

# The Detroit bankruptcy and the assault on democratic rights

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The bankruptcy filing last week by Detroit's unelected emergency manager, Kevyn Orr, is the outcome of an anti-democratic conspiracy conducted by top political officials from both the Republican and Democratic Parties in Michigan over the last several years.

From the beginning, their aim was to install a direct representative of Wall Street, armed with powers of the federal bankruptcy court, to run roughshod over any political and legal obstacles to the looting of the city.

On Wednesday, a federal bankruptcy judge ruled that his court had jurisdiction to decide whether Detroit's Chapter 9 filing violates the state constitution's protections for pension benefits. Lawsuits aimed at stopping the bankruptcy, Judge Steven Rhodes said, "are costly, expensive, inefficient" and can cause "prejudice" to the debtor. The judge had little concern for the cost inflicted on pensioners by a "debtor," i.e., the City of Detroit, which is demanding that the pension funds accept as little as 10 cents on the dollar of unfunded liabilities.

For the corporate and political establishment in the United States, the largest municipal bankruptcy in American history is a model for a sweeping attack on the more than 20 million federal, state and municipal employees around the country.

Pensions are a particular target. Some 78 percent of public sector workers nationwide still have employer-paid pensions, compared to only 18 percent of workers in the private sector. The bankruptcy courts, which have long been used by corporate America to strip airline, steel, mining, auto and other industrial workers of their retirement benefits, are now being re-deployed to destroy the pensions of firefighters, teachers, hospital and other public workers.

In this way, the financial elite intends to divert an estimated \$1.4 trillion in unfunded pension money owed to retired workers to pay off the big banks and hedge funds that control the municipal bond and derivatives market.

To accomplish this deeply unpopular measure, Orr is running roughshod over whatever legal constraints are in his way. Michigan's state constitution declares, in Section 24, that "The accrued financial benefits of each pension plan

and retirement system of the state and its political subdivisions shall be a contractual obligation thereof which shall not be diminished or impaired thereby." Many states have similar constitutional or federal contract clause provisions protecting pensions. Several, including New York, Illinois and Alaska, go even further than Michigan, defending not only previously accrued but also future benefits.

"There's not a lot of previous case law that tells us what's going to happen here," Paul Secunda, a Marquette University law professor, told the Associated Press. "Can a federal bankruptcy court basically ignore a state constitutional provision and allow a city like Detroit to ignore its previous promises concerning public employee pensions?"

Detroit's city charter also contains limited legal protections against the slashing of pensions for future retirees. Prior to the appointment of Orr by Michigan Governor Rick Snyder, Democratic Party State Treasurer Andy Dillon repeatedly complained that the charter was an obstacle. It requires that the council first order an independent audit on the impact of any cuts and then wait three months before taking any action. The emergency manager, in contrast, has no constraints and can overhaul the benefits outside of the city charter or without union consent.

The City Charter also contains certain limits on the privatization of city services and assets, declaring that not only the cost be considered, but also the impact on "public interest," jobs, working conditions and the quality of service.

Of course, the corrupt Democratic Party political establishment in Detroit never abided by such clauses itself. On the contrary, Mayor David Bing—a multi-millionaire and former board member of utility giant DTE Energy—has privatized services and wiped out 20 percent of the city's workforce since taking office in 2009. For its part, the City Council generally complained that Bing had not gone far enough in attacking municipal workers' jobs, wages and benefits. The chief concern of the politicians who spoke out about an "outside" takeover of the city was not the

trampling of the democratic rights of Detroit's citizens, but maintaining their power to dole out lucrative city contracts and sell off public assets.

Nevertheless, the program demanded by Wall Street requires overriding the state constitution and city charter. The new emergency manager is handing over the public lighting system to DTE and preparing the privatization of garbage collection, transportation and the Water and Sewerage Department. In addition, auditors have already estimated the value of the masterpieces at the Detroit Institute of Arts, Belle Isle Park and even the animals at the Detroit Zoo for possible sale to private investors.

In a piece in the *Detroit News*, entitled, "Detroit EM's goal: Make City Hall work better," right-wing columnist Daniel Howes notes that Orr is in talks with the Ford Foundation and New York University's Marron Institute on Cities and the Urban Environment for recommendations "to improve the city's governance structure and operations, including potential revisions to the controversial city charter that could be proposed to voters in the future."

"The effort will prove controversial," Howes writes, and would likely "be considered an affront to yet another tradition of self-government in a city whose elected City Council and mayor are now secondary to the decision-making of a Washington bankruptcy lawyer appointed by Gov. Rick Snyder."

Nevertheless, he insists, "Detroit's political culture," favored "employees and the unions who represent them at the expense of everyday citizens." The aim of the governor and Orr was to make changes so that Detroit never "rolled back."

This was the same anti-democratic sentiment expressed in the July 23 Forbes article, "Detroit's benevolent dictator." It noted that Orr's appointment was "intensely controversial" and that residents were livid "that the governor would suspend the democratic process and impose a de facto dictator on the city." But installing an unelected official who made all the financial decisions was a plus, the author asserts breathlessly, noting that Chapter 9 "will likely give him significantly greater leverage—and that's on top of his already sweeping powers."

"Not having to run for reelection has allowed Orr to be bolder than the typical city leader," the author writes, citing Sandy Baruah, president and CEO of the Detroit Regional Chamber of Commerce, who said, "He's not a politician, he doesn't need to make friends."

These comments echo an April 2012 piece by Nolan Finley of the *Detroit News*, who wrote, "As horrible as it is to say, democracy has failed Detroit. A short-term dictator could have operated outside a political environment to create a sustainable operating model."

And this is exactly what Governor Snyder, Dillon and Mayor Bing set out to do with the installation of Orr. The emergency manager law itself had been defeated by Michigan voters in 2012 and then rewritten and pushed through with bipartisan support by a lame duck state legislature earlier this year.

Such talk of "benevolent dictators" who have the "political will" to stand up to popular opposition only expresses how deeply democracy has decayed in the US and internationally. In Greece and Italy, "technocratic" governments led by representatives of the international banks have already been installed, and have banned strikes and demonstrations and imposed savage austerity measures.

The American ruling elite plans to destroy the social achievements won by the working class over a century of struggle. The imposition of these deeply unpopular measures—the gutting of pensions, mass unemployment, the looting of public assets by the wealthy—cannot be achieved without employing the methods of a police state. That is what is behind the immense spying apparatus constructed by the American government and the training of military forces for use against "civil unrest" in the US itself.

Democratic forms are not compatible with the today's immense social inequality and the rule of a financial aristocracy. That is why the struggle to defend the most elemental social rights of the working class is only possible through a fight to carry out a vast democratization of society through the establishment of a workers' government, the breaking of dictatorial grip of the financial elite and the socialist reorganization of economic and political life.



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