

Detroit's "plan of adjustment": A declaration of war against the working class

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The US bankruptcy court in Detroit has approved the so-called Plan of Adjustment submitted by the city's unelected emergency manager, Kevyn Orr. Ballots are now being sent out to some 170,000 creditors, including more than 30,000 current and retired city workers, to vote on the proposal.

The plan is a declaration of war on the working class in Detroit and will serve as the basis for escalating the social counterrevolution against workers throughout the country and internationally. If approved, the plan will gut the jobs and living standards of city workers, further slash social services and lead to a fire sale of public assets in the once automotive capital of the world.

Among the proposals contained in the plan are:

- Devastating pension and health care cuts for 23,500 former city workers and their dependents already barely surviving on fixed incomes.

- A new round of reductions in the city workforce, which has been slashed by 25 percent over the last four years. Detroit's 9,300 workers will face additional pay and benefit cuts, unpaid furlough days and the elimination of work rules and seniority rights. At the same time, the city will reserve the right to tear up labor agreements and unilaterally impose even more draconian demands.

- The privatization of city-owned assets, including street lighting, the electrical grid, garbage collection, the convention center, airport, Detroit's half of the tunnel to Windsor, Canada and one of the country's largest municipally owned water and sewerage systems.

- The ending of the century-long city ownership of the Detroit Institute of Arts and the transfer of its world-famous collection to private foundations, which will run the new "DIA Corp."

- Additional tax cuts, subsidies and land giveaways to

wealthy investors and real estate developers, who plan to shut down large portions of the city deemed too poor to rehabilitate. Low-income tenants are being driven out to build an upscale downtown playground for the rich and prosperous layers of the upper middle class.

- Meanwhile, giant bondholders are being paid 74 cents on the dollar for their speculative investments, while global banks like Bank of America and Swiss-based UBS will be handed \$85 million to unwind legally dubious, if not outright criminal, interest rate swap deals that helped bankrupt the city.

The financial restructuring plan is the outcome of a political conspiracy, backed by both big business parties and the Obama administration. From the beginning these forces sought to use the federal bankruptcy court to override legal protections against the looting of pensions and public assets, including Michigan's state constitution, which protects public employee pensions as "contractual obligations" that shall not be "diminished or impaired."

Detroit is being used as a model to go after the pensions and health care benefits of millions of teachers, fire fighters, transit workers and other public employees around the country. Along with other reactionary measures being spearheaded by the Obama administration, including slashing health care and dismantling public education, the attack on pensions is aimed at channeling even more money into the bank accounts of the super-rich.

The entire bankruptcy process in Detroit has been a mockery of democracy. Now this is being topped off with the farce of a "democratic" vote on the plan of adjustment. If workers reject it, the document states, pension cuts will be doubled and even more onerous terms imposed. In any case, bankruptcy judge Steven Rhodes reserves the "right" to unilaterally impose the

restructuring plan or even deeper cuts if a majority votes “no.”

All of this, moreover, is simply an initial installment, the basis for more cuts in the future. Included in the document is a blueprint for the establishment of a permanent “financial oversight board” with “the power to impose limits on City borrowing and expenditures” and “ensure the City adheres to the plan and continues to implement financial and operational reforms.” This “robust governance structure”—i.e., a permanent bankers’ dictatorship—“will be designed to promote long-term public confidence” of Detroit “in particular with financial markets.”

The Plan of Adjustment has been arranged through a “grand bargain” that has the benefit of exposing the lineup of forces. All the major political actors—the courts, the two big business parties, the corporate-controlled news media and the trade unions—have taken sides against the working class.

Well aware of the deep hostility of workers, the political establishment has relied on the trade unions and union-affiliated retiree associations to suppress popular opposition and ram through its demands.

Over the past several months, federal mediators have brought the American Federation of State, County and Municipal Employees (AFSCME), the United Auto Workers (UAW) and other city unions on board. In exchange for a half-billion-dollar retiree health care slush fund, seats on the pension investment board and promises of future collaboration in imposing new cuts, the unions have agreed to drop legal challenges to the bankruptcy and give political support to the plan. They are now joining the chorus of official liars who are presenting this slash-and-burn plan as “fair and equitable” and the only alternative to even deeper pension cuts.

This attempted blackmail, drafted by financial and political criminals who believe they can get away with anything, needs to be rejected with the contempt it deserves. Workers are not and have never been responsible for the financial crisis in Detroit. However, the fight against the plan must be based on a worked-out political strategy.

In February, the SEP organized the February 15 Workers Inquiry into the Bankruptcy of Detroit to expose the social, economic and political forces behind the looting of the city. In the months that have

followed, the conclusions of this inquiry have been entirely confirmed—that the bankruptcy is part of a conscious plan, that it has the support of the entire political establishment and the unions, and that it is being used as a model for the entire country.

The former Motor City, like economically devastated areas all over the United States, Spain, Greece and other countries, is the victim of an irrational and bankrupt economic system—capitalism—and a ruling class whose gluttonous appetite is devouring the bulk of society’s resources.

In opposition to the political alignment against it, the working class needs a party of its own that speaks for its interests. This party is the Socialist Equality Party. The way forward must be through the building of a mass socialist movement in opposition to the bankers’ dictatorship and the capitalist system.



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