

Obama rejects federal aid for Detroit

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The Obama administration has rejected any federal rescue package for Detroit. The White House, which handed trillions of dollars to the banks and auto corporations, has made it clear it will do nothing to protect the pensions, jobs and social services of Detroit's workers, which are targeted for massive cuts in the largest municipal bankruptcy in US history.

By tacitly supporting the decision of Michigan Governor Rick Snyder and Detroit's emergency manager, Kevyn Orr, to throw Detroit into bankruptcy, the Democratic president is opening the floodgates to similar attacks on public-sector workers in cities across the country. Detroit will serve as a model for using unelected officials, such as the Wall Street bankruptcy lawyer Orr, and the medium of the bankruptcy courts to rip up agreements and gut the pensions and health benefits of millions of workers. Detroit marks a new stage in the assault on the entire working class.

Treasury Secretary Jack Lew made the round of the news interview shows Sunday morning and pointedly declared that Detroit had to resolve its own problems through the bankruptcy court. On ABC News' "This Week" program, he said that "when it comes to the questions between Detroit and its creditors, that's really something that Detroit is going to have to work out with its creditors."

Asked on CNN's "State of the Union" program why Detroit was receiving different treatment than the Wall Street banks and the auto companies, Lew said the situation was different at the time of the bank bailout because the entire US economy was hanging in the balance. "The situation in 2009, 2010 was unique, and it's something that hopefully we never see again," he declared.

Jared Bernstein, the former top economic adviser to Vice President Joseph Biden, echoed Lew's statements, telling *CNN/Money*, "For the government to intervene, it's a very big deal. You only do so if the alternative is

a market failure that will have systemic disruptions to the economy. That was the case then. I don't think that's the case here."

Bernstein added that he believed the bankruptcy process "will be effective in this case, even though there will be a lot of pain between here and there."

These are cynical and crude attempts at cover-up. What really determines the difference in the response to the banking crisis and the response to the Detroit bankruptcy are class questions. First Bush and then Obama allocated virtually unlimited public funds to bail out Wall Street because the beneficiaries were the wealthy elite. In the auto bailout, Obama insisted that federal loans to General Motors and Chrysler be tied to a 50 percent cut in the wages of newly hired workers.

None of the bank executives and speculators involved in the criminal activities that triggered the 2008 financial meltdown has suffered "a lot of pain." On the contrary, Obama intervened in 2009 to block bills in Congress that would have trimmed the multi-million-dollar pay packages of top executives of bailed-out companies, and his administration has refused to indict a single leading Wall Street executive.

His policies have made the big banks bigger and the CEOs and speculators richer. On the basis of poverty wages, the Detroit auto makers took in \$12 billion in profits last year.

The working class has suffered a devastating decline in its living standards. Now, city workers who bear no responsibility for the crisis are to be thrown into poverty to guarantee the repayment of debts to the banks and hedge funds that hold municipal bonds.

It is appropriate that Obama left it up to Lew, his White House chief of staff prior to being named treasury secretary, to publicly reject a bailout for Detroit. Like Obama's two previous chiefs of staff—Rahm Emanuel and William Daley—Lew passed through the revolving door between Washington and

Wall Street and made millions in the process.

After serving as chief budget-cutter in the Clinton administration, he moved in 2006 to the banking giant Citigroup, where he headed its Alternative Investments Unit, which helped banks issue toxic mortgage-backed securities during the sub-prime boom and then bet that those investments would collapse in value.

At Citigroup, Lew received a salary of \$1.1 million. Two weeks before he joined the Obama administration, and after Citigroup had received \$45 billion in taxpayer money, Lew received an additional \$900,000 bonus.

Obama rejected any aid to Detroit in the midst of his bogus campaign to defend the “middle class.” In an interview with the *New York Times* published on Sunday, he hypocritically lamented the lack of social mobility and the growth of inequality in the US, while saying nothing about the attack on workers in Detroit.

In fact, Detroit Emergency Manager Orr and Mayor David Bing have coordinated their actions with top administration officials, including Obama’s senior adviser Valerie Jarrett, who was in close communication with them over the last four months as the bankruptcy filing was being prepared.

In addition to slashing the money owed to pensioners by up to 90 percent, Orr has proposed to dump the city’s 21,000 retired municipal workers and their dependents onto the federal Medicare program, or, if they are too young to qualify, force them to buy private health insurance on the exchanges being set up under Obama’s Affordable Care Act.

As the *New York Times* noted on Monday, Detroit’s plan “is being watched closely by municipal leaders around the nation, many of whom complain of mounting, unsustainable prices for the health care promised to retired city workers.”

The newspaper continued: “Similar proposals that could shift public sector retirees into the new insurance markets, called exchanges, are already being planned or contemplated in places like Chicago; Sheboygan County, Wis.; and Stockton, Calif. While large employers that eliminate health benefits for full-time workers can be penalized under the health care law, retirees are a different matter.”

In the 1930s, during the last great breakdown of world capitalism, the Roosevelt administration, facing factory occupations and mass strikes by industrial workers in Detroit and other cities, implemented its

New Deal reforms. In Detroit, the government hired 100,000 unemployed workers to improve and expand the city’s infrastructure, clear slums, and provide nutritional and literacy programs. It hired writers and artists to give the city’s residents access to culture.

Today, the Obama administration rejects out of hand any measures to provide employment or reduce poverty. Instead, it is embarked on a program of social counterrevolution whose aim is to destroy every social gain won by the working class in the course of a century of struggle.

This is not simply the result of the right-wing policies of a single president. The administration’s policies are driven by the historic decline of American capitalism, central to which has been the deindustrialization of the country—symbolized by the impoverishment and bankruptcy of the former Motor City—and the rise of a parasitic financial oligarchy.

Today, the bulk of the profits pocketed by the American ruling class have little or nothing to do with the creation of real value. Instead, vast sums are extracted through the looting of pre-existing wealth, including the public assets of cities such as Detroit and the pensions accrued by workers through a lifetime of labor.

Obama’s rejection of aid for Detroit is a damning indictment of the AFL-CIO and the rest of the unions, which are allied with the Democratic Party and the Obama administration. The unions long ago abandoned any defense of the working class. They look to the Democrats to employ their services in the process of destroying the jobs and living standards of workers.

What is needed is a break with the Democratic Party and the building of an industrial and political movement of the working class against the financial dictatorship of the banks and big business. The banks and major corporations, including the auto companies, must be nationalized and placed under the democratic control of working people, and economic life reorganized along socialist lines.



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