Senate Majority Leader McConnell calls for states to declare bankruptcy and gut pensions

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Senate Majority Leader Mitch McConnell on Wednesday called for state governments facing mounting deficits linked to the coronavirus crisis to file for bankruptcy instead of receiving financial aid from the federal government.

Specifically targeting public sector workers' pensions, the Kentucky Republican told right-wing radio host Hugh Hewitt: "I think this whole business of additional assistance for state and local governments needs to be thoroughly evaluated. There's not going to be any desire on the Republican side to bail out state pensions by borrowing money from future generations."

States currently have no legal right to declare bankruptcy, but McConnell suggested a law to permit it, saying, "I would certainly be in favor of allowing states to use the bankruptcy route." He added, "We have governors regardless of party who would love to have free money."

McConnell's office on Wednesday released a statement titled "Stopping [Democratic-led] Blue State Bailouts."

Declaring bankruptcy would allow state governments to override laws and even state constitutional provisions that guarantee the pension benefits of retired public workers. On Wednesday, *Forbes* published a commentary titled "Kiss Your State Pension Goodbye." It noted: "This is hardly the first time letting states file for bankruptcy to escape trillions of dollars in promised retirement benefits has been proposed."

The author cited a 2011 column by former Florida Governor Jeb Bush and former House Speaker Newt Gingrich in the *Los Angeles Times* calling for change in federal bankruptcy laws to allow states to "reorganize their finances."

Neither McConnell nor the Democrats have any problem giving free money—in unlimited amounts—to Wall Street. The Senate majority leader's statement came one day after the Senate voted by unanimous consent for a new $484 billion bill that will funnel money disproportionately to large businesses, in the guise of aiding small businesses and their employees. The bipartisan bill was approved by the House of Representatives on Thursday, with only one dissenting Democratic vote, and signed into law Friday by President Donald Trump.

The new legislation includes an additional $310 billion for the so-called "Paycheck Protection Program" (PPP) enacted last month as part of the $2.2 trillion CARES Act corporate bailout. The Democrats dropped their demands that the new legislation include money to aid state and local governments and additional funding for food stamps. They claimed that aid to the states and localities facing collapsing tax revenues would be forthcoming in a new bailout bill to be negotiated with the White House and congressional Republicans.

Trump reiterated at his Thursday White House briefing that he was open to discussing aid to the states as part of the next bailout bill, but he added that "a lot of people" were sympathetic to McConnell's position, and he singled out for attack "blue" states, naming Illinois. The White House is seeking to use the fiscal crisis of state and local governments and the possibility of federal aid as leverage to force them to reopen their economies more rapidly.

The Democrats voted to top up the PPP, which exhausted its $349 billion funding in less than two weeks, even though multiple reports had emerged that the vast majority of family-owned businesses had been shut out of the loan program while scores of large publicly traded companies had received millions of dollars in forgivable loans, and the Wall Street banks assigned to handle the Small Business Administration financing had made $10 billion in fees.

In saying it would be preferable to allow states and cities to go bankrupt rather than provide them with a small fraction of the trillions doled out by the Treasury and the Federal Reserve to corporations and banks, McConnell was expressing the outlook of the corporate-financial oligarchy that runs America. Working through both of its political parties, it has responded to the deadly pandemic by opposing any diversion of resources from its private wealth to save lives and contain the virus, and instead orchestrated the unlimited transfer of taxpayer money to prop up the stock market and make itself even richer.

Now it is moving to use the crisis to lay waste to what

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remains of social services and benefits on which hundreds of millions of working class people depend. This too is, in all essentials, a bipartisan policy.

The Democratic-aligned *Washington Post*, owned by Amazon's billionaire CEO Jeff Bezos, published an editorial Friday that chastised McConnell and called for aid to states and cities. At the same time, it lined up behind McConnell's attack on pensions, denouncing the call by the Illinois Senate president, a Democrat, for $10 billion in federal aid to stave off the collapse of the state's pension system. It declared that the federal government should not aid pension systems whose problems are "self-inflicted."

The National Governors Association has requested $500 billion in federal aid, a fraction of the trillions injected into the financial markets, to avert a collapse of basic social services, from education and health care to sanitation and firefighting, and the destruction of hundreds of thousands of public-sector jobs, as well as the wages and pensions of state and municipal workers.

State and local officials of both parties fear a social explosion as the ruling class demands that workers return to work without any protection from infection, unemployment reaches Depression-era levels, millions of laid off workers are blocked from applying for benefits as a result of antiquated and overwhelmed state benefit systems, and outrage grows over the callous indifference of the political establishment to massive human suffering and death.

McConnell's statement has intensified tensions between the states and the federal government. Trump has rejected calls by governors for federal money and coordination to ramp up coronavirus testing. Last month he suggested that New York state be quarantined, provoking Democratic Governor Andrew Cuomo to call it a "civil war measure." Earlier this month Trump declared that he had "absolute authority" to force the states to reopen their economies on his timeline.

Democratic governors, in particular, have denounced McConnell's proposal. On Thursday, Cuomo called the bankruptcy suggestion "one of the saddest, really dumb comments of all time." On Friday he denounced it as "un-American."

Some Republicans have joined in. New York Congressman Peter King called McConnell's remarks "shameful and indefensible," and dubbed him the "Marie Antoinette of the Senate."

However, none of them have pointed to the contrast between the senator's attitude to providing money to maintain social services and pensions and his avid support for bailing out Wall Street. That is because the Democratic Party, no less than the Republicans, supports the multi-trillion-dollar bailout of the oligarchy.

Even as Democratic governors and mayors criticize Trump and the Republicans for withholding federal aid, they are preparing massive budget cuts. Not one has even proposed raising taxes on corporations and the wealthy to avoid the destruction of vital services and the impoverishment of working class families.

Moody's Analytics has warned that states may face combined deficits of $158 billion to $203 billion through the 2021 fiscal year. More than 2,100 cities across the country expect budget deficits this year.

New Jersey's Democratic governor, Phil Murphy, has frozen more than $1 billion in spending and cut property tax rebates for homeowners. Responding to McConnell's bankruptcy proposal, Murphy said Wednesday that without federal support his state would not go bankrupt. Instead, he declared, "We will just cut, cut, cut and cut."

Virginia Governor Ralph Northam, a Democrat, is seeking to freeze $2.3 billion in new spending, scuttling a program for free tuition at community colleges and canceling an increase in the state minimum wage.

Washington state Governor Jay Inslee, also a Democrat, this month vetoed budget items projected to cost $445 million over three years, including a plan to hire 370 school guidance counselors.

New York's Democratic mayor, Bill de Blasio, announced last week that he would slash over $2 billion in city services over the next year. He plans to close public pools, reduce sanitation pickups, suspend the summer youth employment program and impose a hiring freeze.

Michigan may have a deficit as high as $7 billion over the next 18 months. Detroit's Democratic mayor, Mike Duggan, has threatened to throw the city back into bankruptcy and bring in an emergency financial manager to impose new cuts in social services, pensions and jobs.

Whatever their policy differences, the two parties are united in ruling out any challenge to the capitalist profit system and the entrenched wealth of a parasitic ruling elite. They all agree that the full burden of the pandemic crisis must be borne by working people.

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