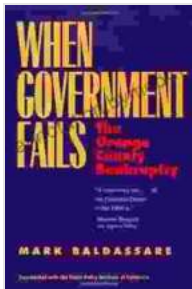


When Government Fails: The Orange County Bankruptcy

In December 1994, Orange County, California, filed for bankruptcy protection. It was the largest municipal bankruptcy in U.S. history, and it sent shockwaves through the financial world.



When Government Fails: The Orange County

Bankruptcy by Mark Baldassare

★★★★☆ 4.2 out of 5

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Screen Reader : Supported

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How could a wealthy county like Orange County go bankrupt? The answer lies in a complex series of financial missteps that began in the 1980s.

The Roots of the Bankruptcy

In the 1980s, Orange County was experiencing a real estate boom. The county's population was growing rapidly, and new homes and businesses were being built at a record pace.

To finance this growth, the county issued a series of bonds. Bonds are essentially loans that investors make to governments. The county used the

money from the bonds to build new roads, schools, and other infrastructure.

However, the real estate boom eventually came to an end. In the early 1990s, the housing market collapsed, and property values plummeted.

The collapse of the housing market had a devastating impact on Orange County's finances. The county's tax revenue declined sharply, and it was left with a large amount of debt that it could no longer afford to repay.

The Bankruptcy

In December 1994, Orange County filed for bankruptcy protection. The bankruptcy was a complex and lengthy process that took several years to resolve.

The bankruptcy had a significant impact on the county's residents and businesses. The county was forced to raise taxes and cut services. Many businesses closed their doors, and unemployment rose.

The bankruptcy also had a negative impact on the county's reputation. Orange County was once seen as a wealthy and prosperous county. However, the bankruptcy tarnished the county's image and made it difficult to attract new businesses and residents.

Lessons Learned

The Orange County bankruptcy is a cautionary tale about the dangers of government overspending and financial mismanagement.

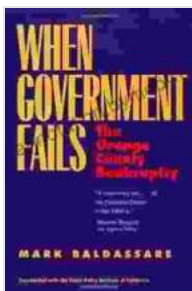
Here are some of the lessons that can be learned from the bankruptcy:

- Governments should not borrow more money than they can afford to repay.
- Governments should be transparent about their finances.
- Governments should have a plan in place to deal with financial downturns.

The Orange County bankruptcy is a reminder that even the most prosperous governments can fail. However, by learning from the mistakes of the past, we can help to prevent similar disasters from happening in the future.

Additional Resources

- The New York Times: Orange County Files for Bankruptcy
- The Washington Post: Orange County Bankruptcy: A Case Study in Denial
- NPR: The Orange County Bankruptcy: 20 Years Later



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