

# Obama backs Detroit bankruptcy

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The Obama administration has intervened to uphold the legality of the decision to throw the city of Detroit into bankruptcy and use the courts to gut the benefits of public employees and sell off public assets.

Last week the Department of Justice filed a memorandum aimed at squashing objections by retirees and local unions challenging the constitutionality of last July's bankruptcy filing by the city's emergency manager, Kevyn Orr.

The court filing was a deliberate decision by the federal government to intervene, as there was no requirement that it present its opinion on the matter. That the administration decided to do so makes clear that the Detroit bankruptcy has been carefully orchestrated from the beginning between local, state and federal authorities.

The Obama administration, speaking on behalf of Wall Street, sees the measures being taken in Detroit as a model. Just as the government-backed restructuring of the auto industry in 2009—in which Orr played a significant role—was the opening shot in an attack on wages and benefits throughout the country, the bankruptcy of Detroit will set the precedent for destroying city workers' pensions and health care.

Hearings are scheduled to begin today in front of Judge Steven Rhodes, who is expected to approve the largest municipal bankruptcy in US history. This would allow Orr to implement his restructuring plan, robbing the city's 19,000 retirees and their dependents of as much as 90 percent of their pension benefits, dumping them onto Obama's cut-rate medical exchanges and initiating the "monetization" of publicly owned assets, including the masterpieces of the world-famous Detroit Institute of Arts.

In previous court filings, retirees have charged that Orr is illegally using federal bankruptcy laws to circumvent the Michigan's state constitution, which explicitly protects public workers' pensions as "contractual obligations," which "shall not be

diminished or impaired."

The Chapter 9 bankruptcy law itself is a violation of the US Constitution, the retirees say, because it infringes on "Michigan's sovereignty and the right of the people of Michigan to define and control the acts of their elected and appointed officials."

In their 26-page memorandum, the attorneys from Obama's Justice Department dismiss these questions of democratic rights. Instead, they make the specious claim that the rights of the people of Michigan have not been violated because the bankruptcy was "specifically authorized" by state authorities, which could have declined the use of federal power.

The White House well knows that Michigan's Republican Governor Rick Snyder and his state treasurer, Democrat Andy Dillon, have led a conspiracy to install an unelected emergency manager to throw Detroit into bankruptcy. In this they have had the full backing of the city's Democratic mayor, David Bing, who had been in close contact with White House officials.

The Justice Department memo also claims, "Chapter 9 does not interfere with the fundamental political process, the individual citizen's right to vote, through which those officials can be held accountable for providing the framework and authorization under which the debtor [the City of Detroit] entered."

With this the White House is signaling its full support for the financial dictatorship exercised by Orr, who is accountable to no one but the city's big banks and bondholders. Orr was installed and given unlimited powers by running roughshod over the will of the people of Detroit and Michigan. In 2012, state voters rejected the emergency manager law, only to have the legislature redraft another bill and rush it through for Snyder to sign into law just weeks later.

The law has allowed Orr to usurp the powers of local government, unilaterally tear up labor agreements and move to hand over public lighting, garbage collection

and other city-run services to private, for-profit companies, like utility giant DTE Energy.

The class character of this operation is highlighted by the announcement that London-based Barclay's has agreed to lend Detroit \$350 million if Rhodes approves the bankruptcy. Under the terms of the deal, the investment firm will go towards the front of the line—before pensioners and other “unsecured debts”—for repayment through the liquidation of city assets. The bulk of the money being lent will go to pay off UBS and BOA-Merrill Lynch, which swindled the city out of hundreds of millions in credit default swaps.

A Democrat active in the president's 2012 reelection campaign, Orr proved his value as a bankruptcy attorney for Chrysler, ruthlessly implementing the Obama administration's restructuring plan to wipe out tens of thousands of jobs and reduce young workers to poverty wages.

Throwing Detroit into bankruptcy was a political, not an economic decision. While the Obama administration has provided trillions to the financial speculators who caused the Crash of 2008, it has rejected out of hand any bailout of Detroit.

It has long been a mantra of the Obama White House to “never let a good crisis go to waste.” The current shutdown of the federal government and conflict over the debt ceiling are being used to shape a bipartisan consensus to dismantle deeply popular social programs like Social Security and Medicare. In the same way, the crisis in Detroit has been utilized to implement attacks on public workers and open the floodgates for the privatization of public education and other city services.

The Justice Department's intervention has exposed the complicity of the trade unions, such as the American Federation of State, County and Municipal Employees (AFSCME), the American Federation of Teachers (AFT) and the United Auto Workers (UAW), which are allied with Obama administration and the Democratic Party.

These unions do not oppose the attacks on the working class but only hope to share in the carve-up of the city's assets to preserve the income of the businessmen who run these anti-labor organizations. They campaigned for Obama and have been involved from the beginning in the bankruptcy process, seeking to ensure that the interests of the union executives are

secure.

There is overwhelming opposition to the looting of Detroit, with recent polls showing three-quarters of Detroiters oppose the attack on pensions and 78 percent are against the selloff of the artwork of the Detroit Institute of Arts.

This opposition was powerfully expressed in the October 4 demonstration organized by the Socialist Equality Party (SEP) and the International Youth and Students for Social Equality (IYSSE) to defend the DIA and oppose the bankruptcy. The actions of the Obama administration confirm the political perspective upon which the demonstration was organized: that the working class can place no faith in any section of the corporate-controlled political establishment and must initiate its own independent industrial and political struggle against the bankers' dictatorship in Detroit.

The fight against the bankruptcy is a fight against both big business parties and the capitalist profit system that they defend. The rebuilding of Detroit and other cities and the guarantee of pensions, culture and all other social rights are only possible if the working class takes political power, expropriates the ill-gotten wealth of the financial aristocracy and reorganizes economic and political life on the basis of genuine democracy and social equality.

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