photo: City-analysis

Accumulating Violence

by Jeremy Mohler

The very real, and still unfolding, dangers of privatized banking are blatant and well-documented, yet in the mainstream discourse — corporate media, Congress, etc. — there appears to be no alternative. Our instructions say keep depositing paychecks into Bank of America's safekeeping, and keep borrowing from Citibank, but never remember that both banks were saved with public money a little more than five years ago. And ignore that in those five years, the wealthiest one percent in the US have captured 95% of the country's economic growth, while the bottom 90 percent have become poorer. The well-known refrain is right on: the public recapitalization of the big banks socialized losses so gains could remain private.

Mainstream reaction to this ridiculous situation discourages thinking outside its conceptual limits. Why else would people accept such absurdity? Private banking isn't as natural as it seems. Financial capitalism that turns mortgages into traded commodities is a neoliberal, public-private project. While the private sector is the dominant actor, the government, because it has been shaped towards protecting certain private interests, is likewise to blame.

Multinational corporate banks speak in the key of market fundamentalism — insisting that individual freedom is symmetrical to private freedom in the markets — yet they play a different tune. They rely on and lobby for certain regulation that allows them, and very few others, to accumulate increasing amounts of capital; Hence the American Bankers Association's relentless efforts to eliminate the credit union tax exemption. But the way we tend to talk about the economy is narrowed to a frame of government vs. the market, which restricts the conversation to finding the right mix of market and regulation, and disrespects alternatives.

Dodd-Frank expresses the impotency of any such mix. Under current US Chapter 11 bankruptcy law, derivatives receive "superpriority" status if a bank goes under, meaning an investor in derivatives can seize and immediately liquidate a bank's assets to get paid before anyone else. Actual deposits made by individuals receive no such protection — if a bank fails, and what's called a "bail-in" occurs, depositors would pay before the derivative holder.

Law Professor Mark J. Roe has concluded in the Stanford Law Review that Dodd-Frank lacks the needed changes to rein in this derivative superpriority rule, and that bankruptcy law is still tilted in favor of derivatives and other shadowy investments. Yet Jamie Dimon has said that Dodd-Frank has increased the cost of doing business, making it harder for smaller banks to compete with his JP Morgan Chase. In short, in the present system, where private banks are "regulated" by public officials, mega-capital continues to win while everyone else loses.

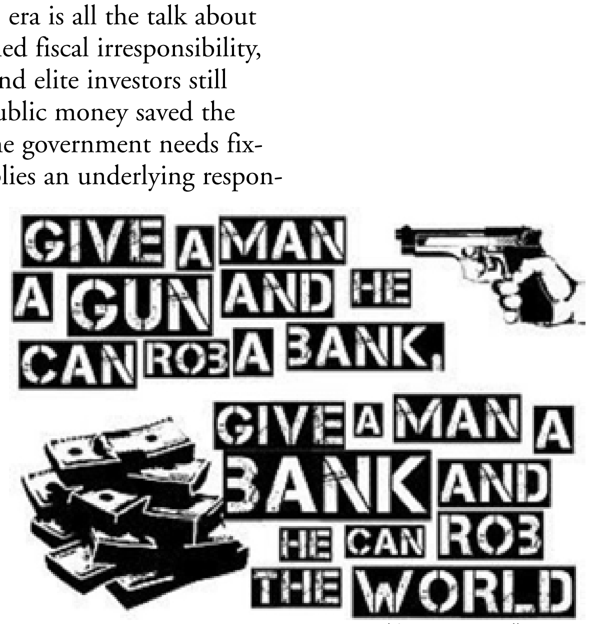
Restructuring the banking system would be a rare instance of true democracy.

We know that global financial capitalism pushes violence downwards — the ongoing job losses, foreclosures, and so on — but it also complicates democracy. The language required to understand it zips over most of our heads. Democracy in the neoliberal state is democratically impotent as long as we always use status quo market logic to solve problems themselves induced by that same logic. Why else would serious efforts to address climate change be impossible to pursue?

Thus, restructuring the banking system would be a rare instance of true democracy. That would be egalitarian decision-making in the face of domination — people collectively demanding the right to something that a powerful few hold closely.

So, I now return to the original confusion about alternatives. One of the more absurd aspects of the post-crisis era is all the talk about the government's so-called fiscal irresponsibility, while corporate banks and elite investors still work in the shadows. Public money saved the economy yet they say the government needs fixing. But culpability implies an underlying responsibility. Perhaps if we can rewrite the framing of how banking is talked about, recalibrating it away from the binary of government vs. the market, alternatives like public banking may start to seem natural themselves.

Jeremy Mohler is a writer living in Washington, DC.



graphic: Occupy Wall Street