



Is Chicago Next?

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Moody's ratings service drastically downgraded the city of Chicago general revenue debt on July 18 — the day Detroit declared bankruptcy. Yves Smith's "Naked Capitalism" blog published very hard evidence July 26, that this "debt hurricane" was organized and demanded of Moody's by the city's big business lobby, the Commercial Club of Chicago, featuring the Pritzkers and other big Obama backers, in order to prepare to break the city's pension and healthcare contracts.

The downgrade from AA3 to A3 was described by the *Chicago Sun-Times* as generally occurring only to smaller cities and only after major natural disasters such as direct hurricane or tornado hits. It followed multiple downgrades of the Chicago School Board's debt since Mayor Rahm Emanuel took office.

The evidence that the Commercial Club of top banking and business CEOs in the city was directly behind the downgrade, is blatant: a videotaped speech in June by Ty Fahner, the head of the Club's Civic Committee, in which Fahner urges on the campaign for downgrade, describing it as "doing harm to do good" for their own interests.



Downtown Chicago, from the Sears Tower.

More mysterious is the role of Obama's ex-chief of staff Mayor Emanuel, who has stoically refused to protest repeated, and now drastic, debt downgrades since taking office, while simultaneously trying — without success until now — to impose substantial cuts and co-pays on city retiree pensions and health benefits, to raise eligibility ages by 3-4 years, etc.

This week's City of London rag *The Economist* runs a cover story on the domino effect to follow Detroit's bankruptcy, likely hitting city and state pensions hard, as well as municipal debt in general — starting, it says, with Illinois and Chicago.

Cities and states are already paying more: Overall, U.S. average municipal bond interest rates have risen more than a quarter percent, or by .27%, in the week since Detroit's July 18 bankruptcy filing.

Detroit emergency manager Kevyn Orr said on July 26 that he does not care about the impacts on the municipal bond market from his actions, claiming fantastically that it is made up entirely of "sophisticated investors". He and Michigan Gov. Rick Snyder both rejected the idea of asking for Federal funds ("bailout", said Snyder), as was directly requested of the White House by the AFL-CIO Executive Board that day.

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