

Judge in Detroit bankruptcy calls for dismantling public employee pensions nationwide

Thomas Gaist
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In remarks this week at a luncheon sponsored by the publishing conglomerate Crain Communications, federal bankruptcy Judge Steven Rhodes said that pension cuts imposed as part of the Detroit bankruptcy, should be used as a starting point to completely eliminate defined benefit pension plans nationwide.

Rhodes, who in late 2014 ruled to approved the city's plan to slash pensions and other retirement benefits, predicted that state governments nationwide would soon force workers onto defined-contribution plans, citing estimates that US municipal pension funds face collective shortfalls of some \$4 trillion.

"I think that solution across the country, including in Detroit, has to be at some point defined contribution plans," Rhodes said.

Only days earlier, Rhodes told the *Detroit Free Press* in an interview, "The political reality of pension obligations is there isn't a real strong political constituency for them."

He added that he believes Detroit's Chapter 9 filing should have been used to eliminate defined-benefit plans for retired Detroit city workers and that he viewed the failure to do so as a "missed opportunity."

"I regret that the City of Detroit did not take the opportunity that this case offered," Rhodes said.

Rhodes' comments come as yet another confirmation of the analysis made by the *World Socialist Web Site* at the time of the Chapter 9 bankruptcy filing in July 2013. "Detroit will serve as a precedent for other cities across the country that have been financially crippled by the economic crisis," the WSWs declared, two days after Emergency Manager Kevyn Orr submitted bankruptcy papers on behalf of the city.

"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," the WSWs wrote.

Rhodes' order authorized the effective reduction of health benefits owed to retired city workers—who subsist on an average annual income of some \$20,000 per year—by nearly 90 percent. For the countless retirees who pay hundreds and thousands of dollars per month in health care related costs, the ruling amounts to a death sentence.

The ruling came in defiance of decades' worth of precedents upholding constitutional mandates—themselves the product of ferocious struggles by the American working class during the 20th century—stating in clear language that public sector pensions cannot be tampered with under any circumstances.

The Detroit bankruptcy case was orchestrated from the outset as part of a conscious, far-reaching agenda to overturn these protections. During the lead-up to the December 3 ruling, Rhodes himself attended conferences focusing on the implications of Chapter 9 statutes for pensions, and his co-conspirators from the Jones Day law firm wrote strategy papers, including one entitled "Pensions and Chapter 9: Can municipalities use bankruptcy to solve their pension woes," detailing the ways in which bankruptcy

proceedings could be used to subvert the rule of law and steal constitutionally-protected pension benefits.

Orr, himself a former partner with Jones Day, has since been appointed as “special counsel” in yet another slash-and-burn “emergency management” municipal restructuring, this time targeting Atlantic City, New Jersey.

The conclusion of the Detroit bankruptcy has been followed by a continuously escalating series of attacks on pensions by US state and city governments. In a budget plan announced last week, Illinois Republican Governor Bruce Rauner approved plans to cut more than \$2 billion from state employee pensions. Earlier in February, Judge Christopher Klein approved cuts to pensions of city workers in Stockton, California, declaring with shocking arrogance that the city’s pension fund “turns out to have a glass jaw.”

All of these attacks are rationalized by the US ruling elite and its ideological servants on the grounds that “there is no money.” Even a cursory examination of the vast sums squandered every year by the US government on handouts to Wall Street and the Pentagon’s war machine is sufficient to demonstrate the absurdity of these claims. In reality, the mass seizure of pension funds now being prepared is part of the drive by the financial oligarchy to return workers to the levels of poverty and social misery that prevailed in the 19th century.



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