Another California city files for bankruptcy

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13 July 2012

On July 10, San Bernardino became the third city in California to file for bankruptcy in the last two weeks. With a population of 210,000 residents, San Bernardino follows the small resort town of Mammoth Lake and Stockton, a city of 300,000, into insolvency.

The city chose to file for bankruptcy after officials said it barely had enough money to meet its June 15 payroll. The city currently has a $46 million deficit. As more cities complete their budgets for the next fiscal year, even more bankruptcies are expected.

Social conditions in San Bernardino were dire even before the recession and 2008 financial crash. Median household income in 2006 was only $31,405 while the national average between 2006 and 2010 was $51,914. The combination of its size, location, and poverty made it particularly susceptible to the economic crisis.

Lying just east of Los Angeles, the greater metropolitan area of San Bernardino and Riverside forms what is known as the Inland Empire, an area that has been particularly hard hit by the economic slowdown. The official unemployment rate is 11.8 percent as compared to 8.2 percent nationwide. According to RealtyTrac, one housing unit in 177 was in some phase of foreclosure throughout Inland Empire, making it the third highest foreclosure rate in any metropolitan area behind Stockton and Modesto.

The *Wall Street Journal* reported that retail sales in the city recently dropped 30 percent, from $3.2 billion in 2005 to $2.3 billion in 2011. The assessed value of the city's homes dropped to $10.3 billion in 2011 from $12.2 billion in 2008. Most damningly, 70 percent of the city's homeowners owe more on their mortgage than their property is worth. While the financial elite made billions off of the housing bubble, workers are saddled with huge debts and declining living standards.

In order to reduce its deficit, city officials reduced the workforce by 20 percent and have imposed $10 million in concessions on employees over the past four years. Speaking on behalf of the financial elite, which has looted the country, the *Wall Street Journal* blames city workers and their pensions for the crisis and calls for the ripping up of workers' living standards and workplace conditions.

Saying workers are the "biggest creditors," an opinion piece in the newspaper says, "One upside of bankruptcy is that it will enable the city to restructure collective-bargaining agreements."

For their part the unions have argued that the unilateral ripping up of contracts is not necessary because they are more than willing to impose the costs of the economic crisis on the backs of the workers they claim to represent.

Steve Smith, spokesman for the California AFL-CIO union federation told the *Los Angeles Times*, "In over 240 municipalities, they have dealt with costs by bargaining with their unions."

The Democratic Mayor of San Jose, Chuck Reed, got a referendum passed last month to limit pension payments by vilifying public workers and threatening to cut services. Although he successfully cut the future pensions of current employees, the measure had limited effect on retirees. Through bankruptcy, San Bernardino and Stockton hope to pull money straight from the pensions of those already retired, and they won't be the last to do so.

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