

The drive to dismantle pensions in the United States

Andre Damon
14 February 2015

States and municipalities throughout the United States are engaged in a frontal assault on the pension benefits of current and retired public employees. These attacks are proceeding with complete disregard for the law, riding roughshod over state constitutional protections safeguarding pension benefits that employees have earned over decades of toil.

Earlier this month, Judge Christopher Klein signed a confirmation order allowing the city of Stockton, California to go ahead with its plan to slash workers' retirement benefits as part of a deal to exit bankruptcy. The agreement will eliminate health care benefits for municipal retirees while cutting pension benefits for new-hires and increasing employee pension payments.

In ruling that bankruptcy courts have the authority to slash current retirees' pensions, Klein could not hide his enthusiasm. He declared that CalPERS, the state's public employee pension system, "has bullied its way about this case with an iron fist." But, he gloated, the pension fund "turns out to have a glass jaw."

In Illinois, where Circuit Judge John Belz last year struck down a 2013 law that cut pensions for state workers, state officials are once again on the war path. Attorney General Lisa Madigan, a Democrat, is preparing to appear before the Illinois Supreme Court to argue that, even though the state constitution explicitly declares that public employee pensions "shall not be diminished or impaired," the state's "police powers" allow it to slash the benefits of current retirees in the name of "public safety."

The argument is based on an authoritarian and absurd reading of the Tenth Amendment to the US Constitution, which states "the powers not delegated to the United States by the Constitution, nor prohibited by it to the States, are reserved to the States respectively, or to the people." Illinois Democrats are arguing that

this amendment allows the state to gut constitutionally protected pension benefits without even going through a bankruptcy court.

If this claim is accepted by the Illinois Supreme Court, it will set a precedent for every state in the US to go after the pensions of public employees.

In Pennsylvania, the state legislature is debating a bill that would freeze pension benefits for current and future retirees and replace pensions for new-hires with 401(k)-style pension plans. In Jacksonville, Florida, the state is planning major cuts in pensions for future retirees.

These moves—and similar actions in other states and cities—have followed from the precedent set by the Detroit bankruptcy, which began in July of 2013 and was completed last November. They vindicate entirely the warnings made by the *World Socialist Web Site* at the time of the bankruptcy filing.

On July 20, 2013, two days after the city filed for bankruptcy, the WSWWS wrote:

The bankruptcy filing has national and international implications. Detroit will serve as a precedent for other cities across the country that have been financially crippled by the economic crisis. The use of the bankruptcy court to rip up pensions and health benefits will open the floodgates for similar attacks on millions of teachers, transit workers, sanitation workers and other municipal employees.

Just as Greece became the model for attacks on workers throughout Europe and beyond, the Detroit bankruptcy—which goes beyond even the brutal measures carried out in Greece—will set the pattern for the next stage in the attack on the

working class in the US and internationally. At stake is every gain won by the working class through immense and often bloody struggle and sacrifice in the course of more than a century.

The attack on public employee pensions at the state and local level has been accompanied by a drive to dismantle what remains of pensions in the private sector. In December, Congress passed a law allowing multi-employer pension funds to slash benefit payments to current retirees, reversing decades of federal precedents dictating that the pensions of current retirees could not be cut.

The assault on pensions is entirely bipartisan, with Democrats and Republicans equally ruthless in attacking the working class. It is being coordinated by the Obama administration, which played a critical role in the Detroit bankruptcy.

The drive to dismantle pensions is one component of the Obama administration's attack on workers' wages and benefits, which includes the dismantling of employer-provided health benefits under the auspices of the Affordable Care Act and a systematic assault on wages that was launched with the restructuring of the auto industry in 2009.

The constant refrain is the claim that there is "no money" to pay for pensions. This is a lie.

Even the *Washington Post*—which noted the "change in the social contract" as "employers, private employers as well as governments, increasingly view the mushrooming cost of pensions as unbearable"—felt obliged to point out that "the push to reduce retirement benefits is coming despite not just a long run of robust stock market returns, but also a real estate rebound that is projected to fuel strong city revenue growth."

The spectacular rise in stock prices has been fueled by the handout of trillions of dollars to the banks, which have been provided with an endless stream of virtually free money. At the same time, hundreds of billions have been made available to fund military operations around the world in the American ruling class' relentless and reckless pursuit of global hegemony. This is to be paid for through a historic reversal in the social position of the working class.

As far as the ruling class is concerned, young people should have no future, workers should live on poverty

wages, the unemployed should be left to starve, and the elderly should be pushed into an early grave.

What is most extraordinary is the absence of organized resistance. Here, the trade unions, which long ago transformed themselves into business enterprises, have played a critical role. At every step, they have collaborated with the Democrats and Republicans in undermining and attacking pensions. The Teamsters, for example, gave their full support to the federal law allowing pension funds to slash benefits. A host of unions in Illinois are supporting the Democrats' suit to slash pension benefits. The unions played the critical role in suppressing opposition to the Detroit bankruptcy.

These right-wing organizations and the corrupt executives who control them are concerned only with protecting their financial interests as pension fund administrators. They are more than willing to slash the benefits of union members to keep the funds afloat.

Social tensions are building to the breaking point. The strike by US oil workers, despite the efforts of the United Steelworkers union to isolate and betray it, points to the growing militancy and combativeness of American workers, who have had it with decades of cuts in jobs, wages and benefits. To take forward this and the many other struggles to come, workers must be armed with a new political strategy, based on their independence from the pro-corporate trade unions, a break with the Democrats and the two-party system of American capitalism, and a socialist program of reorganizing society to meet social need, not private profit.



To contact the WSWS and the
Socialist Equality Party visit:

wsws.org/contact