The Anarchist Library (Mirror)

Eric Fleischmann
Anti-Statists for LA's Public Bank
Charter Amendment B
October 31st, 2018

Retrieved on 1/5/22 from https://c4ss.org/content/51414
Post-publication edits noted in original

usa.anarchistlibraries.net

Anti-Statists for LA's Public Bank

Charter Amendment B

Eric Fleischmann

October 31st, 2018

Very soon, the citizens of Los Angeles, California will vote on Charter Amendment B. This amendment, if passed, will allow for the creation of a public bank for the city. Although I am not a resident of LA or even California, I'd like to give my tentative support for this amendment and outline why I think this is a sound libertarian stance to take. Firstly, the public bank has the potential to reduce state power; furthermore, the public bank has the capacity to produce decentralization in the financial system; and last but not least, there is historical precedent for anti-statist support of a public bank.

Charter Amendment B's official website Public Bank LA states that Los Angeles pays $100 million every year in banking fees and interest and nearly 50% of the cost for infrastructure projects are made up of payments for bank interest and fees. The city's Comprehensive Annual Financial Report for 2017 also attests to these high costs, listing $170 million spent in fees and $1.1 billion spent in interest that year. Accordingly, the first of Public Bank LA's five-point agenda is "Save Money"—

specifically the taxpayer's money. Of course, it would be better if there were no taxes at all but having less tax money squandered is still an improvement. However, I would be extremely hesitant to advocate for what could potentially be a consolidation of state power simply to save a buck.

It is my strong suspicion though that the public bank will not only save tax money but actually produce a net reduction in power for the state and its cronies. This perspective is gleaned through what Chris Matthew Sciabarra refers to as "dialectical libertarianism." The dialectical strategy, as Sciabarra puts it, entails attempting to "grasp the nature of a part by viewing it systemically–that is, as an extension of the system within which it is embedded." Through this method, proposals can be made that will actually diminish the state's control over people's lives. Kevin Carson—in reference to Sciabarra's method—writes, "the corporate economy is so closely bound up with the power of the state, that it makes more sense to think of the corporate ruling class as a component of the state." This is immensely evident when looking at the banks that might do business with LA.

Formerly, the city of Los Angeles did most of its banking with Wells Fargo, but in 2017 this relationship was severed. However, the search for a new bank has the city facing sinister pseudo-alternatives. Wells Fargo, and the big banks that could potentially take its place as the city's de facto financial institution are deeply rooted within the state apparatus. According to the Center for Popular Democracy, major Wall Street corporations like JPMorgan Chase, Wells Fargo, and BlackRock have made loans to and held debt for the private prison companies CoreCivic and GEO Group. These same companies are directly involved in the detention and separation of undocumented immigrants. Food and Water Watch reports that seventeen different financial institutions, made up in part by several major banks, have made loans and put resources towards Dakota Access LLC and associated companies and stakeholders. The Dakota Access Pipeline is egregious for numerous reasons—the disrespect for the Sioux people and the environmental impact—but the pipeline, much like the banks, is also deeply entrenched with the state. Portions of the pipeline route in Iowa were seized from farmers by the government through eminent domain and law enforcement officials reportedly used tear gas, rubber bullets, water hoses, and percussion grenades against protestors. The major banks in the United States, the very ones LA must choose from, are so intrinsically part of the corporate-state spiderweb that they are essentially part of the state itself. Therefore, although it may seem paradoxical to say a public bank would decrease state influence, it could potentially weaken the state-capitalist mechanism.

A reduction in the state's scope of dominance is certainly a prospect worthy of endorsement, but the public bank could also generate another effect that is in line with libertarian goals: decentralization. It is common knowledge that in 2008 the United States, and the rest of the world along with it, experienced possibly the largest economic crisis since the Great Depression. What isn't so easily agreed upon is what caused this crisis. The general narrative of the mainstream left is that it was the greed of big-wig bankers and a severe lack of regulations. The opposing narrative on the right is that the blame falls on the Federal Reserve and their manipulation of interest rates and other interference in the economy. A proper left-libertarian analysis combines the sentiments of both and criticizes a lack of accountability in the financial system and centralized economic control. A possible solution to these problems presents itself in financial democracy and cooperation—institutions such as mutual banks and credit unions. As M. George van der Meer writes in "In Defense of Mutual Banking," "With the capitalist banking apparatus as it is, crises like that of 2008, will not abate at least not for very long intervals. Capital and credit concentration gives way to complacency in business, to waste, to destitution for the people whose work hours drive industry forward." The second point on Public Bank LA's five-point agenda is "Community Development", a subpoint of which is "Support small businesses and cooperative ownership structures by increasing the lending capabilities of local credit unions and community banks." If the creation of a public bank in Los Angeles can reduce state power and help decentralize the financial system and the economy in general it deserves endorsement, or at the very least consideration, by libertarians both leftist and otherwise.

The last point to be made is that there is historical precedent for an anti-statist endorsement of a public bank. I purposefully did not lead with this because to support something simply because those ideologically aligned with oneself have done so is dogmatic. However, it does add merit to the arguments previously stated. Pierre-Joseph Proudhon, as is well known amongst left-libertarians, was one of the very first people to refer to themselves as an anarchist and is generally considered to be the father of anarchism. Proudhon himself was a proud proponent of a public bank, which he referred to as the "Bank of the People." As Charles A. Dana explains, "The purpose of the Bank of the People is, as we have seen, the emancipation of labor and the consequent establishment of the republic of wealth." For Proudhon there was no contradiction in advocating for a public bank if its creation struck a blow against state-capitalism, and neither should there be for libertarians today.

There are certainly issues with Charter Amendment B. Creating a public bank could cost taxpayers a hefty sum. The ballot measure lacks details as to how the bank will be overseen and how political interference will be avoided. Making loans at artificially low interest rates, as proposed in Public Bank LA's five-point agenda, runs the risk of creating economic complications.[1] These problems cannot be dismissed or taken lightly, but they are not confined to a public bank and can easily be applied to any private bank with which LA might choose to do business. Charter Amendment B has the potential to cut back state dominance and decentralize the financial system. It should therefore be openly endorsed by libertarians.

[1] I am generally an adherent of the socialist exploitation theory of interest and particularly agree with Carson's point—drawn from Benjamin Tucker's analysis of the money monopoly—that "the state's licensing of banks, capitalization requirements, and other market entry barriers enable banks to charge a monopoly price for loans in the form of usurious interest rates." However, here I acknowledge the more mainstream economic analysis of the matter in an attempt to appeal to center and right libertarians.