

How Moratorium NOW! facilitated the Detroit bankruptcy

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1 April 2015

It is now nearly five months since the official conclusion of the Detroit bankruptcy, a turning point in class relations in the United States. The bankruptcy of the former “Motor City,” the largest municipal bankruptcy in the US, is part of a global counterrevolution against the working class and a clear warning of the growth of dictatorial methods behind the façade of American democracy.

As part of the bankruptcy, Detroit retiree pensions were cut a staggering \$5.5 billion, in violation of Michigan’s state constitution, as well as the Detroit City Charter. Health care for city workers was slashed, the Detroit Institute of Arts was transferred to a foundation run by private corporations, and city assets were sold off to wealthy investors.

The outcome was the product of a political conspiracy, involving Democrats and Republicans, the Obama administration, an unelected “emergency manager” given extraordinary powers, the courts, state and local government and the trade unions.

These forces, acting on behalf of the corporate and financial elite, sought to overcome and suppress mass opposition. As he left the emergency manager position in December 2014, Kevyn Orr admitted the ruling class’s deepest fears. He said his “biggest accomplishment” was that he managed to avoid “civil strife.”

This raises the pivotal question: just how was the ruling class able to carry through this fundamental rollback of gains secured in struggles over generations?

A critical role was played by the unions, which worked to suppress, dissipate and disorient working class opposition. In return for services rendered, American Federation of State, County and Municipal Employees (AFSCME), the United Auto Workers and other unions received a massive payoff in the form of a half-billion dollar retiree health care trust known as a VEBA (Voluntary Employees’ Beneficiary Association).

In addition to these established organizations, a pseudo-left outfit called Moratorium NOW! (MN), founded by the Workers World Party (WWP), played a prominent role. Holding demonstrations and meetings throughout the year-long process, at every point the organization covered up for the conspirators. They sought to provide an oppositional, even “revolutionary,” tinge to the corrupt Detroit trade unions and political officials, while bolstering illusions in the bankruptcy court. Throughout they functioned as an auxiliary arm of the Democratic Party.

Race, democratic rights, and the Democratic Party

A principle means that MN has used to maintain the political domination of the Democratic Party and divide the working class is through the use of race politics, long the stock-in-trade of Democrats in Detroit and nationally.

In relation to the Detroit bankruptcy and the appointment of an emergency manager Kevyn Orr, MN and other organizations claimed that it was a “racist attack by white Republicans.” This deception was aimed at covering up for the role of the Democratic Party and in particular Detroit’s black Democrats.

The state of Michigan has the dubious distinction of pioneering the anti-democratic institution of the “emergency manager” (and its earlier version, the “emergency financial manager”). Fearing the resistance of the industrial working class in its historic center, Democratic and Republican governors have been suspending local democracy and ruling cities and school districts by fiat since 2000.

The installation of Wall Street lawyer Kevyn Orr—who is himself African-American—in the dictatorial position of Detroit’s emergency manager was an attack on the democratic rights of the entire working class. Other emergency managers have been appointed throughout Michigan, including in cities that have a large white working class. But MN muted the opposition to the emergency manager by concealing its class nature.

One example serves to illustrate. At an anti-emergency manager rally in December 2011, MN/WWP spokesman Jerry Goldberg sat, as usual, with his cohorts among the black Democratic party elite of Detroit—including Detroit City Councilwoman Jo Ann Watson, US Congressman John Conyers and AFSCME Council 25 President Al Garrett.

When he rose to speak, purportedly to oppose the emergency manager law, Goldberg refused to denounce the role of the Democratic Party, instead solidarizing himself with the assembled: “This bill is out to stop the rights of black Detroiters. Its aim is to take away the right to self-determination. We should sue the government and recover the billions that were stolen. We want reparations for the billions that were stolen from us.”

Such racial demagoguery has played a significant historical role in Detroit, where the ruling elite has long feared the unity of the powerful industrial working class. Black nationalist politicians, going all the way back to former Mayor Coleman Young, have played an instrumental role in gutting living standards and preventing the working class from breaking out of the straitjacket of the two big business political parties.

To this day MN/WWP remains craven apologists for Young, recently lauding the fact that he maintained “fiscal stability” for the city through “black political leadership.” They failed to note that the measures that were carried out to this end included massive cuts to fire and other social services.

But there was a more contemporary reason for Goldberg’s worries and MN/WWP’s growing hysteria over race. Such invocations are wearing thin. Growing sections of the working class are fed up with the transparently self-serving layer of black trade union officials and politicians.

The experience of the Obama administration—headed by the first African American president—has had an impact. Obama’s election was hailed as a “transformative event” by outfits like the WWP. However, he has proven to be a ruthless representative of the banks and giant corporations.

In relation to Detroit, the Obama administration’s Justice Department issued a statement supporting the Chapter 9 bankruptcy filing. The administration emphasized there would be no bailout for Detroit. This was

only part of the overall assault on workers spearheaded by the administration, including the forced restructuring of the auto industry in 2009, premised on cutting wages for new hires in half.

Promoting the anti-working class trade unions

Moratorium NOW! further assisted the bankruptcy process by presenting the unions as essential allies in the fight against cuts to wages and benefits.

As negotiations with the banks got underway in the spring of 2013, MN/WWP told workers to place their full confidence in the unions and announced that they were forming another of their many alliances: “Moratorium NOW! Coalition and other mass organizations are committed to working with the labor unions and retirees to fight the imposition of Orr’s bank-engineered austerity program on the city of Detroit...”

On October 23, 2013, the first day of the trial, MN hosted a demonstration, giving pride of place to the unions. “Probably the largest numbers were from the American Federation of State, County and Municipal Employees Union, including many city of Detroit retirees,” enthused Workers World, adding that the UAW sent a “large contingent” and that several other unions were also in attendance.

The event, cynically designed to let off steam, included empty chanting followed by a “community speakout” in the evening featuring Detroit Democratic Councilwoman Watson. The political message was clear: workers opposed to the bankruptcy should turn their eyes to the Democratic Party and the unions.

Despite MN’s constant promotion of the unions, sections of workers began to voice their concerns by the end of the summer, revealing a growing opposition to the unions’ open collaboration with the bankruptcy process. In July, an independent ad hoc committee of firefighters began organizing informational pickets to oppose the bankruptcy, the decades of layoffs and the threat to eliminate 50 percent of their pensions. In October, Detroit bus drivers held a sickout to oppose the privatizations and cuts to the bus service.

In November, the unions—as they continued to chant alongside Moratorium NOW!—backed a joint motion to attack the publicly-owned Detroit Institute of Arts (DIA) with the same Wall Street insurance companies who were attacking pensions. Filed along with Financial Guarantee and Syncora Capital, the court document called for the “monetization” and sale of the DIA artwork. The unions and the insurance companies declared that they wanted to “ensure that the City’s efforts to file and confirm an appropriate plan quickly are not wasted.” They added that they “understand and support the City’s [Emergency Manager’s] goals...”

Ed McNeil, an AFSCME 25 union official on the retirees committee who had been a featured speaker at many MN rallies, provocatively supported the destruction of the DIA, declaring, “You can’t eat art.” It was well understood that selling the artwork could lead to the destruction of one of the best art museums in the country. However, this action brought no outcry from the unions’ perpetual apologists.

MN itself concurred with the attempt of the financial oligarchy to loot the cultural treasures of the city, merely stating that if the artwork were sold, the funds wouldn’t be sufficient to cover the pensions!

While the emergency manager, the courts, big business foundations and politicians forced through the privatization of the DIA, Orr fine-tuned the Plan of Adjustment. He modified the pension cuts to 4.5 percent, but increased health care cuts (a 90 percent reduction) and demanded the “clawing back” of annuity resources from workers amounting to another \$212 million.

In the spring of 2014, with the promise of the VEBA before them, the unions accepted the entire Plan of Adjustment. AFSCME, the UAW and the other city unions called on their members to support the massive cuts in a thoroughly anti-democratic “vote.” Even if workers rejected the deal,

it could have been “crammed down” (the language used by the courts) anyway. In July, the union-backed deal was approved by a minority of the members, with nearly half not voting out of disgust.

The response of the MN/WWP was to feign disappointment: “In a serious setback, the pension boards and the official Committee of Retirees [run by the unions] have apparently agreed to this new plan.” They have “all caved in to the pressure,” they concluded. This was simply an attempt to maintain their credibility. The unions, backed by MN, supported the bankruptcy process from the beginning.

Despite these verbal protestations, MN continued to carry on in its political alliance with the unions and capitalist state as if nothing happened.

Loyal assistants to the ruling class

Throughout the bankruptcy process, Moratorium NOW! worked to shore up illusions in the courts and the capitalist state.

One notable example was in November 2013. Rhodes was growing concerned that Orr might jeopardize the overall bankruptcy agreement by being too favorable to the banks in the renegotiation of swaps agreements that were acknowledged to have been illegal in the first place.

A savvy bourgeois politician, Rhodes recognized that a face-saving cut to the bankers’ payoff would be necessary and would help with back-door negotiations he was conducting with the unions. He utilized Goldberg to press Orr in court for a better swaps deal between Orr and the banks. MN/WWP welcomed the opportunity to lend their assistance, and an arrangement was made for a somewhat smaller payout.

Kris Hamel, Workers World member and Detroit correspondent, hailed the operation, adding, “Bankruptcy Judge Steven Rhodes sided with people’s attorney Jerome Goldberg and denied an outrageous motion made by the emergency manager and the banks to keep secret the huge fees they will make from the deal.”

The entire episode was a stunt, aimed at inflating the credibility of the bankruptcy process in order to make sure that it could go forward—and MN/WWP willingly played its part.

A similar maneuver was carried out in the summer of 2014, when the Detroit Water and Sewerage Department (DWSD), under the control of the EM, announced that there would be mass water shutoffs because of “late payments.” This was part of a plan to privatize the system by proving to prospective buyers that profits could be made, while removing low-income residents from entire sections of the city.

Moratorium NOW! turned to the Democratic Party-affiliated Netroots conference to stage a public relations stunt and divert growing popular anger over the cruel policy of water shutoffs.

In a sycophantic statement, Hamel pleaded with Rhodes that the judge was Detroit’s only hope to stop the water shutoffs. “As you have stated on prior occasions, Judge Rhodes, the buck stops with you in these bankruptcy proceedings,” Hamel said in court proceedings. “It is up to you to stop the national and international disgrace and humanitarian disaster of mass water shutoffs in the city of Detroit. You must immediately enjoin these shutoffs by placing a moratorium on them today and ordering Orr to implement a real water affordability plan for the poorest Detroiters.”

On the first day of the resumed bankruptcy proceedings, a worried Rhodes called in DWSD officials, complaining of the “black eye” that the bankruptcy was receiving. His hearing led to a temporary “pause” on shutoffs to buy time. Goldberg cringingly thanked the judge, stating, “I want to give credit to the court. Based on a grassroots campaign we put at least a temporary stop to this. The court deserves credit. We are meeting with a representative (of DWSD) now. I want to thank the court for intervening.”

Again, it was a deception. Despite the fact that Moratorium NOW! got its “moratorium,” shutoffs would soon continue—and at an increasing pace. The DWSD went about reorganizing itself, and in September, after

the retirees passed the Plan of Adjustment and the agreements with creditors were falling into place, Rhodes issued a statement that there is no “fundamental right” to water and rejected a request by MN/WWP and other groups for a 6-month moratorium on shutoffs.

Rhodes’ statement explicitly held, “It is necessary to emphasize these findings of irreparable harm do not suggest that there is a fundamental enforceable right to free or affordable water. There is no such right in law. Just as there is no such affordable right to other necessities of life such as shelter, food and medical care.”

Last month, Detroit announced that it would be sending water shutoff notices to as many as 28,000 households in the city.

Far from the courts or the judge being subject to the influence of workers, as Goldberg claimed, they are the ruthless instruments of state power, wielded on behalf of the profit interests of the financial oligarchy.

Working class politics vs. the politics of the pseudo-left

In the course of the Socialist Equality Party’s fight against the Detroit bankruptcy, some workers raised the question: Wouldn’t it be best to unite with all those, including Moratorium NOW!, who at least claim to oppose the actions of Orr?

It is certainly true that, in the struggle to oppose the dictates of the banks and the corporations, the working class must stand united. However, the real unity of the working class can only be achieved through a determined fight against all the political representatives of the ruling class—and all those who seek to maintain their domination over the workers.

The entire experience of the Detroit bankruptcy is a damning exposure of Moratorium NOW!, which, like similar organizations throughout the US and internationally, represents not the interests of the working class, but of a privileged section of the middle class. It sought to leverage opposition among workers for its own own publicity and advancement, while preventing this opposition from developing into a political struggle against the Democratic Party and the capitalist system.

The challenge is to arm this powerful force with a perspective and leadership that understands the political and social forces we confront. The working class cannot develop a program for struggle against the ruling elite under the banner of “unity” with a section of the capitalist class. Such a policy inevitably results in defeat. The essential lesson of the bankruptcy is the need for the political independence of the working class, against Republicans and Democrats, on the basis of a socialist program.

The Socialist Equality Party is committed to bringing the lessons of the Detroit bankruptcy to workers internationally. Among them is the pernicious role of pseudo-left groups like Moratorium NOW!



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