Bond Case Briefs

Municipal Finance Law Since 1971

Chicago Academic Says Muni Market Promotes Inequality.

- **New book describes how muni bonds shaped modern San Francisco**
- **Black communities were 'continuously deemed unworthy of debt'**

Destin Jenkins is an assistant professor of history at the University of Chicago and author of a new book, "The Bonds of Inequality: Debt and the Making of the American City," and if the denizens of MuniLand haven't heard of him, they will soon.

That's because he has something to say that is very relevant to the discussions we're having right now about racial equality. He writes, for example, about things like the municipal market being used for "the infrastructural investment in whiteness."

This is a provocative book. The very first sentence of the Introduction says: "The history of inequality in twentieth-century America is, in part, the history of municipal debt."

I don't think I've heard that one before. Is, or was, the municipal market racist? I know the cast of characters involved was once mainly white and male, but the cast has started to change. Yet the subject, once broached, must now be discussed.

Jenkins's subject is how the city of San Francisco was shaped by the municipal bond market from 1945 to the 1990s. He doesn't quite end it there. On the very last page he asks why "bondholders and raters should have so much influence over our collective social welfare," which implies that his story continues into the present day. And last April, after the creation of the Federal Reserve's Municipal Liquidity Facility, he wrote a piece for the Washington Post. At the time, the Fed was focused on states and the biggest local governments. Jenkins wrote, "such a policy that privileges larger municipalities while trying to alleviate economic hardship seems to once again reinforce racial inequality." In June, the Fed expanded the emergency lending program to include smaller borrowers.

So let's say that Professor Jenkins isn't just interested in describing a single historical episode. That's why I think he will enjoy a season on the speaking circuit, when it finally revives. So you'd better be prepared.

The municipal market of 2021 isn't the municipal market of 1961, I know. But consider one of his main themes — and this is a sprawling book, for all its brevity at 229 pages of text — the choice of what San Francisco voters faced at the ballot box, and how they responded to it.

Of course there was the usual water and sewer financing, but then there were stadiums (for the newly arrived New York baseball Giants), and improvements to public transportation and parking, and arts and entertainment venues. Toss in some mixed retail and residential construction aimed at young professionals, and I see similar kinds of transactions listed on our bond sale calendar every week. They are pitched at attracting a very certain kind of consumer, one with money to spend. The end users are a little bit more diverse than they were in the 1950s and 1960s, but it's the same economic development model, and it's used from coast to coast. The basic idea for many of these

projects seems to be to bulldoze the poor people who live in blighted areas right out of town.

What happened at those San Francisco bond elections is instructive. Between 1958 and 1964, San Franciscans passed 83% of the bonds on the ballot. Between 1965 and 1971, that number declined to 39%. Jenkins calls it “black bond politics,” a “critique of spending priorities and of conscription into a debt arrangement that offered black folks very little.” He writes, “black neighborhoods were continuously deemed unworthy of debt.”

It wasn’t only Black residents. Jenkins recounts the story of how, in 1969, one poor resident of Chinatown, George Woo “attempted to torpedo a $9.9 million bond measure.” He continues:

Compared to the rest of the city, in Chinatown there were 4.5 times more people for each acre of recreational land. Woo asserted that between 1961 and 1969, the Recreation and Parks Commission had ‘allocated to Chinatown an average of 10 cents per person for park and recreation purposes while allocating to the city at large an average of 67 cents per person. Having been ‘deprived of equal benefit,’ Woo was unconvinced by claims of the bond measure’s citywide benefit. More debt for parks and recreation would further the pattern of disproportionate investment. Woo drew attention to how public space had come to mean white space, while Chinatown residents were enlisted to pay for soccer fields elsewhere or to rehabilitate Golden Gate Park, one of the city’s ‘most famous attractions.’

And so the Black community and other San Franciscans rebelled against the inequality of debt, as Jenkins puts it in a chapter entitled “Revolt.” They didn’t support bond measures that didn’t benefit them. In the long run, these efforts failed, as bankers and bond lawyers and public officials devised numerous ways to get around the will of the voters.

Jenkins observes, “One of the more complex aspects of the postwar history of racial inequality in America is how, in the absence of explicitly racist rules and laws, resources still flowed along white middle- and upper-class lines; how public infrastructure and services, and with it, access to social protections, benefits, and upward mobility, were distributed in unequal ways.”

Jenkins has done a remarkable job of historical excavation in his book. Now let me try to address the larger question for today’s municipal market. It finances public schools, affordable housing, parks and recreation — the full gamut of things that make up neighborhoods — and a more activist citizenry and judiciary tries to ensure that these things are distributed more fairly.

But it doesn’t always do a perfect job, and every day we can read about the appalling conditions still faced by the poor.

Jenkins is a pretty good writer. He’s probably an even better debater. I look forward to hearing him on the stump.

“The Bonds of Inequality” was published this month by the University of Chicago Press.

Bloomberg Markets

By Joseph Mysak Jr

April 9, 2021, 9:29 AM MDT

(Joe Mysak is a municipal market columnist who writes for Bloomberg. His opinions do not necessarily reflect those of Bloomberg LP and its owner, and his observations are not intended as investment advice.)