After release of Detroit bankruptcy plan

Calls for pension cuts spread across US

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In the aftermath of US Bankruptcy Judge Steven Rhodes' precedent setting ruling in the Detroit bankruptcy case on December 3, 2013, and the release last week of an adjustment plan based on the ruling, a coordinated attack on pensioners is intensifying across the United States.

A chorus of voices in the corporate, media and think tank establishments are signaling the ruthless determination of the US ruling elite to rob public sector workers of their pensions, health care and other benefits.

An article published Friday in *Bloomberg*, Detroit Bankruptcy Prods Cities to Target Pensions," argued that the main outcome of the Detroit bankruptcy so far has been to add momentum to the drive for pension reductions in states and cities nationwide.

"Local officials in at least 10 states are trying to cut pensions of municipal workers, or eliminate defined-benefit plans, pointing to Detroit as a symbol of the peril of growing retirement costs. From New York to California, mayors and county officials are asking legislatures, courts or voters to allow the changes as a way to maintain government services as pensions consume a larger portion of budgets," *Bloomberg* wrote.

The claim that cutting pensions will result in improved services is a fraud. As Detroit shows, the slashing of pensions by 34 percent goes hand in hand with the further city workers layoffs and the gutting and privatization of essential services.

According to *Bloomberg*, the Detroit bankruptcy filing has had the effect of "emboldening local officials to advocate for reduced benefits." Teague Paterson, an attorney for municipal workers' unions in California, told Bloomberg, "Detroit has presented something of a lightning rod for the elected officials. Until recently, government agencies have been reticent to make changes, especially for public safety employees, who have been the golden children of the public sector workforce."

Wall Street is issuing an ultimatum to state and local governments warning that paying pension obligations in full will degrade their credit status. Municipalities that cut pensions aggressively, on the other hand, will receive financing on more favorable terms, they say.

Greg Donaldson, chief investment officer of Donaldson Capital Management, which holds $300 million in municipal bonds, told Bloomberg that cuts are necessary to raise investor confidence in cities' debt. "The math in many of these pension plans just doesn't work," Donaldson said.

A January 2014 study by the Nelson A. Rockefeller Institute of Government, with the Orwellian title of "Strengthening the Security of Public Sector Defined Benefit Plans," provides a blueprint on how to destroy public worker pensions. Declaring that such pensions are underfunded by at least $1 trillion it proposes a variety of strategies to reduce pension liabilities owed to millions of American workers, in spite of existing legal and constitutional obstacles.

The Rockefeller Institute study based much of its analysis around the consideration that elected bodies and other "legal structures" will have to be circumvented in the course of diminishing pensions.

"Among the primary reasons that legislative efforts to address pension underfunding are misdirected and ineffective are the constitutional and legal protections afforded pension rights and the political power of those that resist change," the study said.

"State and local governments face challenges in resolving pension problems that the private sector does not face. Public pension benefits are largely defined in law and often have special legal protections … State governments—depending on the state and judicial interpretation—either cannot change these benefits at all, or can only do so by statutory change. Thus, state governments must act through elected legislatures where power is diffused and can be reallocated by frequent elections and events. Legal structures in the public sector impede change," the study said.

The study basically argues for dispensing with elected bodies and setting up a bankers' dictatorship. This is what was done in Detroit through the installation of an emergency manager who threw the city into bankruptcy. On December 3, Judge Rhodes not only upheld Michigan's anti-democratic emergency manager law but also ruled the federal bankruptcy court had the power to override state constitutional protections against the "impairment" of public pensions.

The Rockefeller study offers another scheme to circumvent such protections, arguing that by defining certain aspects of the pension contracts as "core promises," "modifications such as changes to cost-of-living adjustments, retirement age, and employee contribution rates" can be made on the grounds that they are not included in the core of the pension.

Detroit Emergency Manager Kevyn Orr has released an adjustment plan that would permanently end cost of living increases for retirees.

Describing this thievery as an "art," the Rockefeller Institute says, "increased attention on public pension funding and jurisprudence, mostly since 2008, including insightful academic analyses, provides clues into the art of the possible and how changes desired by policymakers may be achieved. Many of the assumptions that fueled previous political and judicial decisions have changed, are weakened, or are wrong. Theories that underlay pension statutes and guided judicial thinking may no longer be valid and old arguments are losing power. Courts do not change, but judges do. The same is true of legislatures. Previous decisions may be revisited, especially as political forces realign.

"In Detroit, the Bankruptcy Court found that both pension beneficiaries and general obligation debt holders are subject to impairment … In some states, workers and retirees are learning that legal protection of pension benefits is not sufficient protection, if there is insufficient money in pension funds," the study said.

Numerous state legislatures have changed laws in recent years in order to attack pensions. Cities currently seeking such legislative changes include Chicago, Houston, New Orleans, San Jose, and Syracuse. Chicago Public Schools chief Barbara Byrd-Bennett said Friday that a new deal between the CPS and the Chicago Teachers Union to cut teachers' pensions could produce $250 million in "savings" by reducing liabilities owed to retirees.

In its most recent article, "Detroit's bankruptcy: Cram down," the *Economist* noted, "The goings-on in Detroit are being watched closely elsewhere, particularly in California, where several mid-sized cities have declared bankruptcy in recent years." Whereas cities like Vallejo and Stockton, California previously "shied away from cutting their obligations to the state's giant public-pension fund," the *Economist* said, they are now heading for potential second rounds of bankruptcy, placing pension cuts on the order of the day. "Detroit's case may give San Bernardino the courage to cut its future pension liabilities," the *Economist* wrote.

The lies and distortions of the media in relation to the Detroit bankruptcy and the attack on pensions are staggering. The *Washington Post* published an editorial Friday, "Paying the price for Detroit's fiscal irresponsibility," to pronounce that the "Detroit bankruptcy is so catastrophic, and its causes so local, that it is tempting to say that the Motor City's downfall has few lessons for state and other local governments." Nevertheless, the *Post* continued, Detroit provided an "important public service: to remind every city and state in the United States that eventually fiscal irresponsibility catches up with you."

These arguments are completely detached from social reality. The financial crisis in Detroit is not due to "local" conditions, but is bound up with the decline of American capitalism and the decades-long deindustrialization of the US economy that coincided with rise of the most parasitic forms of financial looting.

In the aftermath of the 2008 crash, both Democrats and Republicans starved cities and states of cash, while handing trillions to Wall Street. The precarious condition of state and local governments, made worse by the growth of mass unemployment and wave of home foreclosures, was used to load up them up with more debt, providing even more money for the financial elite.

Everywhere from Michigan to California and Greece to Spain governments are demanding that workers give up pensions and other vital necessities to pay off these debts.