

The Stockton, California bankruptcy: A warning to all workers

Statement by Jerry White, SEP candidate for US president
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The vote by city officials in Stockton, California to declare bankruptcy is a damning refutation of the Obama administration's cynical claims about an economic recovery and a harbinger of a new wave of attacks on public workers, pensions and essential services throughout the country.

The financial failure of the city of nearly 300,000 residents in California's central valley region is the largest municipal bankruptcy in US history. Stockton becomes the seventh municipality to file for bankruptcy protection this year. It comes on the heels of the bankruptcies of 13 cities, counties and other government bodies in 2011—the highest total in two decades—including Jefferson County, Alabama (Birmingham) and Pennsylvania's state capital of Harrisburg.

The failure of Stockton and other cities is the direct product of the looting of society by the Wall Street banks, which reaped vast profits from subprime mortgage scams and then left tens millions out of work and “underwater” on their homes when the speculative bubble burst. Stockton has the second-highest foreclosure rate in the country and housing values have fallen by two-thirds from their peak.

While the Bush and Obama administrations made sure the bankers were made whole—making available some \$23 trillion to cover the gambling debts of the financial “criminal-tocracy”—cities have seen tax revenues evaporate and are drowning in red ink.

Using the threat of punishing credit downgrades and interest rate hikes, Wells Fargo, JPMorgan Chase and other banks that cashed in from the Wall Street bailout are demanding the most savage budget cuts in Stockton and other cities. While workers, retirees and young people suffer, these austerity measures guarantee the continued flow of tax-free profits for the big investors in the \$3.7 trillion US municipal bond market.

Over the past three years, Stockton has cut \$90 million from its general fund, laid off 30 percent of its fire department and 43 percent of its non-uniformed workforce. With its vote to declare bankruptcy, the City Council adopted an interim budget that slashes health benefits for both retired and current city workers, including stripping workers with less than ten years' service of all health coverage.

This is only a down payment. In Stockton and other cities like Detroit, the banks are imposing a financial dictatorship and austerity measures that are the equivalent of what is being imposed on the workers of Greece, Spain and other European countries.

The Crash of 2008 has been used by the ruling class to carry out a social counterrevolution, which is aimed at turning the clock back for the working class by more than a century. Basic provisions long considered social rights—public education, transportation, housing, health care, street lighting and sewer systems, libraries, museums, recreation centers—are being shut down or dismantled.

This is being spearheaded by the Obama administration, which has overseen the destruction of more than a half million federal, state and municipal workers' jobs. While handing trillions to its friends on Wall Street, the administration has deliberately starved states and cities of resources and championed the privatization of schools and the destruction of job protections for teachers and other city workers.

The model for what is being done to cities and countries throughout the world was the restructuring of the auto industry by the Obama administration in 2009. With the assistance of the United Auto Workers, the White House slashed the wages of new-hires in half, eliminated long-standing health care and pension benefits, and wiped out the jobs of tens of thousands of higher-paid workers. This has

enabled the auto bosses and big investors to reap record profits.

Increasingly, the financial elite and its political front men in both political parties as well as its media mouthpieces are insisting that society can no longer afford supposedly over-generous retirement benefits and other “legacy costs.” According to their logic, it is not the super-rich who are squandering society’s wealth, but older workers whose “Cadillac” health care and pension plans are stealing food out of the mouths of the younger generation.

The multi-millionaire CEO of AIG—whose company was the recipient of a multi-billion-dollar bailout—recently complained that workers were living too long and suggested the retirement age be raised to 80! In another column, absurdly headlined “Share the Wealth,” former Obama health care advisor Ezekiel Emanuel called on seniors to forgo Social Security and Medicare benefits for years in order to finance a so-called Children’s Opportunity Fund.

What no one in the establishment will propose is touching the ill-gotten gains of the financial and corporate oligarchs who are so rich they are buying Hawaiian islands and third and fourth “trophy homes.” The problem is not lack of resources, but their monopolization by the super-rich and the drive by their representatives in both big business parties to make the working class pay for the global breakdown of the capitalist system.

The use of the bankruptcy courts is part of an expanded anti-working class offensive. In the face of this, the unions have proven worse than worthless. AFSCME, AFT, NEA and other public sector unions—which are all enthusiastically campaigning for the reelection of Obama—have accepted without question the bogus argument that there are not enough resources to ensure decent wages, benefits and social programs.

When struggles have emerged, such as last year’s battle in Wisconsin, the unions, aided by their various liberal and pseudo-left cheerleaders, such as the International Socialist Organization, have sabotaged them. In that struggle, the unions opposed growing demands for a general strike, shut down the mass protests and channeled opposition behind a campaign to elect Democrats.

In state after state, including in California, Democratic governors like Jerry Brown, and on the national level, Barack Obama, are spearheading the attack on workers. The unions back the Democrats not because they oppose attacks

on public employees—which they don’t—but because the Democrats, unlike the Republicans, have traditionally protected the institutional interests of the labor bureaucracy and utilized its services in attacking workers.

As the Socialist Equality Party candidate for US president, I call on the workers of Stockton and workers throughout the country to reject all demands for concessions and the destruction of social programs. Workers and residents should organize workplace and neighborhood action committees, independent of the unions and the Democratic Party, to fight layoffs, concessions, school closings and other efforts to dismantle and privatize vital social services.

The SEP insists that education, health care, access to culture and recreation, and a guaranteed and decent-paying job are social rights. The securing of these rights, however, requires a political struggle against the entire capitalist system and the two big business parties that insist that the “rights” of the financial aristocracy must take precedence over the needs of working people.

A mass political movement of the working class, based on the fight for socialism, must be built so that workers can take political power in our own hands and distribute the wealth we create to meet human needs, not private profit. This includes nationalizing the banks and putting under the democratic control of working people the vast sums that are now monopolized by the financial speculators and bankers.

On this basis, a multi-trillion-dollar public works program must be launched to rehire the millions of laid-off public employees and construction workers, and hire millions more, to rebuild Stockton, Birmingham, Detroit and the countless other urban and rural areas decimated by the anarchy of capitalism.



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