

# The Detroit bankruptcy ruling

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5 December 2013

The Detroit bankruptcy ruling handed down Tuesday is a turning point in class relations in the United States. Approving the largest municipal bankruptcy in American history, the federal judge in Detroit essentially ruled that public employees do not have a right to pensions.

According to Judge Steven Rhodes, any city or state can use federal bankruptcy laws to strip workers of the benefits they earned during a lifetime of labor, even if a state constitution such as Michigan's explicitly protects their pensions.

This is a massive conspiracy against the working class with national and international implications. It has been organized with the participation and support of the Obama administration.

The ramifications of the ruling are already being felt well beyond Detroit. Within hours of the judge's decision, both chambers of the Illinois state legislature passed pension "reform" bills increasing the retirement age, reducing cost-of-living increases and cutting other benefits.

Celebrating the decision, the *Detroit News* wrote Wednesday that the judge's ruling "overturns a 50-year belief in the sanctity of public-sector pensions in Michigan." The newspaper continued: "The call is certain to reverberate nationwide among cities and school districts grappling with ballooning pension liabilities" and investigating how "obligations promised to public-sector retirees could be discharged in federal bankruptcy."

The *Wall Street Journal* hailed the ruling in an editorial headlined "Detroit's Bankruptcy Breakthrough." Summing up approvingly the far-reaching legal implications of the ruling, the *Journal* wrote: "Detroit is the first Chapter 9 case in which the supremacy of federal bankruptcy law over state pension protections has been decisively challenged and resolved."

The ruling paved the way for the sale of city assets to pay off the banks and investors who hold the city's debt. The day after the Rhodes ruling, Christie's auction house issued its first estimate of the publicly owned masterpieces at the Detroit Institute of Arts (DIA), which

Emergency Manager Kevyn Orr plans to sell.

Well aware that the trade unions will do nothing to defend the working class, the American ruling elite feels free to rob workers of their legally guaranteed benefits and rights. The precedent being set by the Detroit ruling will be extended to federal entitlements such as Medicare and Social Security.

Everything is fair game: pensions, health care, public education, workplace safety, prohibitions against child labor. Nothing that subtracts from the profits of the financial overlords is to remain in place. If a worker is no longer producing wealth for the capitalists, he is to be considered useless and a "burden to society." Better to return to the "good old days" when workers labored until they died or spent their last days in the poorhouse.

None of the past social gains of the working class now under attack were handed down as gifts. They were wrenched from the ruling class, which resorted to terror, frame-ups and violence in an attempt to crush the resistance of workers to sweatshop conditions. Social Security and the other New Deal reforms were granted only after general strikes shook cities across the country such as Toledo, Minneapolis and San Francisco.

Pensions and health benefits were established as a result of mass working class struggles that continued into the 1940s, 1950s and 1960s. Medicare, Medicaid and other "Great Society" programs of the 1960s were established in response to the struggles of African American workers for civil rights and militant strikes that shut down entire industries.

So too today, workers across the US and internationally must make a stand in Detroit, a city that embodies the rich history of militant struggle and the socialist traditions of the American working class. But workers must have the information they need to expose the corporate and political forces behind the bankruptcy and prepare the means to fight it.

That is why the Socialist Equality Party is holding the Workers Inquiry into the Attack on the DIA and the Bankruptcy of Detroit on February 15, 2014 at Wayne

State University. (See: [detroitinquiry.org](http://detroitinquiry.org)).

The ruling by the bankruptcy court has no legitimacy. The entire process has been a political conspiracy involving top officials of both the Republican and Democratic parties, including the Obama administration.

As early as March 2011, the roadmap for taking cities into the federal bankruptcy courts in order to circumvent state constitutional protections of pensions was written by lawyers at the bankruptcy firm Jones Day. One of their partners, Kevyn Orr, was selected as emergency manager, i.e., financial dictator and front man for the banks.

In the judge's oral summary of his ruling, he completely ignored evidence presented in his court that Orr falsified the financial position of Detroit and inflated pension liability figures to provide a pretext for the bankruptcy filing.

Rhodes disregarded the explicit language of the state Constitution, which says pensions "shall not be impaired or diminished," in order to give a green light to the gutting of pensions in Detroit and beyond.

After admitting that Orr had not negotiated with retirees, unions and other creditors "in good faith," Rhodes nevertheless concluded that bankruptcy case had been *filed* "in good faith" and that Orr had no "ulterior motives."

Finally, Rhodes tacitly acknowledged the antidemocratic character of the state's emergency manager law by admitting that the state legislature had rushed through essentially the same law that only weeks before had been struck down in a voter referendum.

All of this was simply brushed aside. When the interests of the ruling class are involved, legality and constitutionality mean nothing. The government and the courts will rubberstamp any crime so long as the banks and the rich can pocket everything while workers get nothing.

Nowhere did Rhodes suggest that the corporations and banks that bled the city dry be made pay for the crisis they created. The Detroit-based automakers brought in more than \$12 billion in profits last year and are on course to exceed that mark in 2013, in large part because of wage and benefit cuts imposed on the workers under Obama's 2009 auto bailout.

The judge acknowledged that cutting of pensions would produce widespread suffering, but insisted that "the city can't just print money." But that is exactly what the Federal Reserve is doing, printing \$85 billion every month to help fuel the stock market frenzy. While the

Obama administration rejects any bailout of the states and cities which, like Detroit, were devastated by the financial crash, it makes sure that the criminals responsible for the crisis are doing better than ever.

The first step to guarantee the needs of the people of Detroit is to cancel the debts to the banks and major bondholders and impound the profits of the auto companies and Wall Street swindlers. The corporations and banks must be nationalized under the democratic control of the working class so that the wealth produced by workers can be used to meet pressing social needs.

The Socialist Equality Party urges workers and young people to come to the February 15 Workers Inquiry into the Attack on the DIA and the Bankruptcy of Detroit. (See: [detroitinquiry.org](http://detroitinquiry.org)). City workers, auto workers, service employees, retirees, unemployed workers, professionals and students throughout the metropolitan area are invited to testify as to the real state of the city and the consequences of the cuts being implemented.

We will discuss the real origins of the crisis in Detroit, the historical lessons of the struggles of the working class, the relationship between the DIA and the working class, the social interests and political forces behind the bankruptcy, and other critical questions. The Inquiry will counter the lies of the media and the political establishment.

We ask *World Socialist Web Site* readers around the world to endorse the Inquiry and send messages of support. In this way the Workers Inquiry will lay the basis for a counteroffensive by the working class, not just in Detroit, but across the country and internationally.



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