

The Detroit bankruptcy ruling: A new chapter in the class war against workers

Jerry White**12 November 2014**

The official approval last Friday of Detroit's bankruptcy plan is a historic milestone with vast national and international ramifications. In his ruling, federal bankruptcy judge Steven Rhodes presented the Detroit bankruptcy as a model for the entire country.

An American city, a manufacturing center in the heart of world capitalism, has been dragged through the bankruptcy courts, shepherded by an "emergency manager" with dictatorial powers, in order to impose a deeply unpopular restructuring plan demanded by the banks and big bondholders.

The devastating implications for the workers of Detroit have only begun to sink in. The settlement attacks the pensions of 23,500 retired city workers, in violation of the state's constitution, which guarantees public workers' pension benefits. Health care for these retirees has essentially been eliminated.

The plan turns over the famed Detroit Institute of Arts (DIA) to private foundations and hives off other publicly owned assets to the same Wall Street banks whose predatory lending schemes helped bankrupt the city. It creates the framework for escalating the shutoff of water to Detroit households that fall behind in their bill payments, an act of barbarism designed to facilitate the privatization of the water department by making it more attractive to investors.

The ruling class has hardly been able to contain its enthusiasm, with the media parroting the euphoric declaration of Judge Rhodes that the implementation of the brutal austerity plan "bordered on miraculous." The *Detroit News* gushed, "Detroit's journey through bankruptcy was nothing less than a triumph," while the *Detroit Free Press* declared, "With the eyes of the world fixed on its every move, Detroit has met the greatest challenge of its last half century with flying colors."

The use of an unelected emergency manager, installed under an anti-democratic law originally overturned by

Michigan voters, won praise in international ruling circles as well. The bankruptcy was "a textbook example of efficiency and pragmatism," the UK-based *Economist* wrote, adding that Emergency Manager Kevyn Orr "had the powers of a 'benevolent dictator' ... and he used them well."

As the *Economist* indicates, as significant for the ruling class as the actions taken were the *means* through which they were implemented: the abolition of democratic forms of rule.

At the conclusion of his ruling, Rhodes declared, "It is now time to restore democracy to the people of the City of Detroit." Here you had a federal judge, sworn to uphold the US Constitution, tacitly admitting that democracy had been suspended over the last 20 months in a major American city.

The idea that democracy is something that is dispensed to the people like manna from heaven, a gift that can be revoked at the whim of the state, is a repudiation of democracy itself. It betrays an utter incomprehension of, and hostility to, the democratic Enlightenment principles upon which the American Revolution and the republic it created were based. The Declaration of Independence insists that all citizens have "inalienable rights" and that the government derives its power solely from the "consent of the governed."

Asked by a reporter from the *World Socialist Web Site* to explain this contradiction, Michigan Governor Rick Snyder, a multi-millionaire venture capitalist, said he took a "less philosophical and more pragmatic approach" to democracy. The city, he declared, had been in a "financial emergency." Now that Detroit had been restructured, it "could return to traditional forms of governance."

In fact, a perpetual dictatorship is being set up in Detroit with the installation of an unelected nine-member Financial Review Commission. The commission will be staffed by representatives of financial and real estate

interests, who will have the power to veto the city's labor agreements, contracts and spending decisions for the next 20 years.

Since September 11, 2001, the "war on terror" and "national security emergencies" have been used to launch illegal wars, build up a vast domestic spying operation, and impose military lockdowns on Boston and Ferguson, Missouri. Now, "financial emergencies" will be declared to suspend "traditional governance" and impose bankers' dictatorships.

In the comments of officials in Detroit, there is a palpable sense of relief. They were able to get away, at least for now, with a massive crime.

In an interview last week, Orr told a local news outlet he had been concerned about the danger of "civil unrest." Judge Rhodes acknowledged that a "large number" of Detroiters "were angry that your City was taken away from you and put into bankruptcy."

How was this opposition suppressed? There was, first of all, the unity of the entire political establishment. The line-up at the post-bankruptcy press conference, which was called to lavish praise on Rhodes, demonstrated this unity. Present were Republican Governor Rick Snyder, Democratic Emergency Manager Kevyn Orr, Democratic Detroit City Council President Brenda Jones, Democratic Mayor Mike Duggan, and a slough of other officials.

Largely behind the scenes, the Obama administration backed the Detroit bankruptcy. One of its top economic advisors, former Federal Reserve Chairman Paul Volcker, has spearheaded the lie that "unsustainable" pension costs are the biggest problem facing states and municipalities.

But the most critical role was played by the trade unions, which were called in to suppress, dissipate and disorient working class opposition. A so-called "grand bargain" was struck that included a massive payoff to the American Federation of State, County and Municipal Employees (AFSCME), the United Auto Workers and other unions. In exchange for a half-billion-dollar retiree health care trust, the unions backed the attack on their members.

The bankruptcy of Detroit sets a national and international precedent for the escalation of a social counterrevolution that aims to destroy all of the past gains won by workers, including the right to an income after a lifetime of labor. This is why it has the support of the entire corporate and political establishment, including the trade union and "civil rights" organizations and the various pseudo-left groups that operate in and around the Democratic Party.

World Socialist Web Site and the Socialist Equality Party have fought to mobilize the strength of the working class against the bankers' dictatorship. The working class, we insisted, could place no confidence in any of the official institutions, including the bankruptcy court. Instead, workers, retirees and young people had to organize independently and in opposition to the entire economic and political set-up.

On this basis, the SEP organized the October 4, 2013 demonstration at the DIA—the only organized expression of mass working class opposition to the bankruptcy—and the February 15, 2014 Workers Inquiry, which exposed the political forces behind the conspiracy and the historical and international significance of the battle in Detroit for the entire working class. Earlier this year, the SEP founded the Detroit Workers Action Committee (DWAC) to build support for an independent industrial and political struggle.

In Detroit, throughout the US and in every country, the working class must answer the dictatorship of the banks with the struggle to establish genuine democracy, i.e., workers' governments committed to the socialist reorganization of economic life to meet the needs of the vast majority instead of enriching a tiny aristocratic elite.

The end of the bankruptcy process draws to a close one chapter of the class struggle in Detroit. It is not the last. Resistance to this attack will inevitably grow. The Socialist Equality Party calls on workers and young people in the Detroit metropolitan area to join and build DWAC, and for workers everywhere to take up the fight for socialism.



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