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What Does It Really Mean to Invest In Black Communities?

As the call grows to "divest and invest," it is essential that we not exchange the violence of the police for the violence of finance capitalism.

By Destin Jenkins

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Paving the way: Activists painted a message to the world on the streets of Washington, D.C., not far from the White House . *(Tasos Katopodis / Getty Images)*

Since the murder of George Floyd on may 25 and in the absence of a legitimate government response, laypeople armed with little more than cardboard signs have quickly become the arbiters of justice. The simple nature of their presentation—a combining of poster board and Sharpie—masks the incredibly sophisticated nature of their demand: "Divest and invest."

With breathtaking speed, it seems, this radical cry has gained greater currency. Many who once argued fervently for police reform now declare the time has come to defund the police. Through campaigns like Philly We Rise, movement organizers have taken to demanding the reallocation of funds from local police departments to city services such as libraries and the arts. They have been joined by activists in Los Angeles calling for greater mental health services and public transportation and a diverse coalition in New York City urging greater investment in core social services and infrastructure. The recent explosion of terror by violent, riotous police officers has only deepened the conviction that there are surely better ways to spend taxpayer funds than on the weapons used against us for exercising our right to protest.

I want to focus here on the "invest" side of "divest and invest." I want to explore what that word can mean, because and directing them to a different one? Do they envision a completely different financial process, like using public debt for schools instead of police stations and jails? Is it about more funding for basic services like education and health care? Or is it about funding the infrastructure that makes services possible? Or all of the above?

There is a difference between the delivery of public services, the facilities to which people turn for those services, and the submerged infrastructure on which those facilities rely. If what the advocates of "divest and invest" want is greater and transformed services, then shifting funds from one government agency to another makes sense.

But what will maintain the infrastructure in which we seek

Indeed, this kind of transformative investment depends on a kind of financial wizardry that most people haven't been encouraged to think much about.

We need to be precise, not just about the aims or agencies but also about the mechanisms through which investment takes place. Only by doing so will black communities avoid exchanging police violence for the violence of finance capitalism, whose grip is already so tight and devastating.

The "divest and invest" vision of safety and community is part of a long-overdue engagement with policing and municipal finance. For years, scholars and activists have decried the use of regressive fees and fines to plug local budget shortfalls. In Minneapolis, the Committee for Professional Policing pushed a local ballot initiative requiring police officers to carry liability insurance—a move intended to shift the costs of compensating victims of police brutality onto the police. And across the left and right, others have demanded an end to qualified immunity, a suspect legal doctrine that basically gives carte blanche to officers who use excessive force.

made the link between reparations for past and present systemic violence and support for black "women who hold our households together, and…queer and trans* folks." In that report, Cedric Lawson, a founding member of BYP100, insisted it was not enough to defund the police "and reallocate residual funds to the people's vision of public safety." He said we must also divest from the prison-industrial complex and a system of "administrative fees for probationers and parolees." Janaé Bonsu, an activist and scholar, stressed the importance of reallocating funds for schools and after-school programs.

The Agenda to Build Black Futures, released in 2016, was just one contribution to a larger vision that pushed the scope of divestment and investment further. The Movement for Black Lives demanded divestment from all "exploitative forces including prisons, fossil fuels, police, surveillance and exploitative corporations." The Vision for Black Lives, M4BL's official policy platform, imagined equitable health care that would include "comprehensive health centers" and investing savings from the catastrophic War on Drugs in "restorative services [and] mental health services."

When activists, scholars, and ordinary citizens demand divestment and investment, they're inserting themselves into matters of public finance, a technocratic

Cities obtain public funds primarily through two channels: taxes and borrowing. (Though we might also note the earnings they reap from the sale of public properties as well as commercial enterprises, financial assets, special administrative charges, and of course, "plunder," which currently takes the form of civil asset forfeiture.) Taxation and borrowing are distinct but related processes. Ultimately, to quote one prominent 1950s textbook on public finance, funds "must come from the income and accumulated wealth of the people." Debt, in other words, is repaid through "the same inevitable transfer of funds as taxation"—though not always by the same segments of society.

The municipal bond market, which enables cities to fund infrastructure, is a politically constructed network that links government borrowers, sellers of financial information, and institutional and individual investors. During the 19th century, municipal bondholders included not only wealthy elites in the Northeast and across the Atlantic but also working people. Throughout the 20th century, however, the holding of municipal debt was more likely to be the preserve of wealthy individuals and institutional investors like commercial banks and insurance companies. Offering tax-exempt interest income, they were precursors to the plethora of offshore tax shelters.

nevertheless a major capital market through which state and local governments raise funds and investors collect interest income on the debt they hold.

And it has distinct advantages for cities. While resorting to taxation allows them to avoid the interest burden that comes with borrowing, borrowing permits a distribution of the costs over the life of major capital projects like the construction of bridges, streets, and sewage systems. Cities sometimes float bonds for specific purposes, such as affordable housing or transportation improvements. In other instances, they issue so-called various purpose bonds, which bunch multiple infrastructure projects into a single bond issue. These are typical bond issues, though as we will see, borrowing power is not always used for the critical infrastructure on which cities rely.

Taxation and borrowing unlock revenues that are then directed toward municipal expenditures for the protection of life and property, education, health, and sanitation, among other services. But these expenditures reflect decisions by some designated authority to redistribute income to certain activities and not others. If during the late 1940s expenditures for public safety were "subject to close competition by the public schools and health and sanitation programs," to return to that 1950s textbook, this competition


On the people's dime: Police in Chicago brandish their batons at protesters against the murder of George Floyd. *(Jim Vondruska / NurPhoto via Getty Images)*

Police violence and bloated police budgets are endemic to the United States, but perhaps no city represents this intersection better than Chicago. Well before the city's infamous police commander John Burge and his marauding Midnight Crew terrorized black Chicagoans through beatings, electric shocks, and suffocation during the 1970s and '80s, the Chicago Police Department (CPD) was routinely accused of torture. And it continued to torture and brutalize long after. Thus the execution of Rekia Boyd in 2012, the murder of Laquan McDonald in 2014, and the killing of Bettie Jones in 2015 did not occur at the hands of bad apples. Their deaths, like those of so many other black Chicagoans, were rooted in a callous systematic indifference

Summer to Black Power. The 1950s proved to be the pivotal decade for the dramatic expansion of police personnel and for investment in new vehicles and crime control technologies. "By 1970," he wrote, "the CPD's budget was more than 900 percent larger than in 1945, approaching $200 million per year." Since then, the numbers have only continued to climb—and climb. In 2018, Chicago appropriated more than $1.57 billion for the police (some 18 percent of the city's overall budget of nearly $8.9 billion, not including grant funds).

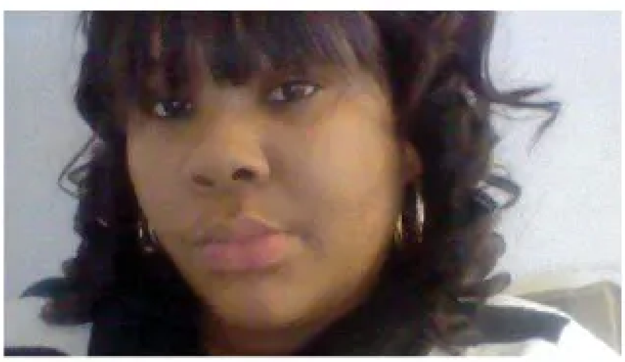
The disproportionate funds allocated to the CPD have come with important trade-offs. In the city's 2019 budget overview, 41 percent of the proposed expenditures from its corporate fund, which supports basic operations and services, were allotted for the police. Meanwhile, 2 percent of the expenditures were slotted for transportation and 4 percent for streets and sanitation.

Again, cities like Chicago borrow for the sake of infrastructure improvements. But with hefty sums allocated for policing and for servicing debt ($632 million in 2018), it is worth asking: What improvements? It seems as if Chicagoans have been asking this very question for years. In June 1978, one *Chicago Tribune* journalist spoke to motorists about the city's pothole problem. "The stretch from 55th to

Yet, while successive administrations have ignored some of its residents' most basic needs, somehow it became acceptable for Chicago to borrow money to compensate the victims of police brutality. The city said it has borrowed hefty sums "to pay for expenses incurred in connection with claims and judgments" against it. Indeed, the Action Center on Race and the Economy estimated that Chicago borrowed more than $709 million to cover these costs from 2010 to 2017. And "most of the city's police related settlement and judgment costs," the group said—$360 million from 2010 to 2016—were "covered by bond borrowing." These "police brutality bonds" will cost taxpayers millions more in interest payments to bondholders. Other cities have borrowed for police body cameras and to rebuild local jails, the debt-financed extensions of the carceral state.

Black Chicagoans have been conscripted into a nasty compact. As taxpayers, they fund a police department that makes their lives more dangerous. And as tax and fee payers, many of those harmed by police brutality effectively pay for their own reparations, with bond financiers taking the cream off the top in the form of underwriting fees.

The temptation to leverage financial markets to deliver the kind of infrastructure that black communities so desperately need is understandable. This temptation is all continue to render black futures subject to the power of unelected bond-rating analysts who would weigh community demands against technocratic ratios.



New York City is often remembered as the poster child for bond market implosions. Before being subjected to “shoc

Moody's from 1955 to 1970. Chicago maintained its strong credit profile during these years, but soon it, too, fell victim to a downgrade.

In September 1979, Standard & Poor's downgraded Chicago's bonds from AA to A-plus. As S&P's Robert Geier explained, the firm lowered the city's bond rating because of operating and cash deficits. What's more, the Windy City incurred and rolled over liabilities, drawing on future budgets to pay for existing hospital expenses. And though we have come to see privatization as a hallmark of neoliberalism, the analysts at S&P, at least in 1979, were dismayed by the sale of certain assets to finance city operations. Financing operations through the sale of "city-owned parking" and the Bridewell Farm—a 311-acre that once housed the Bridewell Prison —"are considered a poor financial move because the sales are once-only transactions," as two journalists summarized.

The *Chicago Tribune* said the S&P downgrade meant that the city would have to pay higher interest rates on the "bonds it sells." The downgrade could also compel city officials to delay much-needed infrastructure improvements. In February 1980, Edwin Yeo III, the chief financial adviser to Mayor Jane Byrne, said that wiping out the deficit by means of austerity would ultimately "provide the basis for a higher bond rating in the future."

sector costs and the impact of a declining population on the city's revenue base, Moody's cited "pension challenges" as the city's biggest problem. And this happened before Covid-19 obliterated projections of Chicago's economic future.

The general hostility toward deficits in this country amounts to an ideology; it's part of a system of beliefs deployed with vigor, especially when such deficits are linked to social spending. The ideological aversion to deficits, the outsize power of rating analysts, the ups and downs of letter grades, and the effect of these dynamics on the cost of borrowing suggests that investment, particularly in the context of revenue shortfalls, will invariably come with strings attached—strings that could strangle any attempt to build a more just society in the cradle.

Even if the current campaign to defund the police is successful, without also decoupling our cities from the private bond market, credit-rating analysts will soon punish our communities for budget deficits, making it more difficult to invest in the very facilities that will keep black communities safe. We need to avoid the private bond market and leverage completely new financial mechanisms in order to realize an alternative investment in community infrastructure.

In April, many, myself included, expressed excitement over the Federal Reserve's new Municipal Liquidity Facility, which allowed the Fed to purchase an eligible city's short-term debts. Although groups such as Employ America remain hopeful, it is unclear if the Federal Reserve is either able or willing to respond adequately to the needs of local governments crushed by revenue shortfalls. But we should not wait.

More than 50 years ago, Representative Wright Patman of Texas offered a plan worth revisiting. His Municipal Capital Market Expansion Act of 1968 was designed to do more than remedy the failings of rating agencies. He aimed to correct a system that "punishes the larger city that goes heavily into debt in order to provide adequate public services for its citizens while supporting its poor residents."

Patman imagined a new federal corporation to aid all states, the District of Columbia, all US territorial possessions (including Puerto Rico), and "any Indian tribe." He effectively sought to lend the sterling credit standing of the federal government to contracting state and local borrowers. The proposed corporation would "guarantee the payment of principal and interest" on debt issued by state and local governments borrowing "to finance one or more needed public facilities." It would also offer interest-rate-reduction it is not enough to devise new mechanisms to enable investment in the built environment. During the 20th century the "deference to localism" that structured many federal social programs often "preserved a concentration of power in city and state governments," as historian Tom Sugrue wrote. This meant that federal funds often followed local, racist routes.

To guard against this, it is essential that local groups—especially the black activists to whom we owe this momentous opportunity to remake the meaning of safety in America—have a seat at the table in determining where investments are made. In the 1960s we called this maximum feasible participation, a contested term with an equally contested history. Today, as the very terms of governance are challenged by young black leaders "unencumbered by past failures and buoyed by their connection to the ruckus in the street," as scholar-activist Keeanga-Yamahtta Taylor recently put it, we might simply call it insurgent black politics.

As communities divest from the police and invest in local infrastructure through alternative means, we should lean on the efforts of activists and other engaged citizens who have already fused the energy of the streets to the painstaking work of examining municipal budgets. For real change to come at last, we must refuse to cede control over the

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TODAY 8:30 AM

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Juan Carlos Pinto Juan Carlos Pinto is an artist and art historian originally from Guatemala and currently living in Brooklyn, N.Y. Instagram: @pintocards

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