

Mobilization To Stop Detroit Pension Theft

Dec. 17—A U.S. bankruptcy judge on Dec. 3 handed a loaded gun to the bankers' enforcer in Detroit—financial czar Kevin Orr—to finish off the city, already staggering after decades of deindustrialization, depopulation, and disintegration. Judge Steven Rhodes rubber-stamped Orr's request to put the city through Chapter 9 bankruptcy, thereby gutting what remains of retired city workers' pensions, in a straight-out “bail-in” on behalf of the bloated but insolvent Wall Street banks.¹

In response to this “miscarriage of justice,” on Dec. 13, the Detroit Board of Education² passed a strongly worded resolution; and on Dec. 11, Bill Roberts, a member of the LaRouchePAC Policy Committee, and former Michigan Congressional candidate, issued a statement condemning the “outrageous ruling.” We publish excerpts of both.

Detroit School Board Resolution

“Resolution of the Detroit Board of Education Condemning the Bankruptcy Ruling and Urging Swift Congressional Passage of Glass-Steagall.

“WHEREAS, The recent court ruling of U.S. Bankruptcy Judge Steven Rhodes, allowing the Chapter 9 bankruptcy of Detroit to proceed, was a witting miscarriage of justice. Its intent is to hasten the collapse of the once decent standard of living of Detroit's citizens and to further the death of our great city. We must defend the people; and,

“WHEREAS, The Board of Education denounces this ruling for three reasons.

“First, it pays off the Wall Street banks at the expense of our citizenry. It calls for paying the financial debt and the interest rate swaps that were foisted on our

city by Wall Street bankers by bailing-in hard-earned city pensions. The ruling says that Detroit is not obligated to pay its employees the full value of their pensions. Many city employees are not eligible for Social Security and depend on their pensions, without which many will be condemned to an early death. The average city pension is \$19,000, and if it is cut 20%, 50%, or more, that will force people to choose between food, medicine, rent or other necessities. Hence, it will likely shorten their lives.

“Second, it abrogates the state constitution, which explicitly says that the pension benefits shall be a contractual obligation thereof which shall not be diminished or impaired thereby.

“Third, it sets a dangerous precedent for cities around the country. The court ruling sanctions the spurious arguments outlined by Jones Day attorneys months before the bankruptcy in a paper entitled, ‘Can Municipalities Use Bankruptcy to Solve their Pension Woes?’ Now cities around Michigan and the nation, from Philadelphia to Los Angeles, are investigating bankruptcy as a way to stop paying pensions in order to pay the Wall Street banks; and,

“WHEREAS, This ruling is a license to Wall Street bankers like UBS, Barclays and Bank of America, who have been at the center of bankrupting Detroit, to both continue their financial stealing and rob pensioners in the process. In Detroit, our industry was deliberately taken down and outsourced over the years, destroying our tax base and forcing us to borrow on the financial markets. We are now paying 38% of our tax revenues for debt service. In addition to various bonds, we were also suckered into purchasing derivatives, interest rate swaps, by Bank of America and UBS. These swaps have cost the city an average of \$107 million per year since 2006 ... and,

“WHEREAS, Prior to the bankruptcy filing, Emergency Manager Kevyn Orr, who was previously employed at Jones Day, made a separate deal with UBS and Merrill Lynch, now owned by Bank of America, to pay their swaps, at either 75% now or 82%, if he pays them in the spring. He then turned around and foisted the entire cost of this payment onto the backs of city employees by bailing-in (stealing) their pensions and health care ... and,

“WHEREAS, There is an alternative to this subversion to Wall Street: The U.S. Congress can quickly pass two bills to restore the 1933 Glass-Steagall Act,

1. For coverage of the Detroit bankruptcy travesty, see “Wall Street Genocide: Judge Rules To Bail-In Detroit Workers Pensions,” [EIR](#), Dec. 13, 2013.

2. School Board president LaMar Lemmons III has been a leading voice in opposition to the bankers' rape of the city; he was interviewed on [LPAC-TV](#) July 22, 2013.

and then launch a vigorous industrial and infrastructure recovery. This policy worked under Franklin Roosevelt, and built the nation and the state of Michigan out of the Depression.... The repeal of Glass-Steagall in 1999 led directly to the financial bubbles that burst in 2008. Detroit was one of hundreds of cities that were lured into the bubbles by endless refinancing of debt and purchase of interest rate swaps and other derivatives from Wall Street. Now cities around the country, from Birmingham to Stockton, California, to Harrisburg, Pa. are paying the price by forced bankruptcies; and,

“WHEREAS, HR 129 in the House of Representatives restores the Glass-Steagall Act. There are 78 cosponsors of HR 129 in the U.S. House of Representatives, including John Dingell and John Conyers. There are 11 [sic] co-sponsors on similar legislation in the Senate sponsored by Elizabeth Warren to restore Glass-Steagall and break up the Wall St. banks, like Bank of America, that are hopelessly bankrupt. This legislation bars commercial banks from the sale or investment in the kinds of swaps and other speculative instruments that were foisted on Detroit and other cities and states. We can easily cancel our false debts and move to participate in a new manufacturing-led recovery; and,

“WHEREAS, The Detroit Board of Education passed a resolution this fall endorsing the Congressional legislation to restore Glass Steagall, and the Michigan House of Representatives and Michigan State Senate have similar resolutions pending on this urgent issue; and

“WHEREAS, In addition, we call upon the legal community, the labor movement, and our fellow elected officials to denounce the outrageous legal ruling of Judge Rhodes. Judge Rhodes should be treated with the same contempt that eventually visited British Lord Chief Justice George Jeffreys of the infamous Bloody Assizes, who spent his last days locked up in the Tower of London; now,

“THEREFORE, BE IT RESOLVED, that the Board of Education of the City of Detroit hereby denounces the ruling of U.S. Bankruptcy Judge Steven Rhodes, and calls upon the U.S. Congress to speedily pass HR 129 and S 1282 and restore the Glass-Steagall Act, as the first, necessary step, in addressing this crisis.

“Copies of this resolution shall be immediately sent

to the Congressional delegation of the State of Michigan, and to President Barack Obama.”

Roberts: ‘Treason Against the Nation’

“Last Monday, Federal Bankruptcy Judge Steven Rhodes issued an outrageous ruling that despite protections by the Michigan State Constitution, over 20,000 retired workers’ pensions will be placed on the chopping block under Chapter 9 Bankruptcy. While admitting that there were particulars that suggest that the intention from the very beginning was to use bankruptcy as a weapon to strip workers of their pensions, he went ahead anyway and ruled against any objections to initiating the bankruptcy of the City of Detroit.

“By making the decision to allow the reduction of pensions of \$19,000 a year for municipal workers, many of whom have no other source of income, Judge Rhodes committed the unconscionable crime of bureaucratic mass-murder. While Detroit retirees are being told to start over from scratch, a \$350 million loan from Barclays was arranged to pay off fees for interest rate swaps that were criminally rigged against Detroit by the manipulation of the now infamous Libor....

“This is absolutely a turning point for the entire nation and the entire planet. What this decision signifies is the transition from the already ongoing bail-out of so-called systemically important mega-banks, to orderly resolution or bail-in as under Title II of the Dodd-Frank bill. Whatever you think you have saved or earned, whether it is your retirement or bank deposits, is now at the discretion of Wall Street gamblers, whenever they decide that your assets are now their assets.... In reality, what has been unleashed by this Judge is murder on a vast scale....

“The only possible way the United States can organize a full economic recovery is to partner with the nations of the Pacific basin that have maintained an orientation towards high technology science driver programs. The Congress must now, despite themselves, accept this truth and abandon the murderous policy of bail-out and bail-in. Glass Steagall must be re-instated in the immediate weeks as the first step toward initiating this economic recovery.”³

3. See a video of Bill Roberts reporting on the bankruptcy decision at <http://larouchepac.com/node/29081>.