

Bankruptcy proceedings in Detroit: The looting of an American city

By Jerry White
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A foul spectacle is being played out in courtrooms in Detroit that has ominous implications for workers throughout the United States and internationally.

A parade of lawyers, investment bankers and politicians is testifying before US Bankruptcy Judge Steven Rhodes, who is expected to rule by mid-November on the legality of the largest municipal bankruptcy case in American history.

If the judge makes the expected decision that the city is eligible for bankruptcy, Emergency Manager Kevyn Orr will proceed with plans to gut the pensions and health care of more than 20,000 retired city employees and extract every bit of value to pay off the banks and big bondholders. This will open the floodgates for cities and states around the country to follow suit.

The American ruling class has long used the bankruptcy courts as a brutal weapon against private sector workers in trucking, airline, steel, meatpacking, auto and other industries. In the 1980s and 1990s, corporate raiders amassed huge fortunes by stripping workers of their jobs, wages and pensions and selling off the machinery, real estate and other assets of iconic companies.

The decay of American capitalism has reached the point where this type of financial looting is now being done to a major American city, once the automotive capital of the world.

The testimony about the fate of the assets of Detroit sounds more like the discussion at a meat market, with potential buyers vying for the choicest cuts at the best prices. Belle Isle, the public park designed by the world famous Frederick Law Olmsted, is worth an estimated \$370 million; the 60,000-piece collection of the Detroit Institute of Arts, including priceless masterpieces by Caravaggio, Rivera, Bruegel and van Gogh, could fetch \$10-20 billion; and the Detroit Water and Sewerage

Plant, located alongside the highest concentration of pure water on the planet, guarantees vast returns for private equity investors as long as they are free to raise water rates.

The whole proceeding is an anti-democratic conspiracy against the population. The media presentation of the case—as an objective review of the evidence and legal arguments of the “opposing” parties by a dispassionate jurist—is a fraud. The one party that has the most at stake in the outcome of the case, the people of Detroit, is completely excluded.

The city is “represented” by an unelected financial dictator who was installed through a conspiracy against the Michigan people by Republican Governor Rick Snyder, ex-State Treasurer Andy Dillon—a Democrat and former investment banker—and Detroit Mayor David Bing. From the beginning, they planned to use the bankruptcy courts to circumvent the state constitution, which protects public worker pensions.

According to testimony last Friday by investment banker Kenneth Buckfire—who was hired by the city to restructure its debt—attorneys from the state and Orr’s former law firm, Jones Day, sent Buckfire emails suggesting that the city file for bankruptcy in April 2012 before an impending voter referendum on the state’s emergency manager law.

This was nine months before Jones Day even secured a contract with Detroit. It was 15 months before Orr declared bankruptcy, claiming the city had exhausted all other avenues and was compelled to take this last resort.

Buckfire’s testimony adds to the evidence that the whole process is a sham—from the blatant conflict of interest of Orr hiring and paying tens of millions to his former law firm, to the fraudulent claims that “due diligence” was done before the bankruptcy filing, to

violations of the statutes of the emergency manager law itself.

The Obama administration has intervened to give its official sanction. Earlier this month, Justice Department lawyers filed a brief aimed at quashing legal challenges. Retiree groups have charged that the bankruptcy filing is unconstitutional because it violates Michigan's sovereignty and the right of the people of the state "to define and control the acts of their elected and appointed officials."

The Obama administration's lawyers have insisted that no such violation of state sovereignty has taken place because Governor Rick Snyder—the chief conspirator behind the bankruptcy—has provided "state authorization"!

For their part, the American Federation of State, County and Municipal Employees (AFSCME), the United Auto Workers and other unions in the case have operated, not as representatives of the working class, but as "creditors" seeking to defend their own business assets and privileges.

Attorneys for the unions and the court-appointed committee of retirees, which consists chiefly of union functionaries, have been the most adamant in demanding that the city sell off publicly owned assets, including the artwork of the DIA, instead of declaring bankruptcy. Union officials have also insisted they were more than willing to agree to a new round of wage and benefit concessions but were rebuffed by Orr who refused to hold "good faith" negotiations.

Advised by their own set of Wall Street consultants and highly paid lawyers, the union executives are mainly concerned with maintaining control over their own "investment vehicles," the multi-billion dollar pension trust funds that have become a critical source of income.

AFSCME and the UAW have done nothing to stop Orr from stripping retirees of health care benefits, and the unions would have no problem sacrificing workers' pensions just as they have done every other gain over the last 35 years. The only caveat of the union apparatus is that they get a share from the carve-up of city's assets.

All of the official parties engaged in the bankruptcy process agree that the working class must pay for the crisis it did not create. They repeat *ad nauseam* that there are no resources for pensions, essential services

or the right to culture. This under conditions in which the Detroit automakers made \$12 billion last year—with Ford announcing another \$1.43 billion first quarter profits last week—and the Wall Street bankers and super-rich are doing better than ever.

The dictatorial power of the financial aristocracy must be broken and the ill-gotten gains of the corporate and financial elite seized and utilized to guarantee workers and young people all of the social rights—jobs, housing, education, health care and access to culture—necessary for a decent and comfortable life in the 21st Century.

A great deal is at stake for the whole working class in the outcome of the struggle. While the Obama administration hopes to use the city as a model to escalate its attack on workers nationally, the "Battle of Detroit" can and must be the beginning of a counter-offensive of the working class.

The entire bankruptcy process must be rejected and a mass industrial and political movement of the working class initiated independently of and in opposition to the two big business parties, the corrupt and servile trade unions and the profit system they all defend. The aim of such a movement must be the socialist reorganization of economic life to meet human needs, not private profit. That is the fight being taken up by the Socialist Equality Party.

For more information and to get involved, visit socialequality.com and defendthedia.org.

To contact the WSWs and the
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