DETROIT — Detroit, the cradle of America’s automobile industry and once the nation’s fourth-most-populous city, filed for bankruptcy on Thursday, the largest American city ever to take such a course.

The decision, confirmed by officials after it trickled out in late afternoon news reports, also amounts to the largest municipal bankruptcy filing in American history in terms of debt.

“This is a difficult step, but the only viable option to address a problem that has been six decades in the making,” said Gov. Rick Snyder, who authorized the move after a recommendation from the emergency financial manager he had appointed to resolve Detroit’s dire financial situation.

Not everyone agrees how much Detroit owes, but Kevyn D. Orr, the emergency manager, has said the debt is likely to be $18 billion and perhaps as much as $20 billion.

For Detroit, the filing came as a painful reminder of a city’s rise and fall.

“It’s sad, but you could see the writing on the wall,” said Terence Tyson, a city worker who learned of the bankruptcy as he left his job at Detroit’s municipal building on Thursday evening. Like many there, he seemed to react with muted resignation and uncertainty about what lies ahead, but not surprise. “This has been coming for ages.”

Detroit expanded at a stunning rate in the first half of the 20th century with the arrival of the automobile industry, and then shrank away in recent decades at a similarly remarkable pace. A city of 1.8 million in 1950, it is now home to 700,000 people, as well as to tens of thousands of abandoned buildings, vacant lots and unlit streets.

From here, there is no road map for Detroit’s recovery, not least of all because municipal bankruptcies are rare. State officials said ordinary city business would carry on as before, even as city leaders take their case to a judge, first to prove that the city is so financially troubled as to be eligible for bankruptcy, and later to argue that Detroit’s creditors and representatives of city workers and municipal retirees ought to settle for less than they once expected.

Some bankruptcy experts and city leaders bemoaned the likely fallout from the filing, including the stigma. They anticipate further benefit cuts for city workers and retirees, more reductions in services for residents, and a detrimental effect on borrowing.

“For a struggling family I can see bankruptcy, but for a big city like this, can it really work?” said Diane Robinson, an office assistant who has worked for the city for 20 years. “What will happen to city retirees on fixed incomes?”

But others, including some Detroit business leaders who have seen a rise in private investment downtown despite the city’s larger struggles, said bankruptcy seemed the only choice left — and one that might finally lead to a desperately needed overhaul of city services and to a plan to pay off some reduced version of the overwhelming debts. In short, a new start.

“The worst thing we can do is ignore a problem,” said Sandy K. Baruah, president of the Detroit Regional Chamber. “We’re finally executing a fix.”

The decision to go to court signaled a breakdown after weeks of tense negotiations, in which Mr. Orr had been trying to persuade creditors to accept pennies on the dollar and unions to accept cuts in benefits.

All along, the state’s involvement — including Mr. Snyder’s decision to send in an emergency manager — has carried racial implications, setting off a wave of concerns for some in Detroit that the mostly white Republican-led state government was trying to seize control of Detroit, a Democratic city where more than 80 percent of residents are black.

The nature of Detroit’s situation ensures that it will be watched intensely by the municipal bond market, by public sector unions, and by leaders of other financially challenged cities around the country. Just over 60 cities, towns, villages and
counties have filed under Chapter 9, the court proceeding used by municipalities, since the mid-1950s.

Leaders in Washington and in Lansing, the state capital, issued statements of concern late Thursday. A White House spokeswoman said President Obama and his senior team were closely monitoring the situation.

“While leaders on the ground in Michigan and the city’s creditors understand that they must find a solution to Detroit’s serious financial challenge, we remain committed to continuing our strong partnership with Detroit as it works to recover and revitalize and maintain its status as one of America’s great cities,” Amy Brundage, the spokeswoman, said in a statement.

The debt in Detroit dwarfs that of Jefferson County, Ala., which had been the nation’s largest municipal bankruptcy, having filed in 2011 with about $4 billion in debt. The population of Detroit, the largest city in Michigan, is more than twice that of Stockton, Calif., which filed for bankruptcy in 2012 and had been the nation’s most populous city to do so.

Other major cities, including New York and Cleveland in the 1970s and Philadelphia two decades later, have teetered near the edge of financial ruin, but ultimately found solutions other than federal court. Detroit’s struggle, experts say, is particularly dire because it is not limited to a single event or one failed financial deal, like the troubled sewer system largely responsible for Jefferson County’s downfall.

Instead, numerous factors over many years have brought Detroit to this point, including a shrunken tax base but still a huge, 139-square-mile city to maintain; overwhelming health care and pension costs; repeated efforts to manage mounting debts with still more borrowing; annual deficits in the city’s operating budget since 2008; and city services crippled by aged computer systems, poor record-keeping and widespread dysfunction.

All of that makes bankruptcy — a process that could take months, if not years, and is itself expected to be costly — particularly complex.

“It’s not enough to say, let’s reduce debt,” said James E. Spiotto, an expert in municipal bankruptcy at the law firm of Chapman and Cutler in Chicago. “At the end of the day, you need a real recovery plan. Otherwise you’re just going to repeat the whole thing over again.”

The municipal bond market will be paying particular attention to Detroit because of what it may mean for investing in general obligation bonds. In recent weeks, as Detroit officials have proposed paying off small fractions of what the city owes, they have indicated they intend to treat investors holding general obligation bonds as having no higher priority for payment than, for instance, city workers — a notion that conflicts with the conventions of the market, where general obligation bonds have been seen as among the safest investments and all but certain to be paid in full.

Leaders of public sector unions and municipal retirees around the nation will be focused on whether Detroit is permitted to slash pension benefits, despite a provision in the State Constitution that union leaders say bars such cuts.

Officials in other financially troubled cities may feel encouraged to follow Detroit’s path, some experts say. A rush of municipal bankruptcies appears unlikely, though, and leaders of other cities will want to see how this case turns out, particularly when it comes to pension and retiree health care costs, said Karol K. Denniston, a bankruptcy lawyer with Schiff Hardin who is advising a taxpayer group that came together in Stockton after its bankruptcy.

“If you end up with precedent that allows the restructuring of retirement benefits in bankruptcy court, that will make it an attractive option for cities,” Ms. Denniston said. “Detroit is going to be a huge test kitchen.”

Around this city, there was widespread uncertainty about what bankruptcy might really mean, now and in the long term. Officials said city workers were being sent letters, notifying them that city business would proceed as usual, from bills to permits. A hot line was planned for residents and others with questions and worries.

For some Detroiters, recent memories of bankruptcies by Chrysler and General Motors — and the re-emergence of those companies — appeared to have calmed nerves. But experts say corporate bankruptcy procedures are significantly different from municipal bankruptcies.

In municipal bankruptcies, for instance, the ability of judges to intervene in how a city is run is sharply limited. And municipal bankruptcies are a form of debt adjustment, as opposed to liquidation or reorganization.
Here, residents are likely to see little immediate change from the way the city has been run since March, when Mr. Orr arrived to oversee major decisions. A bankruptcy lawyer, he is widely expected to continue to run Detroit during a legal process. Mayor Dave Bing and Detroit’s elected City Council are still paid to hold office and are permitted to make decisions about day-to-day operations, though Mr. Orr could remove those powers.

Mr. Orr has said that as part of any restructuring he wants to spend about $1.25 billion on improving city infrastructure and services. But a major concern for Detroit residents remains the possibility that services, already severely lacking, might be further diminished in bankruptcy.

About 40 percent of the city’s streetlights do not work, a report from Mr. Orr’s office showed. More than half of Detroit’s parks have closed since 2008.

Monica Davey reported from Detroit, and Mary Williams Walsh from New York.