

Emergency manager outlines scorched earth policy on Detroit talk show

Jerry White
10 December 2013

Appearing Sunday on the Detroit local news talk show “Flashpoint,” Detroit Emergency Manager Kevyn Orr outlined his plans to attack public employee pensions and sell off public assets, including the artwork of the Detroit Institute of Arts (DIA) to further enrich the big financial institutions and consulting firms involved in the bankruptcy case.

Orr appeared less than a week after federal bankruptcy Judge Steven Rhodes gave the go ahead to the largest municipal bankruptcy in US history and issued a precedent-setting ruling that public employee pensions had no “special protection,” even though the Michigan state constitution explicitly prohibits “diminishing or impairing” accrued pensions.

Pointing to the national implications of the ruling, the *Los Angeles Times* wrote Monday that the cities in California, Illinois, New York, Pennsylvania, and other states will “soon face decisions on what to do with chronically underfunded pension funds.” With Judge Rhodes’ ruling, the *Times* declared, “Any city that has underfunded pensions and troubled finances could soon look to bankruptcy as a way out of paying pensions, experts say.”

In his half hour interview with “Flashpoint” host Devin Scillian, Orr postured as a technocrat who was compelled to follow, however reluctantly, the guidelines of federal bankruptcy law. The Washington, DC bankruptcy attorney and unelected financial dictator—who is being paid \$275,000, plus a fully funded luxury condominium--feigned concern for the retirees he is targeting for destitution, claiming there was no choice but to “adjust” their pensions because of the city’s dire economic situation.

Orr said he would issue a “plan of adjustment” later this month or early January, which would be a “template for how we intend to treat people.”

According to bankruptcy laws, he insisted, “the pensions are unsecured creditors,” and they would “have to take less—that’s what bankruptcies are about.”

The host referred to a recent article on the web site Deadline Detroit, which argued that it was preposterous to say pensioners should be treated the same way as financial institutions. “Do we really treat them all the same?” Devin asked Orr. “A person who is barely surviving on their pension, barely able to afford their medications, versus a bank, which would simply write off the loss. Are those two the same?”

Looking rather indignant, Orr decided to educate his audience on the fine details of federal bankruptcy law. “There is another concept in bankruptcy,” he said, “called ‘absolute priority.’ That is people with a higher level of security interests get paid first before people underneath them do. It is very common.”

In this case, Orr is seeking to hand city’s largest secured creditors, including Bank of America-Merrill Lynch and UBS bank, 75 cents on the dollar for the credit default swaps and other questionable financial deals they swindled the city into. On the other hand, he is telling pensioners to accept as little as 10 cents on the dollar, according to Orr’s June 14 proposal to creditors, widely seen as the template for the upcoming adjustment plan.

Orr insisted, “It could not be clearer. Federal law says contracts can be rejected and adjusted in bankruptcies. So federal overlay takes over state law.”

After this Orr made the following revealing statement: “I understand the emotional concerns, the distress, the anxiety of certainly the pensioners and the philosophical underpinnings of whether it is Deadline Detroit or the uh, World Socialist journal---I get it.

“But the reality is we are dealing with well-established federal law. The concepts we are dealing

with are not extraordinary. Unfortunately the consequences are quite significant to individuals.”

Orr’s reference to the *World Socialist Web Site* is politically significant. He is well aware of the deep popular opposition to the looting of pensions and public assets like the DIA. Orr also knows the trade unions, which he refers to as his “labor partners,” support the bankruptcy and are only looking to get their own share of the spoils from the gutting of pensions and public assets.

The courts, the media, the political and corporate establishment, the unions--everyone agrees that the working class must be impoverished to augment the fortunes of the financial aristocracy. Who can argue with such impeccable logic?

Then there is the WSWWS, which Orr correctly singles out for rejecting the “philosophical underpinnings” of the bankruptcy and insisting instead that the social rights of the working class should have “absolute priority.” These needs, we insist, should be secured by impounding the ill-gotten gains of the financial criminals responsible for the Crash of 2008 and the resulting crisis facing Detroit and scores of states and cities across the country.

Orr is nothing but a high-paid hatchet man for Wall Street. This emerged when he defended the tens of millions of dollars he is channeling to consultants, including Jones Day, his former law firm. The talk show host noted that many listeners had written in to denounce the flagrant corruption and conflicts of interest that pervade the bankruptcy proceeding. “For example, your former firm,” Devin said, “was one of 18-19 consulting firms that have been brought in, which are making top dollar and are being paid gold-plated wages for what they are doing. How do you respond to this? It kind of smells.”

Orr answered by saying that ordinary people simply didn’t understand the complicated and difficult work consulting firms like Jones Day were doing. “I tell people this is all new to the city—complex issues and high finance. But in the Lehman bankruptcy there was one firm making \$10 million a month just administering that case. The level of fees we are incurring in this case are not extraordinary. They are to the average American and average citizen.”

He then blamed the people of Detroit for creating the crisis. “You borrowed \$1.4 billion, another \$250

million, almost \$2 billion in debt for pensions. To dig out of this in just 18 months, which I have to work with, is going to take a lot of work. And you have to pay people a fair wage. Plus all of my consultants are doing this at a discount.”

Orr spent his remaining time reiterating that the artwork of the Detroit Institute of Arts (DIA) and other city treasures were still on the list for possible “asset cannibalization,” while expressing his support for the plans of a federal mediator to bring in millionaire foundations to essentially privatize the DIA. He also praised the handing over of a quarter of billion dollars in public resources for a new hockey stadium for billionaire Mike Ilitch, saying such a proposal was an “economic generator.”

The nine days of testimony prior to Judge Rhodes’ ruling proved that Orr and his allies at Jones Day conspired with state and city officials to concoct a case to throw the city into bankruptcy and use the federal courts to destroy pensions and loot the city.

The Socialist Equality Party and International Youth and Students for Social Equality are holding a Workers Inquiry into the Attack on the DIA and the Bankruptcy of Detroit on February 15. For more information on the Inquiry, visit detroitinquiry.org.



To contact the WSWWS and the Socialist Equality Party visit:

wsws.org/contact