Emergency manager throws Detroit into bankruptcy

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The emergency manager overseeing the financial restructuring of Detroit filed a petition in federal court Thursday afternoon throwing the devastated industrial city of 700,000 residents into Chapter 9 bankruptcy. Republican Governor Rick Snyder, who appointed Wall Street bankruptcy attorney Kevyn Orr as the city's emergency manager last March, immediately approved the filing.

The largest municipal bankruptcy in US history paves the way for an unprecedented attack on the pensions and health care benefits of city workers, the further slashing of essential services, and the sell-off of public assets to pay the banks and bondholders who hold the city's debt.

Announcing the filing, Emergency Manager Kevyn Orr stood side-by-side with the city's Democratic mayor, David Bing, a multi-millionaire who has slashed the city workforce by 20 percent since taking office in 2009. Both cynically claimed that the bankruptcy would have little effect on daily life and would lead to improved services for city residents.

The Obama administration signaled its support for the bankruptcy filing, issuing a statement Thursday declaring: "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."

Orr has already approved a corporate-backed plan to shut off services to neighborhoods deemed too poor or under-populated for profitable private investment, while handing over public lighting, transportation, garbage collection and other services to for-profit companies. His "turnaround" team has appraised everything from the city's water treatment plant and masterpieces at the Detroit Institute of Arts to Belle Isle Park and the animals at the Detroit Zoo for possible sale to private investors.

Above all, the bankruptcy filing clears the way to gut the pensions and health care benefits of the city's 31,000 current and retired employees. By throwing the city into the bankruptcy courts, Orr intends to circumvent Michigan's constitution, which declares public pensions to be a "contractual obligation" that "shall not be diminished or impaired."

Orr rushed the bankruptcy filing to preempt lawsuits filed by pension trustees and public-sector unions seeking to block bankruptcy on the grounds that it would lead to unconstitutional pension cuts. Attorneys for Snyder reportedly asked the lawyers representing the pension funds for a five-minute delay before they sought a temporary restraining order to block the bankruptcy filing. During those five minutes, Orr's attorneys filed the bankruptcy petition in Detroit.

At Thursday's press conference, Orr gloated that the bankruptcy filing put an "automatic stay on all litigations," adding, "We don't have any time for more delaying tactics."

Under a plan Orr previously outlined, pension trust funds would receive as little as 10 cents for every dollar owed to 21,000 retirees for a lifetime of labor. Orr wants to eliminate cost-of-living adjustments for retirees who receive as little as $500 to $1,000 a month, with no additional Social Security payments. He also intends to impose an immediate freeze on future pension payments and shift retirees to Medicare or privately controlled health care exchanges set to begin next year under the Obama administration's Affordable Care Act. The city's current 9,700 workers will also see a huge reduction in health benefits and the loss of employer-paid pensions.

The Metro Detroit and Michigan AFL-CIO union federations and individual unions responded to the bankruptcy filing with predictable cowardice, insisting that workers take no action to defend their jobs and pensions and complaining that Orr had rebuffed their "good faith" negotiations.

"From the beginning, we have attempted to participate in discussions and offer a restructuring plan," Dan McNamara, president of Local 344 of the Detroit Fire Fighters Association, said. "It is a shame that now we will have to be in front of a bankruptcy judge when all along we have been expecting to have meaningful meetings with Emergency

Manager Kevyn Orr."

Carl Anderson, president of Local 488 of the Utility Workers Union of America, sent an email to his members telling them to remain on their jobs. "It's quite a shock," he told the *Detroit Free Press*. "I thought it would not be until the first of the year once (Orr) talked to everybody and got everything in order. I thought it would take more time to get all the concessions."

The only contractual obligations that will be honored by Orr are the billions of dollars in principal and interest demanded by the major Wall Street banks and bondholders. Orr has already made a settlement with UBS, Bank of America and Merrill Lynch Capital Services on $340 million in credit default swaps, giving them 75 cents on the dollar.

While private employers in the steel, auto, airline and other industries have long used the bankruptcy courts to tear up labor agreements, slash wages and escape pension obligations, the bankruptcy of Detroit is being used by the Obama administration and Wall Street as a test case to destroy the pensions and health care benefits of tens of millions of teachers, firefighters, public hospital workers and other state and municipal employees around the country.

"Officials in other financially troubled cities may feel encouraged to follow Detroit's path, some experts say," the *New York Times* wrote Thursday, citing Karol K. Denniston, a lawyer involved in the bankruptcy of Stockton, California. "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. Detroit is going to be a huge test kitchen."

At the press conference, Orr complained about unaffordable pension obligations, repeating what has become a constant refrain by the corporate-controlled media and Wall Street analysts, who incessantly speak of a nationwide crisis over "legacy costs." In his self-serving and distorted overview of Detroit's slide into insolvency, he cited "pension obligations" as the cause for the city's increased borrowing.

In reality, the bankruptcy of Detroit, the former center of global auto production, is an expression of the protracted crisis and decay of American capitalism. At the center of this decline has been a decades-long process of deindustrialization, which has devastated former industrial centers such as Detroit, Chicago, Pittsburgh and scores of other cities.

The dismantling of US industry has gone hand in hand with tax cuts for big business and the rich and the increasingly dominant role of the most parasitic forms of financial speculation. As the accumulation of wealth by the ruling elite has become ever more detached from the creation of real value, a financial aristocracy has arisen whose operations are borderline-legal or outright criminal.

The tipping point for Detroit was the 2008 financial crash, which led to a wave of foreclosures, mass unemployment and a sharp decline in tax revenues and state and federal aid. The Wall Street banks have directly benefited from the indebtedness of the city, which pays a quarter billion dollars—or 20 percent of its annual operating budget—to service its debt.

Bankruptcy was not an inevitable process, but rather a deliberate policy. While handing over trillions of dollars to the Wall Street banks and driving up the stock market by pumping virtually free cash into the financial markets, the Obama administration has rejected any measures to bail out Detroit or other threatened state and municipal governments.

On the contrary, the Democratic president has used the financial crisis as an opportunity to carry out an historic restructuring of class relations, first through the destruction of the wages of auto workers in the 2009 auto bailout, then through the destruction of some 600,000 federal, state and municipal jobs, and now by means of a wholesale attack on pensions and health benefits.

While some "anticipate further benefit cuts for city workers and retirees, more reductions in services for residents, and a detrimental effect on future borrowing," the *Times* noted, "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."

While Orr insists there is no money for pensions or essential services, hundreds of millions in public dollars will be used to subsidize the development of an upscale housing, commercial and entertainment district covering about 7.2 out of the city's 139 square miles. This includes $286 million in public funds for a new sports arena for the owner of Little Caesar's Pizza and the Detroit Red Wings hockey franchise, Mike Ilitch, whose net worth is estimated at $2.7 billion. To make room for the arena, hundreds of low-income workers and seniors are being evicted from their downtown apartments.

The bankruptcy will bring devastation to the working class, but it will mean a huge windfall for Ilitch, Quicken Loan billionaire Dan Gilbert, and the gangs of bankruptcy lawyers, hedge fund operators and private speculators who will descend on Detroit to cash in on the carve-up of the former Motor City.