

# Emergency manager moves Detroit closer to bankruptcy

**Bryan Dyne**  
12 July 2013

After a second round of closed-door talks with pension and union officials on Wednesday, Emergency Manager Kevyn Orr indicated a decision involving Detroit's bankruptcy will come sometime next week. It is becoming increasingly likely he will take this option in order to slash the pensions and benefits of current and retired city workers on behalf of Detroit's creditors. If so, Detroit will go through the largest municipal bankruptcy in US history.

According to Orr's latest figures, Detroit has up to \$20 billion in long-term debt, of which \$3.5 billion is owed to the city's pension fund, which pays out to the city's nearly 20,000 retirees. The funds, Orr claims, are underfunded to the point of being insolvent. The meetings this week were aimed at convincing the unions and pension boards to accept savage cuts, with Orr proposing to pay as little as ten cents on the dollar to the city's pension fund.

Pensions have been Orr's primary target from the beginning of his reign. Pension cuts of such magnitude are unprecedented and are seen as another source of profit for the banks and hedge funds. Orr's job is to facilitate the transfer of money from pension funds to bank vaults, setting a precedent that would be used across the country.

Orr has said the funding of pensions consumes up 65 percent of the Detroit's operating budget and can no longer be maintained. Rather than seeking ways to increase revenue flow, such as ending tax abatements on corporations and real estate developments in the downtown area that will only benefit the rich, Orr declared there "must be significant cuts in accrued, vested pension amounts for both active and currently retired persons." In other words, pensions must be slashed no matter what.

Orr has also attempted to pit city workers, especially

retirees, against the general population, saying pensions must be slashed in order to maintain city services. This is a fraud. In reality, city services are being targeted just like pensions, as part of the plans of the corporate and financial elite to privatize city departments and end services to whole areas of the city deemed too poor or under-populated to maintain. The "restructuring of Detroit" as envisioned by big business and Orr involves a shrinking of the city and the development of a small area—downtown and midtown—through subsidizing the construction of an upscale housing and entertainment district.

The average pension for retired firefighters and police is \$30,607 and for general city workers only \$19,213. Orr is proposing to cut these by up to 90 percent, sending retirees from poverty or near poverty to abject destitution, along with all those who depend on the steady income of a parent or grandparent.

Opposed to any struggle by the working class, the unions, particularly AFSCME and the UAW, are leaving the fate of the pensions in the hands of the courts and a section of the Democratic Party. They are backing two lawsuits—one, that challenges Public Act 436, the emergency manager law which supposedly gives Orr power slash pensions in violation of the Michigan Constitution, and a second seeking a preliminary injunction to prevent Michigan Governor Rick Snyder and Treasurer Andy Dillon from approving a bankruptcy filing.

These toothless measures will, at best, merely delay the process, which enjoys the full backing of the both big business parties and the corporate and financial elite. Orr's "restructuring" team has claimed that federal bankruptcy laws trump and state constitutional protection of pension benefits. Orr has also stated he would circumvent the state's constitution by claiming

the pensions are unsecured bonds.

Another meeting was held on Thursday dealing with the city health care system, which is reportedly \$5.7 billion of Detroit's long-term debt. Orr's latest proposal is to entirely eliminate the health care coverage of city workers who retire early, specifically those who retire before 55, which is not uncommon especially among city police officers and firefighters. Unlike pensions, the Michigan Constitution does not protect health care benefits.

This plan is in addition to Orr's previous proposal to dump retirees into the federal Medicare system and current workers into health care exchanges set up under Obama's Affordable Care Act. Both would mean a sharp reduction in health coverage for workers and their families and much higher deductibles and co-pays.

There are other considerations behind Orr throwing the city into bankruptcy. In particular, a Chapter 9 bankruptcy would make it easier to sell off city assets, including artwork from the Detroit Institute of Arts and the water department, to bondholders. Either way, the working class will be made to pay for Detroit's financial crisis.



To contact the WSWS and the Socialist Equality Party visit:

**[wsws.org/contact](http://wsws.org/contact)**