

# Judge boasts of his “political” role in Detroit bankruptcy conspiracy

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Recent remarks by US Bankruptcy Judge Steven Rhodes further confirm the assessment made by the *World Socialist Web Site* of the anti-democratic and conspiratorial character of the Detroit bankruptcy case.

The now retired judge issued the notorious December 2013 ruling that federal bankruptcy laws trump state constitutional protections for city worker pensions. Then last November he approved the city's restructuring plan, which sets a national precedent for attacking municipal employees and selling off public resources to meet the financial demands of the Wall Street banks and big bondholders.

In the wake of the case Rhodes has become something of a celebrity. He received Newsmaker of the Year award from *Crain's Detroit Business* and has given a number of television interviews and public presentations.

Rhodes insists he has no regrets about his ruling to gut the pensions of Detroit retirees. He has indicated his main concern during the proceedings was to prevent an explosion of public anger over the undemocratic methods employed by all levels of the government to impose the deeply unpopular bankruptcy plan.

In remarks at the Wayne State University Law School on March 22 Rhodes declared, “The challenge as I saw it was to establish and maintain throughout the case my legitimacy as a fair and neutral arbiter of the facts and the procedures and the law in the case.” This he sought to do in the face of what the judge called a “skeptical and angry public.”

While declaiming on the need to uphold the appearance of impartiality, Rhodes at the same time made clear the outcome of the bankruptcy trial was never in doubt. He called the trial “as much a political case as a legal case.” He went on to call his decision to cut pensions protected by the Michigan constitution not

“particularly difficult,” stating that in fact he was prepared to carry out an even greater “impairment.”

As he stated previously, Rhodes said his biggest regret was not having eliminated the city's defined benefits pension program, declaring, “In my opinion the city should have used the bankruptcy to accomplish this goal.”

These remarks confirm the assessment made by the Socialist Equality Party and the Detroit Workers Inquiry, which insisted that rather than a decision based on economics, the Detroit bankruptcy was the outcome of a political conspiracy years in the making. As the *World Socialist Web Site* reported, “It involved powerful banks, investment houses, law firms like Jones Day, Governor Snyder and his operatives, the former Mayor David Bing, officials from the Obama administration and the trade unions. This operation, which involved deliberate deception, blatant conflicts of interest, and flagrant violations of the law and the state Constitution, was sanctioned by US bankruptcy Judge Steven Rhodes on December 3, 2013.”

Three years before the Detroit bankruptcy filing the Jones Day law firm outlined a strategy for using the federal bankruptcy courts to gut municipal pensions. From the time of his election in 2011, Republican Governor Rick Snyder would carefully follow the blueprint laid out by Jones Day. Armed with Michigan's anti-democratic emergency manager law, Snyder worked closely with Jones Day to appoint one of its law partners, Kevyn Orr, as Detroit's unelected emergency manager armed with extraordinary power, including the power to take the city into bankruptcy.

The task charged to Rhodes was to put a pseudo-legal veneer on this thoroughly reactionary and anti-democratic process. This he did with a high degree of political calculation, which involved at times reining in

Orr, whose ham-fisted methods and efforts to circumvent the unions created the danger of a movement of the working class that could escape the control of the unions and the Democratic Party. In the end, Rhodes fashioned a “grand bargain” involving both big business parties, the trade unions and wealthy private foundations, to suppress opposition and impose the austerity plan.

In carrying through his attacks on Detroit pensions and publicly-owned assets Rhodes relied on the assistance of the American Federation of State, County and Municipal Employees (AFSCME), the United Auto Workers (UAW) and other unions, along with pseudo-left groups, such as the Workers World Party, which promoted the illusion that the courts could be pressured to uphold the rights of retirees. In the end the unions dropped their lawsuits challenging the pension cuts in exchange for control of two Voluntary Employees’ Beneficiary Association (VEBA) funds worth \$524 million.

During his talk at Wayne State, Rhodes said the bankruptcy trial faced potential derailment due to the outcry by Detroit residents over the policy of mass water shutoffs implemented by the city in the summer of 2014, calling it “a public relations nightmare.” After ordering a temporary moratorium, Judge Rhodes issued a ruling declaring that there was not a constitutional right to free or affordable water, giving the green light for the resumption of mass service disconnections.

In relation to Rhodes’ comments on the need to maintain the appearance of impartiality, remarks he made in the question period following his presentation were revealing. A SEP supporter asked the judge about his ruling in November at the conclusion of the bankruptcy trial where he asserted, “It is now time to restore democracy to the people.”

The SEP supporter continued, “This is quite a remarkable statement, legally speaking, because it asserts that the government has the power to suspend and then restore the basic fundamental rights guaranteed in the Constitution.

“But the American Revolution was fought out to answer the question of whether democratic rights were ‘inalienable’ or whether they could be handed down and rescinded at the prerogative of the king and his peers.

“So how is your statement on your court’s ability to

give and take democracy as it pleases consistent with the basic principles of democracy?

In reply Rhodes attempted to evade the question by asserting that the state of Michigan, not the courts, had suspended democracy in Detroit through the imposition of an emergency manager as it was empowered to do by anti-democratic state laws. Giving his imprimatur to this assault on democracy, he declared, “The legislature has the legal authority to expand or contract a city’s structure however it sees fit.”

This only underscores that the proceedings in the Detroit bankruptcy case were a legal travesty. The ruling class views democratic norms as an obstacle to its efforts to strip workers of the last vestiges of the gains won over decades of struggle. The defense of democratic rights can only be carried out through the independent political struggle by the working class.



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