

# The Municipal Bankruptcy Act

Sponsors: Rep. Peter Rodino (D-N.J.)

Rep. Don Edwards (D-Calif.)

The Municipal Bankruptcy Act, which was pushed quietly through Congress at the end of March and signed into law by President Ford on April 9, is potentially one of the most powerful legal weapons against trade union organization and democratic process in general yet devised by the pro-fascist elements of the New York banking community. Under appropriate political conditions, the Act would permit any or all union collective bargaining agreements with city governments to be torn up at will to facilitate wage-cuts, lay-offs and so forth, regardless of pre-existing state and municipal laws respecting such contracts.

Under other political conditions, the same Municipal Bankruptcy Act could become the legislative vehicle for the working class' demand for nationwide declarations of debt moratoria, against the interests of the debt-hungry financiers.

For this very reason, despite the numerous declarations of fascist intent accompanying the bill, not even all debt-hungry bankers are pleased with it.

The unqualified purpose of the Rodino-Edwards bill is to cut bankrupt cities loose from the domain of democratic constituency politics, placing them (all cities) under a federal court dictatorship. The bill is also aimed at suckering potential supporters of legislative debt moratorium into giving up their efforts as superfluous. Its passage has already had its intended effect on pro-debt moratorium Rep. Herman Badillo (D-NY), who has at least temporarily dropped plans to introduce moratorium legislation and who supports the Act.

The April 2 lead editorial of the Wall Street Journal went to the heart of the bill: "It speaks ambiguously on a point that will determine how quickly a city can restore itself to fiscal health, namely, the status of union contracts under bankruptcy.... In bankruptcy court, a city will be able to renegotiate its 'executory contracts,' including its collective bargaining agreements. The hitch comes on a subsidiary question, does the old contract stay in force while the city tries to negotiate reduced wages and benefits? If the answer is yes, there's hardly any reason for a new contract ever to be reached." The Wall Street Journal also worries over the fact that the bill "implies that the status of the contract would be determined by local law, and present New York law would maintain the same salaries, conditions and terms."

## A Plan

The law itself declares: "After filing, the court may permit the petitioner to reject executory contracts and unexpired leases...." The law also requires that "the petitioner shall file a plan for the adjustment of its debts...which creditors may accept or reject.... The plan may specify provisions to modify or alter the rights of any class or all of its creditors, and it may...contain the rejection of executory contracts...."

Upon releasing the bill to the House floor, seven members of the House Judiciary Committee quickly and officially clarified: "Committee report language, suggesting that the rejection of executory contracts does not include collective bargaining agreements, is inaccurate." Committee report language was chosen by New York Representative Herman Badillo, an advocate of debt moratorium at the expense of financiers to maintain city wage, employment and service levels.

In Senate declarations of intent on the bill, the Judiciary Committee members placed the same emphasis on destroying trade unions. Local laws guaranteeing collective bargaining agreements "should not be allowed to frustrate the purposes of the bankruptcy proceedings," declares Senator Quentin Burdick (D-ND). "In any case, where the labor laws conflict with the powers of the petitioner under this act, it is the intent of the legislation that the federal, state and local labor laws should be overridden." But the language of the bill is not so clear.

In the section on "Administration and Jurisdiction," the law grants the federal court broad powers to approve or veto all city budgetary decisions in the course of the municipality's efforts to comply with not only the reorganization plan, but "count orders related to it." In the same section: "The court shall not interfere with the petitioner's political or governmental powers, property, income-producing property, or revenues unless by consent of the petitioner." The same House Judiciary Committee members again quickly clarify: "References to State and petitioners' rights in the bill are not relevant to the court's power to permit petitioners to reject executory contracts, but were included to retain tested constitutional language in the law."

In the "Petition and Proceedings" section, the law establishes the truth of the court dictatorship and its intended control by financiers: "The court may permit the petitioner to issue certificates of indebtedness on court-approved terms, security, and priority for payment over existing obligations.

Still, the law does not explicitly state what the court will decide. The majority of its legislative backers' criminal intent is to use municipal bankruptcy as the occasion to bust trade unions and destroy human life across the nation to maintain municipal debt service. "It should be made perfectly clear that Congress intends that all confirmed plans will require municipalities to balance their budgets..." declared a half-dozen House Judiciary Committee members.

But the law does not make that "perfectly clear." "One of the conditions for court approval of the bankruptcy plan," declared the Ford administration report on the bill, "must be that the city's budget will be brought into balance within a reasonable time after its adoption." But the bill does not

make that a "must."

By the letter of the law, the court may as easily specify an 18-month debt moratorium, expansion of employment, restoration and expansion of services and wage increases with no obligation whatsoever for "balanced budgets" — i.e.,

tribute to major financiers. "The ambiguities of the law," thinks the Wall Street Journal, "are more than outweighed by the fact that its sponsors have clearly foreseen the magnitude of the problem." But the problem is **political** — who will control the bankruptcy proceedings — the banks or the working class.