

Emergency Manager Orr to Detroit pensioners: Your “rights are in bankruptcy now”

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Detroit Emergency Manager Kevyn Orr gave more testimony Monday in front of federal bankruptcy Judge Steven Rhodes. Orr’s testimony, which has now stretched across three days, has highlighted the utterly criminal nature of the process through which Michigan’s Republican Governor Rick Snyder, state and city Democrats and Orr forced Detroit into bankruptcy.

The bankruptcy is the lynchpin of the ruling elite’s effort to restructure Michigan’s finances through massive social cuts and direct robbery of workers’ pensions.

As the hearings revealed, Orr came out of a law firm, Jones Day, which had been working, at least two years in advance, on a blueprint to use Chapter 9 bankruptcy to override state constitutional protections of public employee pensions and rob workers throughout the US of their retirement benefits. Jones Day has been operating as a sort of shadow government, advising the state leadership and plotting to completely overhaul Detroit’s finances from behind the scenes, with no accountability to the people of the city or the state.

An email between Jones Day attorneys from February 11, 2013 showed discussions regarding Chapter 9 were taking place between Orr and other law partners and that this was Jones Day’s preferred option for Detroit. “The city is not ready for Chapter 9—at least not the one we would like,” one email to Orr read.

Lynn Brimer, an attorney representing Detroit police officers, presented another Jones Day email from January 2013, which said, “no one wants this bankruptcy to go the way” a previous county level bankruptcy had gone. As Brimer observed, the Jones Day internal communiqué was already taking for

granted that Detroit would be thrown into bankruptcy.

As in previous days of testimony, Orr was evasive and frequently refused to answer questions. Pressed by Brimer, he would not even confirm the date on which he officially left Jones Day to become emergency manager.

“At what point did you think it was appropriate to withdraw from the Jones Day team that was negotiating and dealing with the city and the state for its engagement?” Brimer asked. “I recused myself at some point during the process. I don’t recall a specific date,” Orr replied.

An email presented to the court dated February 22, 2013 and sent to Orr by Richard Baird, Snyder’s chief advisor, said that Orr was “already behaving as an agent of the state” well before the governor appointed him on March 14.

Throughout the hearing, the unions demonstrated their total acceptance of the framework of the budget debate and agreement that the working class must pay for the bankruptcy of Detroit. The main line of argument pursued by the unions has been that the city could have sold off valuable assets such as the art collection at the Detroit Institute of Arts and the Detroit Water and Sewerage Department to avoid bankruptcy.

At the same time the unions insisted they were ready to impose massive concessions on city workers in return for a seat at the table of the looting of Detroit by its Wall Street creditors. This is the real meaning of their protestations over the absence of “good faith” negotiations.

Orr’s duplicity throughout the lead-up to the bankruptcy was highlighted during questioning by a city attorney, who asked the emergency manager about

a previous day's testimony in which film footage was shown of Orr describing pension benefits as "sacrosanct" during a meeting with retirees. "When you said they were sacrosanct, what did you mean?" the city attorney asked.

Orr responded, "I was simply trying to say that these were issues regarding pensions, and we were going to address them in the following week."

Asked by Judge Rhodes what he would say to a retiree now, Orr replied, "I would say his rights are in bankruptcy now. I would say his rights are subject to the Supremacy clause of the US Constitution," which, according to Orr, trumps state constitutional protections of public employee pensions.

Testimony from union officials revealed the gullibility of union executives who believed state officials claims that they would receive special protections in return for their collaboration. Don Taylor, head of an association of retired Detroit police and firefighters, testified that he "was told all through this process that the pensions were protected by the state constitution by Mr. Orr and Mr. Dillon."

"He [Democratic State Treasurer Andy Dillon] informed me there would be no change, that current retiree pensions were guaranteed by the state constitution... Mr. Orr never indicated to me that he intended to reduce our benefits," Taylor said.

During the testimony of American Federation of State, County and Municipal Employees (AFSCME) collective bargaining chief Steven Kreisberg, Sharon Lewis asked about a proposed concessions deal, totaling over \$100 million, arrived at by several unions in talks with Dillon.

However, despite the collaboration of the unions, Snyder and Orr were clearly determined to sideline them, favoring complete reorganization of the city's finances through a direct, open assault on the social rights and benefits of the workers.

Asked why the deal arranged by the unions was not put into effect, Kreisberg said that Dillon and Baird intervened to block the agreement: "The City Council never voted based on instructions it received from state officials," Kreisberg said.

Judge Rhodes prompted Kreisberg to specify which officials, and Kreisberg responded, "Treasurer Dillon and, perhaps, Mr. Baird."

That is, state officials at the highest level blocked the

deal, despite the staggering scale of the concessions offered by the unions, in order to carry out the forced bankruptcy and restructuring of the city on behalf of the banks and big bondholders.



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