly raise the "woman issue" from doing their level best to insert that age-old stereotype across into the equation. And yet, if anybody is given to mood swings, it's Mr Summers—not Ms Yellen.

That critical scoring may still not be enough for Ms Yellen to get the nod, given the determination of President Obama's team of guys to push him through.

Mr Summers is also said to have the "respect" of the financial markets. More likely, he has their backs—which is not what the American people need. Alan Greenspan, of course, did not just have the "respect" of the financial markets. They adored him. The disastrous results for the global economy and the US's middle class are now well known.

Ultimately, the trouble with Larry Summers is two-fold: First, no matter what other people want to tell you about his open-mindedness, he ultimately believes that he does have all the answers. And second: While some of his answers are actually good and on target, he mostly presents those in newspaper comments when he is out of power. That is not just



**Larry Summers** AFP

regrettable, but downright shameful for a man who has twice been at the top level of policymaking influence, first as Treasury Secretary under President Bill Clinton and then as White House economic czar under Mr Obama.

He has largely wasted those opportunities. When he had the chance to do good things while in office, mostly he didn't. At those times, he usually was an ardent defender or stage preparer for the powers that be, mainly Wall Street.

Despite his reputation as a ruthlessly honest intellectual, Mr Summers is a man dangerously prone to revelling in notions of cultural supremacy. Consider these words, spoken by him at the World Economic Forum in 1998: "Not in 500 years has a nation been this dominant in business, technology and culture."

But such cultural arrogance isn't the only worry about Mr Summers. We would all do well to remember that in 2008, the year before he joined the Obama Administration, Mr Summers made more than \$5 million (157 million baht) in compensation from the DE Shaw hedge fund—for a reported one day a week of actual work. He also received more than \$2.7 million in speaking fees from Wall Street companies that received bailout money.

Now, in a market economy, everybody is free to sell their skills to the highest bidder. But, at that exalted pay level, there were always legitimate concerns about what Mr Summers received was "pre-sensation" for future actions—rather than compensation for actual services. It was as if to say with a wad of dollars: "Once you're at 1600 Penn, we know you'll keep a watchful eye out for the interests not just of the firm or hedge funds, but the big players in the financial industry more generally." And that, during his two-year stint working in the

White House, he most certainly did.

He had the record to prove he would watch out for their interests. His fingerprints are all over the disastrous undoing of Glass-Steagall during the Clinton Administration. Along with Bob Rubin and the understudy, Tim Geithner, he was in charge of "making the world safe for AIG and Citibank".

Need one say more? Their joint effort spelled even more disaster for the American people than George Bush Junior's ill-fated invasions of Iraq and Afghanistan. With that track record, which is not a matter of conjecture, but history, all the current efforts of his supporters fall flat. Larry Summers—despite his intellect (or because of it?)—has not shown the integrity that he ought to have had.

Instead, he proved the old rule: supporters will always be keen to that the person they want "back in" has nothing but the noblest of motives. And so we hear much these days about Mr Summers being a sure-fire reformer or as having seen enough of the dirt in the past so that he now wants to be Mr "Squeaky Clean". The American people would be well justified in having their doubts.

**Stephan Richter is the publisher and editor-in-chief of The Globalist, where this article originally appeared. © The Globalist.**

**COMMENTARY**  
Sanitsuda Ekachai



**Brave imam falls victim to extremism**

**M**ost southern Muslims are too paralysed by fear to speak out against the horrific violence being perpetrated by separatists. Yacob Raimane, the imam of Pattani Central Mosque, was not one of those.

Most southern Muslims are afraid to appear as co-operating with government programmes, knowing it would endanger their lives. Again, this wasn't Imam Yacob.

As a highly respected religious leader in Pattani, people listened to what he said about Islamic teachings. And the imam had repeatedly stressed that it is wrong in Islam for the jihadists to kill innocent people, that peace and forgiveness is the Muslim way, not violence, and that the horrific violence committed by the insurgents violates Islamic teachings. He also represented the government in explaining the southern strife to Islamic countries, which angered the insurgents even more.

When the Barisan Revolusi Nasional (BRN) demanded the Buddhists in the deep South stop selling alcohol during the fasting month as part of the Ramadan ceasefire, Imam Yacob disagreed. Although the majority in the deep South are Muslims, they must also respect the way of life of people of different faiths, he stressed.

Since the start of the Ramadan month, it had been his duty as an imam to lead the evening prayers to mark the end of fasting at the Pattani Public Mosque. Ramadan will end on Friday. On Monday, Imam Yacob's life ended.

A group of gunmen shot him dead while he was buying food at a Pattani market to prepare for the evening feast. The crowd was shocked. The message was sent: No more defying the separatist cause.

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If anyone ever wonders why southern Muslims refuse to give security personnel information about the insurgents, what happened to Imam Yacob gives the answer.

True, many southern Muslims sympathise with the separatist cause. We cannot deny that ethnic discrimination and oppression by the Thai Buddhist state is real in the restive South. But life gripped by fear of being killed anytime, anywhere, and the constant grief of seeing people you know and love slain for what boils down to Malay Muslim nationalism—not for what Islam stands for—has made many people yearn for normalcy.

They have to keep it to themselves, however. If someone as highly respected and well connected as Imam Yacob was not spared, there is simply no chance for ordinary people to escape being taught an expensive "lesson".

Despite overwhelming fear, many in the restive South are still walking in Imam Yacob's footsteps. They are the locals who believe that peace talks are not the business of political elites from the government and the separatist movement. The voices of ordinary people must be heard, they demand.

Indeed, peace is not about power sharing at the top only. It is also about bottom-up democracy.

Yes, mainstream society must be aware of the atrocities which governments have inflicted on many generations of southern Muslims. They must accept the need to respect the southern Muslims' cultural rights and identity, and their political space and freedoms. The wrongs that have been done must be righted.

But can we guarantee that the elites from the separatist movement will not end up as oppressive if they finally gain power? Can we guarantee that they will care about ordinary people's interests, the environment and human rights more than their business interests and political power?

Extremism cannot bring peace. This is why it is important that moderate voices must be heeded in the peace talks process.

Imam Yacob was a man of great moral courage. The country has lost an important moderate Muslim voice. But he has left an important message: patience.

Three hours before his death, the imam gave an interview to Isra News Agency, pleading for patience on all sides. "If all sides work for mutual understanding, if they are sincere—and patient—the problems will end."

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