In Solidarity with the People of Detroit . . .

photo: PressTV

We call for a public solution to the crises caused by predatory banks and crony capitalism.

Detroit's "bankruptcy" demonstrates the failure of the big-bank model to fulfill the obligations that enable the American dream. In the early 20th Century, as industrialization of cities increased in earnest, Detroit and other cities developed around a social contract – embodied in documents such as the "Treaty of Detroit" between the United Auto Workers and General Motors in 1950. The excesses of capitalism would be tempered by community responsibility; working class people would benefit along with the owning class; and shared sacrifice would minimize the impacts when times were bad.

Crisis was not inevitable. Since America's founding, there have been many ways to finance government services and the long-term economic security of public workers. However, in Detroit, and scores of other cities, increasingly aggressive and influential big banks lured governments into murky and inequitable financing schemes that, in many cases, were known by the banks themselves to be volatile and likely to fail. Privatized finance cannot avoid incentives to bet on failure if it's profitable to do so. The result was arrangements in which the big banks exploited imperfect information and unequal power relations in their plunder of Detroit's collective labor and wealth.

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Financing of public goods through such unfair, unstable and even fraudulent schemes is the apex of social irresponsibility through crony capitalism. Detroit starkly demonstrates that, when government becomes a subsidiary of private finance, the bankers "socialize" the harms during bad times (while exempting those at the top of the economic hierarchy from virtually all costs and negative externalities), while they privatize the gains during good times. It is no coincidence that these poor financial decisions were made in the midst of the engineered deindustrialization of American cities. Nor is it coincidental that all of this has been accompanied by a racist and classist rhetoric of "failure," "incompetence," and "corruption;" Nor that it occurs in a context of privatization of every sphere of social life, a vanishing commons, and hollowing out schools, transportation, public safety, public health, food assistance, job training, public parks, postal services and the arts. Every aspect of dignified, collective social life is bled dry, then declared to be "too expensive" and a "failure" and therefore subject to privatization.

The big-bank model for financing public infrastructure and government operations is irresponsible. It is not only destructive, but there are much better feasible alternatives. The use of interest to extract maximum value from borrowers is far from the only way to bank. From the *montes pietatus* of medieval Franciscan monks, to the tally system used in England for at least five centuries, to the no-interest arrangements in versions of Islamic banking, to Quaker banks in colonial America, history is rich with examples of banking in the public interest. The Bank of North Dakota demonstrates how public banks can issue credit at low or even no-cost to cities and states; offer bridges to residential, agricultural, and public works financing; partner with responsible private entities to encourage conscious entrepreneurship; provide liquidity; and open and maintain safe bond accounts when bond funding is necessary. Postal banks in the United States and Canada, which still exist in Japan, historically provided financial services to otherwise under served communities, governed through a lens of public service rather than profit-driven interest and exorbitant fees. The failure of the big bank model provides us with opportunities for returning to our future of shared prosperity, equitable development and socially just stewardship of our commons,

We seek a network of public banks adhering to the standards of good governance and democratic participation, to stand separate from the existing network of self-serving and profit-seeking private banks that exploit and loot our cities.

An emerging mosaic of movements support public banks, either initially as supplements to smaller and more manageable banking practices, or eventually as part of a larger paradigm shift to cooperative sustainability. Public banking can be the motor of a new economy of resiliency and material security for urban America, and for all of us. Creating a democratic economy with truly public financing of public goods is a step we can take right now. Otherwise, the transition to a sustainable economy risks being undermined by the exploitation of cumulative interest to extract wealth, and the use of compound interest as a weapon for the powerful to exact their will against the powerless.

We salute the people of Detroit for resisting a bail-in bankruptcy they did not create. We call on state, county, and municipal governments to open public banks. We ask policy makers and citizens to take further steps to democratize our economy.

Over sixty concerned citizens and groups including journalist Chris Hedges, Doctor Margaret Flowers and the economist Richard Wolff have signed onto this statement. Go to www.publicbankinginstitute.org/detroit-statement.htm to see the full list and to sign on.

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