Detroit bankruptcy plan: A savage assault on the working class

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Detroit Emergency Manager Kevyn Orr released a "plan of adjustment" Friday that includes huge cuts in city worker pensions and health care, pledges full payment for secured bondholders and outlines plans for the privatization of city services and assets, including the transfer of control of the Detroit Institute of Arts.

Orr's plan is a culmination of a political conspiracy to appoint an unelected emergency manager, acting as the direct representative of the banks, to attack workers' rights and restructure the city in the interests of the rich. The cuts in pensions are aimed at establishing a national precedent, using bankruptcy courts to override benefits that are explicitly protected by the state constitution. This process was sanctioned by Judge Steven Rhodes in his December 3 ruling.

Most city workers will have their pensions cut by up to 34 percent, while police and firemen will face a 10 percent cut. In addition, cost of living increases for all pensioners will be eliminated for at least a decade, meaning that the real value of payouts will steadily decline.

Orr is also planning on paying out less than one third of what the city owes in retiree health care liabilities in order to fund a union-controlled Voluntary Employee Benefits Association (VEBA). The unions, which have functioned as co-conspirators throughout the bankruptcy process, would be tasked with slashing benefits or eliminating coverage.

With most pensioners already at or near the poverty threshold (pensions range between $19,000 and $34,000 per year), the cuts will drive a substantial portion of the city's 24,000 retirees into destitution. Tens of thousands of workers who gave their lives to the city, and were legally promised money for a secure retirement, are being kicked to the curb.

Speaking on Friday, Orr said these cuts were "very fair."

In addition to guaranteeing 100 percent of all secured bonds, unsecured bonds would be paid 20 cents on the dollar. Many of the institutional investors that possess these bonds have insurance to cover the amount that they are not being paid by the city.

The plan also includes hundreds of millions of dollars for "blight removal," the process of tearing down large sections of the city, which is being overseen by billionaire Quicken Loans CEO Dan Gilbert.

The adjustment plan prepares the way for the lease of the Detroit Water and Sewerage Department to a regional authority, the Great Lakes Water and Sewer Authority, a major step towards privatization.

Also included in the proposal is a plan to transfer control of the Detroit Institute of Arts to corporate-backed private foundations in exchange for about $800 million through a combination of private funds and state aid. The DIA itself would be required to contribute an additional $100 million.

The adjustment plan includes provisions to reduce the size of cuts to pensions by a small amount given a "timely settlement" on the DIA and other matters. This is intended to push the unions and pension funds to accept the proposed terms of a "grand bargain" and end any legal challenges to the bankruptcy.

The city's main union, the American Federation of State, County and Municipal Employees (AFSCME) Council 25, issued a statement criticizing the deal, but the unions have played a central role in the bankruptcy proceedings. After first agreeing to $180 million in concessions, AFSCME executives have been jockeying to defend their interests and their role in the exploitation of workers, including through their control of the new health care VEBA. AFSCME has aggressively advocated for the sale of city assets,

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including the art at the DIA.

The adjustment plan is one part in a process of backroom dealing between the various ruling class and upper middle class forces seeking to benefit from the bankruptcy. The plan released Friday serves as a benchmark for these negotiations taking place behind the scenes.

The destruction of pensions and health benefits and the theft of priceless city assets is justified by the lie that “there is no money.” Even as it makes this claim, the state has committed $265 million to a new stadium controlled by billionaire Mike Ilitch. The Big Three automakers, which have minted vast fortunes from the toil of Detroit’s working class, are reaping record profits.

The banks that have already swindled the city are set to receive another big check at Detroit’s expense. Orr said Friday that a new settlement for the interest rate swaps deal, through which UBS and Bank of America extracted hundreds of millions from city revenues, should be wrapped up in the next few days. The banks will be paid an as yet unknown sum lower than the $165 million previously proposed by the Jones Day law firm.

The Detroit bankruptcy is at the center of an international social counter-revolution aimed at redistributing wealth into the pockets of the corporate and financial elite. Trillions have been handed to the banks, while the rights and benefits won by workers through a century of struggle are being revoked. In the process, laws and constitutional protections are ignored and increasingly anti-democratic forms of rule imposed.

The Detroit bankruptcy has had bipartisan support from the beginning. The Obama administration repeatedly sent representatives to meet with Detroit’s political elite, and the Justice Department submitted a court brief aimed at quashing legal challenges by retiree groups. State Treasurer Andy Dillon, Orr, and former Detroit Mayor David Bing, all Democrats, have all colluded in the carrying out of a social crime, working closely with Republican Governor Rick Snyder.

In opposition to the bankruptcy, and to expose the bankers’ conspiracy, the Socialist Equality Party organized the February 15 Workers Inquiry into the Bankruptcy of Detroit and the Attack on the DIA & Pensions. The SEP unconditionally rejects the claim that cuts to pensions and benefits are necessary to fund core services for the city.

The SEP seeks to mobilize the strength of the working class in opposition to the bankruptcy process, the trade unions, the Democratic Party, and the entire political establishment. To secure its rights, the working class must build a revolutionary mass movement to take power into its own hands and implement socialist policies, reorganizing society along democratic and egalitarian lines.

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