

# The Detroit bankruptcy trial

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For more than two weeks, public attention in Detroit was focused on the courtroom of US Bankruptcy Judge Steven Rhodes, where the testimony of dozens of witnesses, including Michigan Governor Rick Snyder, concluded late last week. Rhodes is expected to rule shortly on whether Detroit can continue with the largest municipal bankruptcy in US history.

Behind the regalia of the federal court and its façade of impartial justice, what has been discussed is plain and simple: theft on a monumental scale.

If, as expected, the judge rules that the bankruptcy can continue, the floodgates will be opened for a historic attack on the working class. The corporate-financial elite looks with envy on such things as the pensions of city workers and the masterpieces of the Detroit Institute of Arts (DIA). It views them as assets to be seized and “monetized” for its own further enrichment.

For the ruling class, more is at stake than just Detroit. The value of pension obligations to government employees nationwide amounts to trillions of dollars. What happens in Detroit will set a precedent for similar exercises in grand larceny in cities and states throughout the country.

The Obama administration is completely implicated in the rape of Detroit. Justice Department attorneys last month filed a brief to quash a legal challenge from retirees, who argue that the bankruptcy is unconstitutional because it is being used to gut public employee pensions, which are explicitly protected by Michigan’s state constitution.

The parties before the bench—bankers, politicians and union bureaucrats—were represented by a bevy of highly paid attorneys. The one party that was completely excluded was the people of Detroit.

They are overwhelmingly opposed (by a margin of 75 percent according to opinion polls) to the attacks on pensions, health benefits and public treasures such as

the DIA. That is why a bankers’ dictatorship has been imposed, in the form of an unelected emergency manager with virtually unlimited powers, and the methods of conspiracy, disinformation and cover-up have been employed.

During the bankruptcy trial, indisputable evidence emerged of a plot, starting after the inauguration of Governor Snyder in early 2011, to install an emergency manager in Detroit and throw the city into bankruptcy. To achieve this, the Republican governor, a former venture capitalist, worked with Democratic state and local officials, including his appointed state treasurer, Andy Dillon, and Detroit Mayor David Bing.

In the background was a shadow government of financial consultants, investment bankers and bankruptcy attorneys.

Snyder and Dillon employed the corporate law firm Jones Day, which has much experience in using the bankruptcy courts to destroy the jobs and pensions of workers in steel, auto parts and other private industries. Jones Day was intimately involved in the Obama administration’s 2009 forced bankruptcy and restructuring of Chrysler, which included an across-the-board 50 percent pay cut for newly hired workers.

In March 2011, the *Emory Bankruptcy Journal* published an article by two Jones Day attorneys entitled, “Pensions and Chapter 9: Can Municipalities Use Bankruptcy to Solve their Pension Woes?”

At the bankruptcy trial, Kenneth Buckfire, a financial consultant hired by the Snyder administration, testified that as early as March 2012, Jones Day and state attorneys were recommending that the city file for bankruptcy. They argued for an immediate filing, before Michigan voters could repeal the state’s emergency manager law in an upcoming referendum.

After voters did just that in November 2012, Snyder told the *Huffington Post* it was a “national problem” that “cost structures in the public sector got beyond

even the private sector in terms of being expensive.” Within weeks, working with Jones Day attorneys, Snyder and Dillon produced a new version of the law, this time with an appropriations bill attached to it to make it referendum-proof. The new bill was rushed through the Republican legislature and signed into law in December 2012.

State officials, including Snyder’s shadowy “talent selector” Richard Baird, began vetting Kevyn Orr, a Washington, DC law partner at Jones Day, for the job of Detroit emergency manager in early 2013. Orr, a Democrat, had been one of his firm’s lead attorneys in the Chrysler bankruptcy.

In his testimony earlier this month in the bankruptcy trial, Orr sought to dodge questions pointing to the fact that he and Snyder had decided to throw the city into bankruptcy long before the actual legal filing last July. He maintained the fiction it was always a “last resort” and was never motivated by a determination to circumvent state pension protections.

An email from Michigan Treasurer Dillon to Orr dated July 10, 2013 explodes this lie. After reviewing Orr’s first draft of the bankruptcy filing, Dillon writes that he doesn’t think “we are making the case why we are giving up so soon to reach an out of court settlement. Looks premeditated.” He advises Orr to “say facts got worse as we dug into the numbers... We don’t even say they rejected the city’s proposal. I think we may want a take it or leave it demand before we pull this trigger. I agree with the recommendation but I don’t think we made the case.”

In other words, a more convincing pseudo-legal fig leaf had to be created to conceal the conspiracy to throw Detroit into bankruptcy.

The unions represented at the trial, including the United Auto Workers (UAW) and the American Federation of State, County and Municipal Employees (AFSCME), in no way challenged the attacks being prepared against Detroit workers.

On the contrary, they repeatedly argued that Orr should have sold off city assets, including the artwork at the DIA, before filing for bankruptcy, and should have taken up the unions’ “good faith” offer to impose hundreds of millions of dollars in wage and benefit concessions on their members. “The Detroit financial crisis was well known for years,” declared the attorney for the UAW, adding, “The unions have a history of

coalitions for concessions.”

The performance of the union lawyers underscored the fact that the executives who run AFSCME and the UAW are looking for their own cut in the carve-up of Detroit. The unions are part of the reactionary front against the working class that includes the Democrats and Republicans, Judge Rhodes and the banks.

The entire framework of the bankruptcy is based on a lie. The claim that there is “no money” for pensions and essential services is belied by the fact that the Detroit automakers are making record profits, largely as a result of sweeping wage and benefit cuts imposed by the White House. Wall Street, which precipitated the financial crisis and slump, is reporting its highest profits ever, and bankers are awarding themselves with eight-figure compensation packages.

The *World Socialist Web Site* has comprehensively covered and analyzed the bankruptcy of Detroit. It alone provided detailed and honest reports on the bankruptcy trial and the testimony of figures such as Snyder and Orr. The WSWs has been relentless in countering the distortions and lies of the corporate-controlled media.

For the truth of this conspiracy to emerge, and the social and economic interests behind the bankruptcy to be revealed, the working class must organize its own investigation. That is why the Socialist Equality Party and the International Youth and Students for Social Equality are organizing the February 15, 2014 Workers Inquiry into the Attack on the DIA and the Bankruptcy of Detroit.

We urge all workers, youth and professionals to contribute to this investigation and build support for the inquiry. Only by revealing the truth can the conditions be created for the emergence of a powerful movement of the working class in Detroit, throughout the US and the around world against the bankrupt capitalist system.

*For more information on the Detroit Workers Inquiry, visit [detroitinquiry.org](http://detroitinquiry.org).*



To contact the WSWs and the  
Socialist Equality Party visit:

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