
Chicago Professor Jenkins Talks Inequality in Muni Market.

- **Academic's book studies postwar San Francisco muni finances**
- **Communities still structurally rely on market actors, he says**

Destin Jenkins is an assistant professor of history at the University of Chicago and author of "The Bonds of Inequality: Debt and the Making of the American City." I was so taken by the book, which presents the postwar history of the San Francisco municipal bond market and which I reviewed on April 9, that I followed up with him, first to ask about how he came to write about municipal bonds, but also to bring his story into the present day. The interview, conducted via email, has been edited for length and clarity.

JM: Why the "critical and understudied" municipal bond market, as you refer to it?

DJ: Let me address the "understudied" part of the question since your readers will know well the importance of the bond market in financing the very things that make cities recognizable.

Since the 2008 financial crisis, historians have focused on the making of all kinds of markets. But my sense is that even this excellent work on the real estate market, stock market, or, for that matter, the Treasury bond market is governed by an assumption that these were the areas that most directly impinged on the lives of Americans. These markets, in other words, became ways of talking about the racial wealth gap, retirement savings, IPO's, inflation and interest rates. As it turns out, the municipal bond market is also a powerful mechanism for wealth, infrastructure, consumption, and so much more.

JM: How did your peers react to your tackling munis?

DJ: I would initially launch into a colorful story about how munis unlocked all kinds of processes, only to be interrupted by the question, "But what is a bond?" Many of my peers understood stocks, but not bonds, much less municipal bonds. Others wondered why I wasn't studying "the people," even though municipal bond financiers and raters are also people whose activities shaped the infrastructural quality of life for millions of Americans. Basically, the veiled world of muni bond finance and the disciplinary ideologies of history meant I had to really work to show that municipal finance was absolutely critical to the issues near and dear to most historians (change over time, inequality, democracy, race).

Because my peers were primed for understanding the consequences of a debt arrangement, I realized I had to first frame my work in terms of Detroit's bankruptcy and Puerto Rico's insolvency, and then work backward to explain the workings of municipal bond finance.

JM: The "infrastructural investment in whiteness" that you cite in your book — is this still going on?

DJ: This is a very good question. What I describe in the book as the "infrastructural investment in whiteness" is not a trans-historical, eternal relationship between cities, markets, and Americans. It refers to a specific crystallization of intra-racial (white) investment in, and across, class lines during the 30 or so years after World War II. I coined the term to focus on an arrangement whereby white workers in segregated building trades literally built the infrastructure through which white middle-class Americans consumed, and which was ultimately funded through the bondholding investments of a white upper-class. It refers to the distribution of a largely “segregated pie” in the form of wages, consumer activities, and wealth for the white working-, middle-, and upper classes, respectively.

But the white male middle-class subject no longer sits at the center of achieving local urban economic growth, in part because of the hollowing of the middle-class in America. The building trades are not nearly as segregated as they once were. And wealthy white investors, who relied on tax-exempt municipal bonds to shield their capital from high federal marginal tax rates, have far more opportunities, domestically and globally, to do so. To be clear, this does not imply that we are in a post-racial world. Rather, the class dimensions of whiteness and bond finance intersect in very different ways. (For instance, borrowing to adapt urban space for the increasingly affluent, or to invest in policing).

JM: Did the Detroit bankruptcy and Puerto Rico insolvency weaken “bondholder supremacy” or is it still a factor?

DJ: Bondholder supremacy is marked, in part, by commonsensical ways of understanding the world. Unquestioned promises to bondholders; the treatment of bond ratings and revenue projections as objective, transparent, apolitical readings of budgets; ingrained ideas about fiscal responsibility and appropriate spending levels — all of this is evidence of the supremacy of bondholders in articulating how cities, territories, and other political units should be governed. These common-sense ways of seeing are very much still a factor.

JM: You ask, why is it that raters should have so much influence on our collective social welfare. Is this still the case?

DJ: The fact is that waste management systems, the distribution of water, recreational spaces, among other aspects of modern life, are furnished through state power and the municipal bond market. This is no mere question of efficiency (i.e. the allegation that private markets are more efficient than other funding mechanisms at delivering services and resources). It is a question of power. Communities around the country remain structurally dependent on the activities and lending terms of market actors. We need to ask whether claims of market efficiency should take precedence over substantive democracy.

JM: How did (American) cities possibly survive the 1970s?

DJ: Cities are a paradox, at once profoundly dynamic yet remarkably durable. So what was at stake in the 1970s was not so much whether cities, as large durable structures, would survive, but the fortune, fate, and scope of governing coalitions, political regimes (especially urban liberalism), and the freedom dreams of marginalized populations.

On the one hand, cities turned to retrenchment. On the other hand, it was also during the 1970s that affirmative action policies and increased spending in the public sector created new opportunities for African Americans. Black women in particular found a foothold in the public sectors of health and hospitals, educational services, federal and local public administration, and welfare and religious services. These were the people who helped the city run. We might say they were the “essential workers” of the decade.

Bloomberg Equality

By Joseph Mysak Jr

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