

Failed appeal merits respect

Chrysler challenge was right call

State Treasurer Richard Mourdock's attempt to stand up for the rule of law in the Chrysler bankruptcy appears to have been futile, but we applaud the treasurer for trying.

Mourdock went all the way to the U.S. Supreme Court to preserve the rights of secured creditors in bankruptcy cases. Unfortunately, many national news accounts of the situation inaccurately portrayed the case as simply a play on Mourdock's part to get more money for the three state pension funds he was representing.

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That might have been the result had Mourdock prevailed in court, but recovering more of what the pensions were owed wasn't his primary objective.

In the resolution of Chrysler's Chapter 11 bankruptcy, the Indiana State Police Pension Fund, the Indiana Teacher's Retirement Fund and the Major Moves Construction

Fund will get 29 cents on the dollar for \$42.5 million in Chrysler secured debt purchased last summer.

According to bankruptcy law, the owners of such debt are classified as secured creditors and are first in line to recover what they're owed. But the plan drawn up by the federal government to lift Chrysler from bankruptcy conveniently dispensed with that detail, favoring unsecured creditors instead.

Mourdock worries, correctly in our estimation, that arbitrarily changing the rules for secured creditors sets a dangerous precedent. In the future, buyers of such debt can't be assured the government won't intervene and throw the rule book out the window.

Anyone who questions the treasurer's motives should consider what might have happened had his appeal prevailed. The collapse of the Chrysler deal likely would have resulted in the automaker's having to liquidate. At least 5,000 Hoosier jobs could have disappeared as a result, costing the state much more than what the pensions stand to lose in the government-engineered Chrysler bankruptcy resolution.

And it certainly wasn't a political stunt. The treasurer risked incurring the wrath of unemployed workers and others for whom Chrysler's failure would be a major personal setback.

The Supreme Court's decision June 9 not to hear Mourdock's appeal was procedural in nature. The refusal, the high court said, wasn't based on the merits of the case itself.

We're happy, of course, that many Chrysler workers here and throughout the country now have a shot at keeping their jobs. It's unfortunate, though, that the government had to twist a basic tenet of bankruptcy law to make it happen.

Mourdock deserves praise for his principled stand. It's refreshing when an elected official does what he or she thinks is right regardless of the potential consequences. •

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