# Bond Case Briefs

*Municipal Finance Law Since 1971*

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## How Private Capital Strangled Our Cities.

**By following the money, a new history of urban inequality turns our attention away from federal malfeasance and toward capital markets and financial instruments.**

Credit and debt, two sides of the same proverbial coin, place a bet on time. Credit makes money mobile and funds the future. Soon enough, however, it becomes debt, with the lender demanding from the borrower returns with interest that threaten to constrict the possibility of further credit. Personal debt masquerades as moral obligation, a contract freely chosen, yet at the heart of the promise debt creates is not social reciprocity, as the late David Graeber wrote in *Debt: The First 5000 Years*, but a "simple, cold, and impersonal" market transaction. As nothing more than a "matter of impersonal arithmetic," debt requires shame and ultimately the threat of force to fulfill its terms and realize the returns for creditors it promises. It lodges coercion at the heart of the supposedly "free" market.

The squeeze is only intensified in the seemingly impersonal world of institutional finance. If debt ensures stability and solvency for some, the economic growth it propels fuels dependency and inequality for others, not only between creditor and debtor but also further down the line, as the borrower passes on the costs of debt to those with less power to control the terms of the deal. This devil's bargain is particularly true when it comes to municipal debt, argues the Stanford University historian Destin Jenkins in *The Bonds of Inequality*, his new book on the power the bond market has leveraged over San Francisco and other US cities. The debt-financed spending that cities have long used to spur growth, Jenkins contends, has also underwritten the racial and income inequality of the post–World War II metropolis, while funneling profits to bankers and reinforcing city dependency on finance capitalism. This unequal compact hid in plain sight until the 1970s, when the urban fiscal crises of the era revealed that cities were deeply in hock to financial institutions. But debt was just the way business was done, and banks and other lenders saw no reason to ease the terms of this deal, preferring instead to underwrite the continued hollowing-out of the American metropolitan landscape.

Continue reading.

**The Nation**

By Samuel Zipp

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