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The new US class struggle: financial industry power vs. grassroots populism

In a complementary article to Cleaver's discussion of the debt crisis in *Capital & Class* 39, Bond considers the explosive growth of debt in US finance and the populist campaigns ranged against this new financial power. Bond suggests that the bases of new local, national and international coalitions to refuse the imposition of the costs of devaluation onto exploited groups can be seen in these campaigns.

● The Unites States economy, like many others across the globe, is awash in a sea of debt deeper than in any prior historical period.[1] Increasingly, the concomitant rise in financial sector power is recognised as a phenomenon worthy of analytical attention and sustained political struggle. In the US, a new populism reminiscent of the powerful movements of the 1890s and 1930s, but augmented by 'rainbow' and internationalist tendencies, is emerging from grassroots campaigns over who will bear the burden of devaluation of the US debt.

To grasp the potential of existing populist forces to challenge the financial system and hence ultimately to transform the economy into one more reflective of their anti-corporate, decentralised and community-controlled politics, it is useful to begin with a rudimentary glance at US financial capital flows. A full-fledged analysis, yet to be undertaken, would explain the roots of the ascendancy of finance; its changing relationship to the productive economy; the exercise and the limits of financial power, and the alliances and conflicts that the rise of finance engenders. For the purposes of this paper, only a skeletal outline of such an analysis is offered, geared to separating contingencies of the recent period from what might be considered the necessary, underlying tendencies of capitalist economies during times of crisis. Enough should be laid out, however, to show convincingly that the curious combination of power and vulnerability in the financial system at the present time is no accident, and furthermore that such material conditions provide the organising handles around which a full-fledged progressive political movement can be, and is being, built.

The rise of financial capital

The analysis begins with some definitions. Financial capital is, in simple terms, an external source of funding; i.e., funding not immediately derived from activities in the economy's real sector where business profits, household wages or government tax revenues form the basis for consumption and investment. Institutionally, financial capital encompasses the funding capacity of banks, other retail savings and lending institutions, money market funds, institutional investors and other participants in the bond markets, and stock market investors. Though financial capital has both debt and equity forms, there has been a net retirement of equity from the US

Table 1: Domestic US credit market debt outstanding, by borrower (Year-end level, in billions of current dollars)

Type of borrower	*1982*	*1984*	*1986*	*1988*
Total nonfinancial sectors	4,655	5,954	7,618	9,003
US government	991	1,377	1,815	2,188*
State, local governments	324	385	520	588
Households	1,626	2,038	2,593	3,176
Nonfinancial corporations	965	1,197	1,530	1,885
Farm	185	188	157	142
Other business	564	769	1,002	1,190*
Total financial sector	758	1,006	1,511	2,103*
Commercial banks	72	84	76	78
Banks' domestic afiliates	59	87	101	91
Savings and loan associations	76	93	145	210*
Finance companies	159	193	308	416*
Other private financial institutions	4	18	72	144*
Mortgage pools	179	289	532	809*
Sponsored credit agencies	210	242	279	353
Total credit market debt	5,413	6,960	9,129	11,105

* indicates 1982–8 increase greater than 105% (which is the increase in total debt).
Source: Federal Reserve Board Flow of Funds Summary Statistics (March 18, 1989).

stock markets in the mid- and late-1980s as companies (other than financial institutions, ironically) have been made private. Thus in terms of the supply of external funding, the credit markets have been the principal site of dynamism, growth and shifting power relations, and hence are the focus of our concerns in this paper (see Table 1).

Returns on financial capital are not directly dependent upon value production in the economy (see Figure 1). While traditionally, financial capital serves both to lubricate the payments system and to provide funds for productive investments (Role 1), there are moments when finance delinks from production entirely to pursue speculative ends (Role 2). A third role, and one increasingly prevalent in the US, is the 'finance capital' conjuncture at which financial capital merges with productive and/or merchants' capital, exercising command and control functions.[2]

Table 2: Domestic US debt instruments outstanding (year-end level, in billions of current dollars)

Debt instrument	*1982*	*1984*	*1986*	*1988*
Total nonfinancial sectors	4,655	5,954	7,618	9,003
US government notes	991	1,377	1,815	2,118*
State, local government notes	324	385	520	588
Tax exempt private notes	418	522	689	760
Corporate bonds	407	469	664	862*
Residential mortgages	1,225	1,520	1,946	2,384
Commercial mortgages	299	417	551	706*
Farm mortgages	111	112	96	87
Consumer credit	389	519	656	746
Bank loans	464	553	659	699
Other nonfinancial	350	465	542	642
Total financial sector	758	1,006	1,511	2,103*
US government-related	389	531	810	1,163*
Fin. inst. bonds & mortgages	100	151	271	376*
Bank loans	29	30	36	35
Open market paper	174	220	285	377*
Fed. Home Loan Bank loans	66	75	109	153*
Total credit market debt	5,413	6,960	9,129	11,105

* indicates 1982–8 increase greater than 105% (which is the increase in total debt).

The definitions and the theoretical framework implicit in the figure are useful when applied as follows: first to inform the intermediate investigation of *necessary* (as opposed to *contingent*) processes or tendencies of the financial economy; second, to assist in the analytical task of weighing the concrete evidence of the development of these tendencies; and third, to determine opportunities for political intervention. Six necessary tendencies – rising credit demand; innovations in the supply of credit; higher interest rates; flows of funds from productive to financial assets; increasingly destructive speculative fevers' and the financial sector's capacity to exercise power – and evidence of their existence in the US will be taken up next.

The increasing demand for external financing

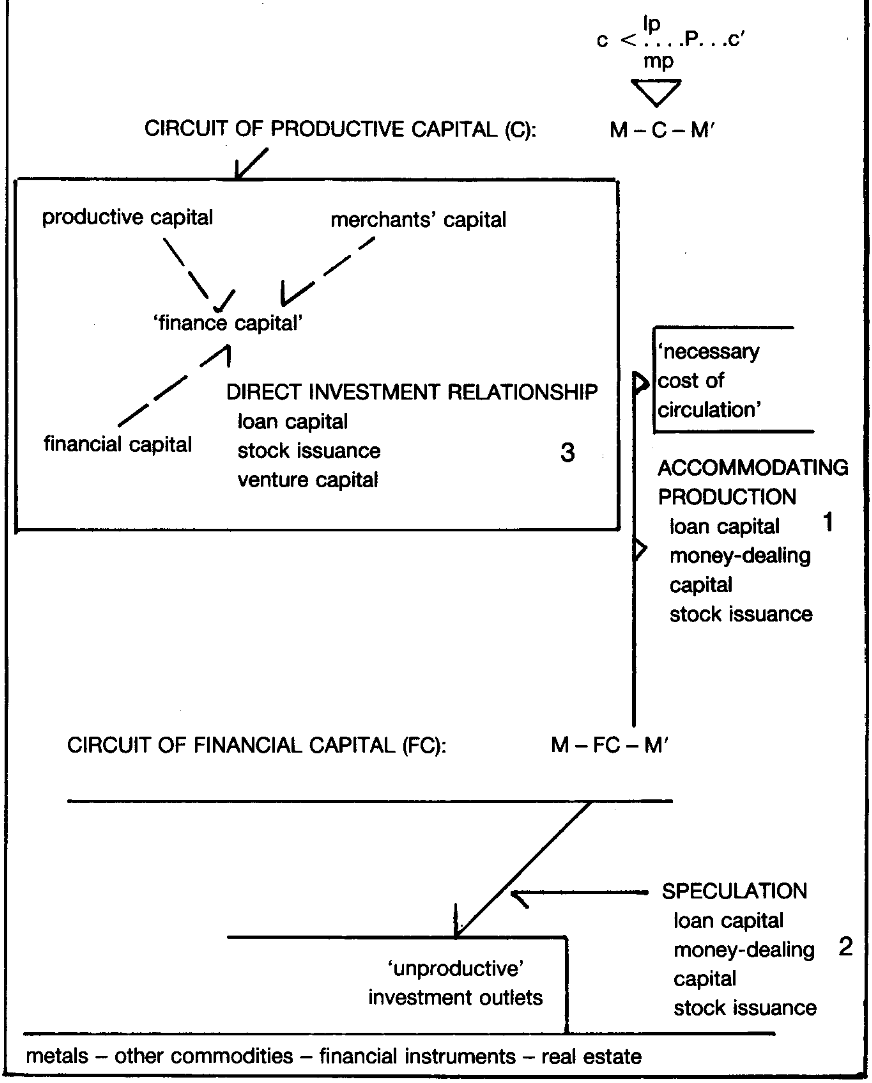
We begin with the idea of economic crisis in part manifested in a tendential decline in the rate of profit, and note that for whatever reason this can be attributed to – i.e., whether as a result of the rising organic composition of capital, a wage-led profit squeeze, or underconsumption – the corporate sector as a whole will require larger external sources of funds to maintain investment and growth in an increasingly competitive world economy.[3] In the US, substantial evidence for a declining rate of profit and subsequent increase in corporate debt ratios exists since the mid 1960s and early 1970s (Pollin, 1986). Niggle (1986) has calculated that since that time, new investment in fixed capital has increasingly been financed with borrowed funds: the ratio rose from 30.2% during 1950–66 to 48.8% from 1967–81. In comparison, while the high interest rates of the early 1980s made Wall Street equity issues a popular means of raising external funds for corporations (other than financial institutions) – from 1980–3, $31.3 billion was raised in this manner – from 1984–8 the phenomenon of leveraged buyouts was largely responsible for a substantial negative flow of funds ($443.8 billion) from equity markets (Federal Reserve Board, 1989), which served further to increase the power of creditors relative to owners.

Interestingly, as Table 1 indicates, the greatest relative increases in US indebtedness came in the financial sector, which borrowed funds both to cover a weakened financial

THREE ROLES OF FINANCIAL CAPITAL

'Financial capital' is a broad term referring to sources of external funds for capitalist investment and consumption. In its relation to the capital accumulation process, financial capital has three different but inextricably interrelated roles: (1) as a means of lubricating exchange, facilitating new investment, or, in short, *accommodating production*; (2) as a means for *speculation*; and (3) in a *direct investment relationship* with corporations (and, occasionally, states).

Figure 1: The three roles of financial capital



position (e.g., the savings and loans, or the money centre banks in the wake of the mid-1987 Third World loan loss reserve additions) and to take advantage of deregulation and securitisation of markets (the mortgage pools and finance companies). Financial institutions also raised external funds in the form of equity, mostly on the New York Stock Exchange. An average of $14.1 billion per year in equity was issued by financial institutions from 1984–8, compared to $3 billion per year from 1977–83 (Federal Reserve Board, 1989).

As Pollin (1987) points out too, an obvious response to falling profits was to lower workers' wages. Average weekly earnings of private sector production and nonsupervisory workers fell by 9.5% between 1970 and 1982 (Conference Board, 1988). Consequently, simply to maintain an average standard of living, consumer borrowing increased. From Federal Reserve consumer credit surveys, Pollin found that at the highest end of the income scale, borrowing increased primarily for speculative purposes (e.g., stock market investments or real estate). All told, household debt as a ratio of disposable income rose from 72% in 1975 to 92% in 1986.

And to explain state debt, Magdoff and Sweezy (1987) point out that in order to confront economic stagnation, Reagan's tax cuts and increased spending on armaments were financed through an explosion of federal borrowing. (Current efforts to disguise the $250+ billion annual federal deficit by adding in budget surpluses for trust fund items such as social security are ultimately self-deluding). More so than the increase in corporate and consumer debt, state borrowing is contingent upon the variety of forces that affect fiscal policy; as the case of Britain suggests, it is possible for a national economy to become increasingly leveraged, consistent with underlying necessary tendencies, in spite of balanced government budgets.

Finally, to dramatise the demand for credit, consider that the vast majority of the borrowing has occurred during a time of extremely high – indeed, unprecedented in postwar history – real interest rates. In sum, the recent period of turbulence characterised by a global economic slump, sporadic sectorally – and geographically-limited recoveries fuelled by speculation and unsustainable forms of accumulation, and declining profit and wage rates, will logically, even necessarily, lead to a larger, different and fundamentally more important role for the financial system.

The changing nature of the supply of financial capital

Having addressed the demand side, the obvious point to make about the supply of financial capital concerns its increased flexibility – technologically, institutionally and geographically. Recent innovations in computer and communications technology as applied to the financial system have had liberatory effects on the supply of credit. And the financial product diversification and deregulatory movements which have sprung up across the globe in the 1970s and 1980s, as well as the standardisation of the new products through securitisation of financial assets for resale on secondary markets, are producing an uncontrolled institutional and geographic dynamism in financial markets. These, however, mainly fall into the category of contingencies, since they are evolving in a manner largely ancillary to the deeper logic of capital's relation to finance. If there exists sufficient political power, these contingent innovations can be arrested or regulated through national state intervention.

There are, in contrast, at least three more deeply rooted tendencies which can be considered necessary financial sector companions to the natural development of capitalism and which have important political implications:

(a) The technological, institutional and geographic expansion of financial capital beyond the control of the nation-state – including the recent failure of international regulatory agencies to replace the gold standard and fixed dollar with a new universal monetary equivalent – reflects the declining capacity of the state to control international capitalism in a manner conducive to its long-term reproduction (Wachtel, 1986; Clarke, 1989);

(b) The continual need to speed the circulation of capital – to limit the time it stands idle – becomes a vital function of a continually innovating financial system (Harvey, 1985: 36, 190); and

(c) The need for productive capital to push beyond its current geographic bounds is accommodated especially in the provision of trade finance by an ever-expanding financial system (Harvey, 1985: 38).

These tendencies are not easy to measure or predict, since the full impact of deregulation is still to be felt. But there is plenty of evidence of both contingent and necessary tendencies. We are witnessing an expansion in scope and scale of international financial markets (and within the US, of interstate banking); a profusion of new financial instruments with ever-shorter maturities; an explosion of the secondary markets for securitised financial assets; an unevenness of deregulation based on turf wars within the financial industry yet an inexorable wave of expanded powers offered to financial institutions in general; a multitude of new market entrants concomitant with rapidly increasing concentration within the traditional fractions of the financial industry; and the swift diversification of financial institutions under bank holding company shells. While the separation of necessary from contingent innovations in the supply of finance is not an easy task, it may be important in order to ultimately determine which financial innovations accommodate production and should therefore be retained in any reform programme, and which, on the contrary, simply fuel speculation or increase the financial sector's power to no productive end.

Finally, in assessing the changing nature of the supply of credit, it is useful to recognise the evolution in both the type of credit supplied and the suppliers. Note in Table II, for example, the increasing ability of corporations to borrow more from lenders other than banks, through bond issuance and borrowing collateralised by property (corporate mortgages). Note, too, the increasing role of government-insured loans in the credit markets, a signal that, as with the Farm Credit System, the Federal Savings and Loan Insurance Corporation, the Guaranteed Student Loan Programme, and the Pension Benefit Guarantee Corporation, there may be major delinquency and default problems ahead for the state. A larger project geared to tracking changes in the supply of credit is vital to deepening the strategies for populist resistance to financial capital.

The rising cost of credit

The major attraction for new market entrants into finance appears to be the fact that the real rate of interest has stayed at historically high levels (the prime was general higher than 6%) throughout the 1980s, having hovered between -1 and

+1% in the 1970s. While the interest rate might appear to be contingent upon the state policy chosen to manage devaluation of capital – plainly it was a deflationary policy in the early 1980s following an inflationary one in the 1970s – there are tendentially necessary forces in the financial system which result in a rise in the real rate of interest toward the end of an accumulation cycle.

These forces have more to do with the demand for credit than anything else (Harvey, 1982: ch. 9). As Marx (1967: vIII ch. 32) put it, 'In times of crisis the demand for loan capital, and with it the interest rate reaches its maximum; the rate of profit as good as disappears, and with it the demand for industrial capital.'

The flow of capital from productive to financial circuits

With a declining rate of profit in the manufacturing sector and an inordinately high real rate of interest, it is logical to expect flows of capital from productive to financial circuits, even within a given firm. This trend was clearly in evidence in the US even before interest rates rose in 1979, with net non-financial corporate acquisitions of financial assets as a percentage of fixed investment rising from 24% in the mid-1950s to 31% in the 1960s, 43% in the 1970s, and 50% by the early 1980s (Niggle, 1986: 378). And during the 1980s Ford Motor Co. became the largest savings and loan institution in the US, General Motors built up the largest mortgage portfolio (through its auto financing division), and Sears transformed itself into a giant financial services firm. Combining this movement with the first tendency outlined above – rising demand for credit – Niggle's extensive study found that compared with financial institutions, 'there have been significant changes in the non-financial corporations' operations that have blurred the distinctions between the two types of firms. The nonfinancial corporations are increasingly assuming one of the principal functions and distinguishing characteristics of financial intermediaries – borrowing to lend. And increasingly their gross return on capital consists of interest on lending and capital gain on speculation rather than of profit on industrial enterprise' (1986: 377).

The speculative aspects of financial capital

In two respects – overindebtedness and the proliferation of investment arenas unrelated to production – the above tendencies combine to oblige financial capital to take on its second role, as a speculative circuit of capital delinked from the productive circuit (see Figure 1.). On the one hand, as Minsky (1977) points out, there is the necessary movement of debtors through three successive stages of indebtedness: (a) 'Hedge' financing is the case when the borrower's cash receipts are expected to exceed the cash payments to the lender by a significant margin; (b) financing becomes 'speculative' when the borrower's cash flow payments in the near-term exceed the cash flows that are expected from the lender over this period; and (c) 'Ponzi' financing occurs when speculative financing goes sour and when the interest portion of the borrower's cash payment commitments exceeds the net income cash receipts, resulting in a need to borrow further merely to pay off the old debt.

Ponzi financing represents an extreme stage of the delinking of finance from production, but one not unknown in today's economy. It wasn't long before loans to Third World nations slipped into this category. Hundreds of US savings and loan institutions (S&L's), which originally served steady if unexciting home and mortgage credit needs, also became Ponzi institutions in the 1980s, as they found themselves in need of more external financing to cover bad loans; following deregulation in 1980, they increased the interest rate they paid depositors in order simply to borrow to grow out of their problems (most were unsuccessful).

And on the other hand, aside from the increasing fragility of the credit relationship, there is another side to financial speculation: the rise of speculative investment arenas. Debt is increasingly used to fund investments which are marginally related, if at all, to production. These include not only precious metals, art and the like, but all manner of fictitious capitals – paper representations of capital. In the US, a partial list of speculative investment arenas would include Third World loans to corrupt sovereign borrowers and lending to Real Estate Investment Trusts in the 1970s; currencies and precious metals (especially from 1979–81) which continue to fluctuate wildly; agricultural commodities; US farmland and energy-related real estate markets in the 1980s; credit on the margin for the 1982–7 and 1988–9 Wall Street bull markets; and the next set of speculative markets – overpriced Northeast real estate and excessive downtown office building construction across the country, overindebted corporations dependent upon asset sales, uncontrolled securitisation of inadequately collateralised financial instruments, and other exotic and generally unregulated financial transactions (credit commitments, currency and interest rate swaps, futures and options, etc.).

The growing power of financial capital

In spite of the fragility within the financial system created by these speculative fevers, the increased level of debt across the economy transfers real if sometimes obscured power to financial capital. It is that combination of power and fragility that offers subordinate classes especially fruitful prospects for challenging financial capital. Although the nature of financial industry power depends on a series of contingencies, it is fair to argue that as the accumulation cycle draws to an end, there is a logical concentration in economic strength and increase in the political power of financial capital, including the formation of finance capital power blocs. This may continue until the point at which devaluation of the overaccumulated financial capital, perhaps wrought by uncontrollable haemorrhaging of exposed financial institutions or perhaps by an inflationary response to crisis conditions, begins in earnest.

Evidence of the rise of financial capital power over the past two decades or so is abundant: at the level of the international economy as mediated through the IMF; at the level of the nation-state as witnessed in the Federal Reserve Board's formation of monetary policy; at the level of even national corporations as their own overindebtedness forces them to comply with constraints imposed by their lenders; at the interstate level as seen in the formation of regional banking compacts; at the level of the municipality and region where financial capital plays a larger role in the development process; and even at the neighbourhood level as financial capital ebbs and flows, bringing first physical decay and then gentrification.

As an illustration, consider financial power relative to productive capital. While the nature of the relationship between financial and productive capital has been strenuously debated (see, e.g., Mintz and Schwartz, 1985; Herman, 1981; and Kotz, 1978), there has been insufficient attention to the profound changes in corporate financing in the 1980s, and the impact of increased corporate indebtedness on the command and control capacity of the financial sector. We have much to learn, for example, from the example of Eastern Airlines, which in March 1989 declared bankruptcy in the midst of a labour dispute on the basis of $2.4 billion indebtedness; the trade union efforts to resurrect the airline from its notorious anti-union management foundered in the rocky boardrooms of Eastern's creditors committee.

Naturally, the power of financial capital is enhanced or constrained by various alliances and conflicts, which to a large measure are contingent upon the nature of the state regulatory apparatus and the historical development of the national financial system. These in turn are deeply affected by class and class fraction dynamics and the nation's position in the international division of labour. Thus while necessary tendencies leading to increased financial power may exist, they will be significantly influenced by the following four types of contingencies: (a) alliances or conflicts between financial capitals of different nations, regions, sizes or market orientations;[4] (b) alliances ('finance capital') or conflicts between financial capital (or fractions thereof) and other fractions of capital;[5] (c) state strategies to support or constrain the interests of financial capital through regulation;[6] and (d) conflicts between financial capital and subordinate classes. It is to these latter we turn next.

Financial capital vs. grassroots populism

There are two areas of inquiry to be addressed in this section: what political lessons can be drawn from the analysis of necessary versus contingent processes in the financial economy?; and what objective conditions now (or potentially) exist in the US that make grassroots struggle against financial capital particularly fruitful?

Principles for intervention against financial capital

The first political message easily drawn from the theoretical discussion is that two of the three roles played by financial capital – speculation and 'finance capital' – are unproductive in value terms and in fact counterproductive for the economy and particularly for poor and working people. Both speculation and finance capital groupings should be regulated out of existence, at the least. In the 1930s these were accomplished, respectively, through a financial collapse, which cooled speculative fevers, and through the Glass-Steagall Act which the Roosevelt Administration, supported by enlightened capital, imposed on Wall Street to formally divide banking from commerce. In the 1990s, populist political forces in a new organisation, the 'Financial Democracy Campaign', hope to achieve the same results without accompanying social costs.

A second conclusion with major political implications is that the necessary tendencies of rising financial capital affect all sectors of the economy, driving working-class and middle-class households to a point of sharing short-term common objective interests of reducing the burden of increasingly unmanageable debt. Hence, more conservative constituencies – e.g., middle-class students, defaulting already at a record pace, and homeowners with two mortgages and unmanageable credit card and auto debt – will finally see it in their objective interests to join populist struggles against financial capital. In the United States, the inclusion of the middle class has generally been crucial to the success of social movements, and in the struggle for economic justice, their input will be welcomed.[7]

Furthermore, given the underlying tendency of the real rate of interest to rise, the logical implication is that some effort to gain popular control of monetary policy ('democratising the Fed') may be useful (Epstein, 1988; Greider, 1987), in the spirit of the old populist Greenback movement of the 1890s. The culmination of unbearable household debt and more democratic control of monetary policy might create a self-interested demand by popular forces for high inflation in order to 'monetise the debt' and thus redistribute wealth from creditor to debtor, so long as low-income people can be protected.

Also, with the tendency for financial institutions to face increasing bankruptcies, with or without inflation, it should be worthwhile to resurrect the demand for socialisation of banks (rather than simply lemon nationalisation, as in the case of Chicago's Continental Illinois in 1984). These might best be controlled at the local level, especially if pension funds can be attracted to help fund investments (Murray, 1988). To avoid the recent French experience – where disarticulated financial and productive sectors prevented nationalised banking capital from being used efficiently – Lipietz (1988: 401) recommends a national investment bank 'lending at low interest and long term and buying new shares, or helping new kinds of enterprise to exist, making socialist experiments, and so on.' A national industrial development bank has oft been proposed in the US by left economists (e.g., Bowles, Gordon and Weisskopf, 1983), and Canada's New Democratic Party had proposed nationalising one major commercial bank for the purpose of redistribution of credit (Naylor, 1985).

Two other demands would also increase popular control of the financial system: formal credit allocation to ill-served sectors and geographic areas through something like the strengthening of the Community Reinvestment Act of 1977 (which gives banks a mandate to make inner city loans) (Nader and Brown, 1989); and reregulation to limit specific financial institution practices. Some anti-consumer banking practices were attacked vigorously in the 1960s and 1970s through the Truth in Lending, Equal Credit Opportunity, and Fair Credit Reporting Acts, but others – such as anti-labour loan covenants, pension fund terminations for the purpose of loan repayment, 'redlining', etc. – continue unabated.

Above all, the point should be stressed that the tendencies of financial capital at the late stages of a long cycle of capital accumulation imply global overaccumulation of debt. Since an inverted pyramid cannot be built indefinitely, the major struggle in the next decade will be over who bears the cost of devaluation of that debt. That struggle has begun in earnest, so far leaving poor and working people devastated. At least half a million US family farms disappeared in the 1980s because of the collapse of the price of Midwestern farmland and subsequent collateralisation of unpayable family farm debt through widespread insurance company foreclosures. Hundreds of thousands of jobs and livelihoods were lost during the downturn in the energy industry and the subsequent disintegration of the speculative Houston, Dallas and Denver commercial real estate markets. Tens of thousands of educations for African American students are being denied, due to the funding crisis for African American universities victimised by the racially-biased Reagan and Bush Administration reactions to the student loan repayment crisis.[8] Then there is the enormous transfer of the costs of debt devaluation directly to the US taxpayer: the $335 billion savings and loan bailout; the taxpayer-assisted Brady 'Voluntary Debt Reduction' Plan for the Third World; and the recapitalisation of the World Bank, the IMF, and other multilateral financial institutions (whose funds go to bail out the major Third World creditor banks). It is this process that represents the most serious fiscal threat to the already-strained US federal budget and to ordinary households who themselves find it more difficult to meet interest payments on household debt 60% higher than historically normal. Most painful of all, consider the suffering of hundreds of millions of poor people affected by structural adjustment policies used to devalue the Third World and hence reduce labour costs for debt-equity swap collateralisation and a new wave of direct foreign investment.

These are conditions which presage a national, and perhaps international reform movement. Before considering resistance to financial capital at such vast scales, it is vital to examine the local settings in which a populist, anti-finance movement is grounded in the US – in the opposition to financial sector power at the neighbourhood and workplace levels.

Grassroots bank campaigns

Many examples of successful locally-based bank campaigns in the US can be cited, from the disparate experiences of housing and community development organisations, trade unions, religious groups, consumer advocates, farmers, anti-apartheid groups, and other forces. When these groups fuse their interests and issues in a city – or region-wide alliance, some very real and impressive victories can be won. For example, urban 'reinvestment coalitions' typically comprise large numbers of inner city community groups and civic and block clubs, and fight for low-income home mortgage and small business loan agreements from banks through use of the federal Community Reinvestment Act (CRA). CRA is an example of a 'nonreformist reform', a law which empowers activists by providing a handle for delaying bank mergers and acquisitions until the bank shows its 'ongoing and affirmative commitment to meeting the credit needs of the entire community in which it is chartered to do business', i.e.; until the bank cuts a deal with its critics. In more general terms, the question then becomes, what can develop out of community reinvestment quid pro quos during the present merger and acquisition wave in the banking industry, and in the event of periodic, necessary government bail-outs of failing financial institutions? Can the reinvestment issue be broadened into a unified critique of financial industry practices and perhaps even capitalist social relations?

None of the reinvestment coalitions in US cities have been as broad-based as that of the Maryland Alliance for Responsible Investment (MARI) in Baltimore, which serves as a good example of what can be done. There, diverse groups such as the middle-class consumerist Citizen Action Coalition, a student anti-apartheid coalition, and small political groups joined non-profit housing developers and low-income community groups and important mainstream organisations like the AFL–CIO trade union federation and the venerable NAACP civil rights group to fight the local financial industry head on. In its initial campaign in late 1986 against Baltimore's biggest bank, Maryland National Bank, MARI demanded and won concessions before permitting a merger with a Washington, DC bank to be finalised. These concessions included $50 million in below-market lending commitments for low-income neighbourhoods spread over five years, $50,000 per year in grants to community groups, free checking accounts for the poor and elderly, and a community monitoring board to prevent gentrification lending. In addition, under pressure from MARI's internationalist activists, the bank ended all its remaining business relationships with South African banks and even formally endorsed the idea that banks should be penalised for Third World loans and that debt relief should be granted (Bond, 1987).

MARI then took on the fastest-growing US bank, one already exercising substantial political power in the Southeast and certain to be a major force in the banking industry of the 1990s, North Carolina National Bank (NCNB). MARI objected to the bank's maintenance of an office in Johannesburg and its huge stock holdings in Shell Oil (the subject of an international anti-apartheid boycott); its loans to Guatemala for helicopters; its racially-biased lending policies in its headquarter city, Charlotte; its role in the deindustrialisation of the North

Carolina textile industry while lending to El Salvador's sweatshop textile firms; and lead role in a credit syndication used by Ford Motor Company to build a 'runaway plant' in Mexico. New members quickly signed up – textile, steel and auto workers' unions, several churches, city anti-apartheid activists, the Central American Solidarity Committee. A mid-1987 rally attended by more than 1000 Baltimoreans was held outside the NCNB office in the financial district featuring Jesse Jackson and exiled Guatemalan labour leader Frank LaRue. Finally, in 1989, NCNB agreed to a multi-million dollar community reinvestment package, though many international issues remain outstanding.

The breadth and excitement in these campaigns – the issue range, the educational potential, the victories, and the ever growing list of participants – testify to the potential for bringing structural analysis and progressive grassroots forces into play against huge financial institutions. There are more than one hundred independent community reinvestment coalitions throughout the US like MARI, though only a few are as internationally-conscious.[9] These coalitions have as roots thousands of campaigns for better low-income housing and equitable community economic development. The community reinvestment movement has won more than $5 billion in lending concessions for low-income areas during the 1980s, according to the Washington, DC-based Centre for Community Change, which helps co-ordinate bank campaigns across the US. The most spectacular victories against banks were won by a state-wide coalition in California which fought for a $350 million package from Crocker and Wells Fargo Banks in 1986; by the Chicago Reinvestment Alliance which forced First National Bank of Chicago to commit $120 million in 1985; by a Pittsburgh coalition which won a $135 million commitment from Pittsburgh National Corporation in 1988; and by a Pennsylvania-New Jersey two state coalition which in 1986 forced Midlantic and Continental Banks to provide $85 million in inner city loans with below-market interest rates.

One of the most promising developments in grassroots struggles against financial capital is the increasing willingness of trade unions to challenge the power of financial institutions. To do so in the context of 'corporate campaigns' often represents the strongest stand unions can take against companies with which they have come to loggerheads on contract or certification negotiations, and which simultaneously are vulnerable to pressure on their lines of credit. This is true especially for overindebted companies, for those firms which rely on ready access to liquid funds, and for companies which, with the prompting of their financiers, terminate worker pension funds in order to repay loans.[10] For all such companies, banks and other financial institutions can apply a crucial pressure point, and thus trade unions have learned to apply substantial pressure to the banks.

The first and most important example of this approach was the JP Stevens campaign carried out by the Amalgamated Clothing and Textile Workers Union in North Carolina in the late 1970s. Protests, shareholder votes and consumer boycotts ultimately forced representatives from Manufacturers Hanover Bank and Metropolitan Life Insurance Company to resign from Stevens' board of directors.[11] A more recent and especially innovative example of workers pressing financial capital to gain concessions was the Hotel Employees and Restaurant Employees union drive against Las Vegas casino operators in 1989. The casinos had enormous debt loads – in the form of the high-cost junk bonds originated by the notorious financier Michael Milken of Drexel Burnham Lambert – which, the union claimed, placed the financial burden on the workers. Their guerrilla theatre outside the entrance to a huge savings and loan association which purchased the casino junk bonds – Gibraltar of California, a failing $15 billion S&L which was in the process of being taken over by federal banking regulators – included professional Las Vegas dealers slapping out cards at blackjack tables, emphasising the theme, 'Don't Gamble with our Money.' This sent a strong signal to the casinos that their credit lines were under attack, and aided the union in its contract talks.

In the late 1980s, the campaigns for community control of capital waged by inner city reinvestment coalitions were joined by corporate campaign strategists at the most innovative unions. Some, like the United Mine Workers of America (UMWA), moved in this direction in order to woo allies in places like Omaha, Nebraska; Brooklyn, New York: and Washington, DC where they had no members. In Omaha, the UMWA pressed Nebraska's largest bank (FirsTier) to put more money into farming and inner city communities, and, the bank claimed, to confront the interlocking directorate relationship that the bank chairman had with a mining company (Peter Kiewitt) that refused the union an acceptable contract. Thanks to organising by a UMWA staffperson in 1988, the union's natural allies such as the Nebraska AFL-CIO joined, for the first time ever, militant community groups in the African American neighbourhoods of North Omaha (who were, for a variety of important historical and personal reasons, hostile to organised labour). Others in the coalition included farm advocacy and church groups with concerns about the rural economic crisis. They ultimately forced the banks to commit several million dollars in new funds to low-income areas. Other protests by the UMWA against the Pittston Company, which denied the union a contract in what became the most intense labour struggle in the US in 1989, focused on banks like Crestar in Washington, DC and Manufacturers Hanover in Brooklyn. In both cases, community coalitions and the UMWA joined forces to demand that the banks withdraw a $100 million line of credit to Pittston (essentially a strike-busting fund) and to reinvest more in low-income areas. While the union's demands were generally unsuccessful, the communities did receive concessions they probably wouldn't otherwise have won, and the unions did at least raise the cost of doing business with the target company.

The local bank campaigns are portentous not because of their successes in forcing marginal changes in the way financial institutions do business, but in linking issues and hence constituencies. More significant is the development of a broad, working front – an ever-present but often unrealised goal in progressive political practice in the US – against financial capital, with components from different geographical, sectoral, racial and subordinate class bases. Even traditionally conservative small business people regularly line up in pickets outside banks, side-by-side with advocates for the homeless and trade unionists. These broad fronts and their protests are successful because they readily lead to material gains for all of their participants in the short-term. Financial institutions are sensitive to adverse publicity, since the only major difference between retail banks is the effectiveness of their marketing (location of branches matters much less since the advent of automatic teller machines). Hence, protests can make a big difference.

Furthermore, any grassroots movement to gain local electoral office will eventually confront the power of financial capital, which at the municipal and regional level exerts strong control over Democratic Party politicians.[12] Banks play a vital role in 'growth machines,' coalitions of elites from varied sectors – especially rentiers, supported by politicians, local media, utilities, universities, etc. – which aggressively promote metropolitan growth (Logan and Molotch, 1987). Bankers were the main actors in the downfall of one of the US's two recent big-city populist mayors, Dennis Kucinich of Cleveland.[13]

We might conclude from the recent evidence that at least two aspects of grassroots struggles against financial capital set the stage for a deeper, more fundamental challenge to capital itself. First, the consciousness-raising component of the activist critique of financial speculation and power is vital to any further political economic transformation. The issues raised in many of the bank campaigns move logically from local housing conditions to apartheid, as activists practice the bumper-sticker slogan, 'Think Globally, Act Locally'. But consciousness-raising without empowerment can be debilitating, and so campaigns like those of MARI only succeed when they provide both local organising handles and the opportunity to win incremental victories which simultaneously teach participants about the irrational nature of the system. As financial institutions inevitably attempt to realise surplus profits through destructive and sometimes spectacular speculative investment processes towards the end of a long-wave of capital accumution (e.g., the 1920s and early 1930s, and the mid-1970s to the present), consciousness-raising will be an integral, relatively straightforward and fruitful aspect of grassroots, anti-finance populism.

Second, to eventually restructure the economy in a more democratic way, the notion of 'community control of capital' represents a seed-bed theme that can flower and grow under conditions created by progressive political activists in local and national campaigns against financial capital. The populist activists by and large all recognise that collective, democratic approaches to production and consumption hold the best hope for ultimately building a society free of financial speculation and ruin. There are courageous efforts underway to build upon the nascent models of worker-owned and managed shops, non-profit community development corporations, co-operatives of all kinds, community land trusts, community development credit unions, and other similar ventures some have called 'seedbed socialism' which are valiantly trying to eke out grassroots economic development in an increasingly hostile climate. To survive and perhaps even prosper in the near-term, access to credit, on their terms, will be critical. Community control of credit in an era of rising financial capital, is what the new populist activism described above is most fundamentally geared to.

Thinking globally, and acting locally, nationally, and globally

The grassroots bank campaigns have, in the past two decades, even bubbled up from below to affect national political processes. There have been successful attacks on the national financial establishment by activists affiliated with National Peoples Action, the Association of Community Organizations for Reform Now (ACORN), the Centre for Community Change, consumer advocacy groups, Ralph Nader's BankWatch, and more recently, the Financial Democracy Campaign (FDC). Mainly concentrating on Washington legislative reforms, these groups have contributed in impressive ways to debates over financial policy on issues ranging from Third World debt to bank bailouts to monetary policy to community reinvestment to credit card rate disclosure to 'lifeline banking accounts' for poor customers. Farm groups such as Prairie Fire, Save the Family Farm Coalition, the League of Rural Voters, and the North American Farm Alliance have won concessions in the form of the Farm Credit Act of 1987, which gives them more leverage in dealing with their local creditors.

In early 1989, public interest watchdog Nader and the FDC began a full-fledged national taxpayer revolt to dissuade Congress from bailing out 1,000 failing S&Ls. With high profile leadership from Jesse Jackson and Texas Agriculture Commissioner Jim Hightower, and with populist strategy developed by ACORN and the Durham, North Carolina-based Institute for Southern Studies, the FDC's principles were quickly endorsed by more than 200 organisations across the US. Protests were organised at dozens of locations, including sit-ins at bank regularity agencies, squatting in houses acquired by the government from bankrupt S&Ls, demonstrations at bank trade association conventions, and a congressional pressure campaign. The FDC demanded that the $335 billion that the House Banking Committee estimated would be necessary to solve the S&L crisis be supplied by those who benefited. In Jackson's words, 'We didn't go to the party, we didn't make the mess, and we shouldn't have to pay to clean it up.' The FDC targeted very rich individuals, who received windfall interest income in the 1980s, as well as money market funds which brokered 'hot money' (especially $100,000 certificates of deposit) to risky S&Ls. Other bailout funds, Nader and the FDC agreed, should be raised through taxes on speculative financial activities like leveraged buyouts and stock purchases. There were, however, some telling differences among populist and Left critics of the financial system, over, for example, whether institutional reregulation of the S&Ls was necessary to address the single most crucial issue for their constituents, the high cost of housing finance.[14]

Ultimately, with the commercial banks and the S&Ls pumping in millions of dollars in campaign contributions to Congress, Nader and the FDC were unable to sway enough votes in mid-1989 to change the terms of the bailout. Thus the populist critique of finance is turning to the many other areas in which the government has issued securities or guarantees to back low-quality credit instruments or other financial liabilities: pension funds, student loans, the deposit insurance system for banks, the Third World debt exposure of New York banks, and others still not visible to outside observers. According to one populist banking expert, 'Financial time bombs are ticking away. The Texas insurance industry is already unraveling. GM and ford are suffering unprecedented defaults on auto loans. The Northeast real estate market is going soft. And bankers have been lending furiously to finance leveraged buyouts. Should a recession make these loans go bad, all hell could break loose.'

In spite of efforts by some major international banks to reduce their Third World exposure and raise capital standards (though often through long-term borrowing), this prognosis probably remains true at the global level as well. An international program against financial capital has yet to be organised. But spurred by reports of 'IMF riots' and other forms of social unrest in many Latin American, Caribbean, African and Asian countries (George, 1988; Potter, 1988; Walton, 1987), the

US Debt Crisis Network – a coalition of several dozen church, research and development advocacy groups – continues to work for changes in the brutal system of Third World debt peonage. The Network's European colleagues have generated far more popular consciousness on the issue, especially during the 1988 World Bank–IMF meetings in Berlin, but in the US, progressive environmentalists have taken on the World Bank's destructive policies, won major concessions, and continue fighting. The US anti-apartheid movement, after winning several battles dating to the late 1970s prohibiting loans of various kinds to South Africa, is attempting again to plug financial loopholes left in the 1986 sanctions bill. Indeed, with $12 billion in South African debt due to be renegotiated in June 1990, international anti-apartheid activists have reached consensus that manipulating the leverage that the financial sector exerts over even sovereign nations will be their most important pressure point as hopes for ANC–Pretoria negotiations intensify.

Explicit internationalism by the FDC and other critics of financial capital may be the most self-interested direction they will move in. Facing the internationalisation of capital (Clarke, 1989), socially-destructive entrepreneurialism by local state managers competing desperately for new investment (Harvey, 1989), and geopolitical forces far beyond their control, populist activists in the 1990s will surely need to think globally, and to act globally, nationally and locally, to address both their immediate conditions and the political economic order as a whole. How serious a threat can all this populist domestic and international activism ultimately make to the established financial order? Perhaps never again will the homogenising and devastating effects of speculative, footloose financial capital create such a unified moment of populist resistance as happened at the end of the last century in the US (Goodwyn, 1978). But spelled out here is enough preliminary evidence to conclude that finance may be an ideal issue base for Left politics in the US in the 1990s. The challenge for Left militants will be to work with and help move the new populist activists from what can sometimes be splintered, single-issue, transient half-campaigns against their local banks into larger critiques, first of the entire financial system and second of the world capitalist economy of which financial capitalism is only the latest phase. With or without the participation of the Left, neighbourhood and trade union organisers will begin this journey just as they reach the limits of their local strategies and tactics, and they will move ever rapidly as the reassertion of underlying tendencies related to the rise of finance in a crisis-ridden global economy offers them both unprecedented dangers and promises.

The end of financial capitalism?

Perhaps the single most intractable challenge facing international, national and local managers of capitalism is to engineer the means by which the unsustainable rise of finance will end and by which overaccumulated financial capital will be devalued. There are three basic possibilities: (1) as has happened so far, a series of 'partial' defaults (e.g., midwestern farms, the 'Rustbelt' and energy-producing regions, the LTV company, Texas banks and S&L's, Argentina, etc.), juggled skilfully by the bureaucrats and money mandarins of the international financial system (primarily the US Federal Reserve, International Monetary Fund, Bank for International Settlements), and backed by easy government 'lender of last resort' liquidity for highly exposed and especially vulnerable financial institutions (only unlike as in the past, the partial default option cannot be accompanied by a continued rise in aggregate global debt); (2) a full-fledged banking and stock market collapse, as happened in the US from 1929–33, to wipe overaccumulated financial assets clean off the books; or (3) a period of roaring inflation and negative real interest rates, which would whittle down the debt mountain (debt is repayed in dollars worth less than when the debt was contracted), as happened to a very limited degree through most of the 1970s.

Whichever route is taken in the early 1990s, there will be enormous social costs. Of the progressive US-based forces that might be equipped to challenge the process of devaluation of overaccumulated financial capital, the modern versions of traditional US populism – the Rainbow Coalition (Navarro, 1988), Alinskyite neighbourhood activism (Boyte, 1980), resurgent anti-corporate trade unionism (Moody, 1988), Citizen Action Coalition, etc. (Boyte, Booth and Max, 1986) – offer the greatest hope (Boyte and Riessman, 1986). Of course, alongside progressive economic analysis and the capacity to appropriate and transform the rhetoric of class struggle (e.g., against the 'money trust' or 'corporate barracudas'), populist programmes have, unfortunately, been infused with racism and nationalism at different stages. That is why the rainbow and internationalist components are so critical to populist politics in this stage of US development, and why campaigns against financial capital that contain these components will continue to attract leading progressive activists in nearly every US city.

John Walton (1987: 383) posits of recent, widespread Third World riots against austerity imposed by international financial capital, 'All of the protests succeeded, in the sense of shaking their societies into alert appreciation of the regressive policy effects and deepening urban poverty. In the longer run mass action has initiated a political transformation that continues to the present and suggests a realignment of the global political economy.' That is an ambitious claim, and if the populist struggles against banks and other financiers in the US merely achieve such luminous heights as shaking US society into an appreciation of the damaging effects of financial capitalism that would be a significant and worthwhile accomplishment. But if the excesses of financial capitalism do come to an end, however painfully for poor, working, and middle-class people across the globe, then there is more here than meets the eye. Such a development would also imply the demise of the very motor of the global economy: the financial sector that in fact has sustained consumption and investment in the shaky productive sectors. The end of financial capitalism, may be, as in the early 1930s, the beginning of a period characterised by depression, extreme interterritorial competition, the formation of enormous geopolitical economic blocs (Fortress Europe 1992, the US-Canada-Western Hemisphere bloc, the ASEAN economies), and quite possibly war and the widespread resurgence of domestic fascist movements. The Rainbow Coalition's influential Left strategist Vicente Navarro writes (1988: 443), 'A natural rainbow is after all the light of the sun that struggles to get through the dark clouds. And there are enormous clouds on our horizons of which the largest is the overwhelming dominance that the capitalist class of the US has over economic, political and communication agencies and institutions in this country.' But if the end of financial capitalism and the devaluation of overaccumulated international financial capital substantially reduce the overwhelming dominance of financial institutions and simultaneously throw the capitalist class into disarray in the 1990s, that may be the silver lining that the Rainbow Coalition and other populist forces need to attempt a full-fledged political economic transformation.

Notes

1. The fundamental issue in examining international financial capital today is how to account for countries' explosive domestic indebtedness. To put this in perspective, while the external Third World debt slowed its growth at $1.3 trillion at year-end 1988, US domestic debt reached nearly $11.4 trillion (see Table 1) and US foreign debt continued to skyrocket, to more than $500 billion. Such a high level of debt is not out of the ordinary for the industrialised world. While institutional differences in credit markets affect the meaning of domestic debt, it is surprising to note that between 1975 and 1986, the nonfinancial sector (i.e., government, consumer and non-bank corporate) domestic debts of both the US and West Germany increased from 120% of GNP to 167%. During the same period Japan's debt increased from 166% of GNP to 240%, while Britain's rose from 142% to 161% (nearly all due to growth of consumer debt) (Bank for International Settlements, 1987: 75). Excepting differences in state borrowing, most of the phenomena associated with US debt that will be described below can be found in varying degrees in the other industrialised countries.

2. To avoid confusion, the label 'finance capital' will only be applied to the conjunctural setting in which, as Hilferding (1981) described it, banking capital takes a leading position in a merger with industrial capital and merchants' capital. But Hilferding and others (e.g., Green, 1987), assuming this formulation from the outset, fall victim to the notion that finance capital relations – mainly the extreme concentration of capital and its capacity to manage and direct further accumulation – could submerge underlying contradictions of capitalist reproduction. In fact, the submergence represented only a temporary displacement of crisis tendencies, not their dissolution. So it is instead more useful in the US case and indeed in any theoretical investigation to limit the notion of finance capital to its direct investment relationship, and to more broadly conceive of financial capital as the introduction of M into a circuit of capital where M' can be derived regardless of the relationship of finance to production (see Figure 1).

3. Though this is by no means an uncontroversial starting point, it is generally accepted by radical commentators that the past twenty years have witnessed vast upheavals in Fordist mass production and mass consumption spheres in much of the industrialised world. US profit rates certainly fell in the late 1960s and during most of the 1970s. And in manufacturing, after-tax rates of return as a percent of shareholder equity also fell consistently in the 1980s, except for minor upturns in 1983–4 and 1987–8, leading to increasing debt ratios in this sector (see e.g., US Department of Commerce, 1988: xxvii).

4. Tensions and coalitions between financial capitals in the US are vividly apparent. Turf struggles between regional banks (those with between $5 and $50 bn in assets) and money-centre banks (with more that $50 bn in assets) have resulted in numerous attempts by one faction to weaken the other on policy grounds (for example. Third World debt write-downs by regional banks to force lower capital ratios for money-centre banks in late 1987). Small community banks have attempted unsuccessfully to enter their interests into policy debates. There are passionate disputes between investment banks and institutional bond holders about how much debt corporations should take on during takeovers. Intense battles over issues of expanded powers are being waged between banks of all sizes, and between banks and the insurance, stock brokerage, real estate and investment advisory industries. At the international level, alliances are more common between banks of various nations in their efforts to ameliorate the Third World debt crisis. However, intense competition has emerged in battles over access to the more profitable foreign markets.

5. Both conflicts and alliances are apparent within and between the largest US business and banking firms. The conflicts have been played out over foreign policy in Third World nations (of which Panama is a fascinating example), trade policy, banking regulation, and international debt policy. But conversely, the tendency toward nonfinancial corporate investment in financial assets noted above is leading to greater commonality of interests. This will produce, on the one hand, increasing competition, especially in the consumer financial markets, but also, on the other hand, alliances between banks and corporations in the form of finance capital groups.

6. As mentioned, state strategies in the US are in flux due to political pressures and contingent events. For example, recent conflict between bank profitability and US foreign policy objectives in Mexico (as represented in the 'Brady Initiative' for voluntary debt reduction) has led to serious friction in the normally harmonious relationship

between New York banks and the Treasury Department. The ultimate need for the state to represent the class interests of abstract capital may be recognised by state actors and by both financial and productive capital only when it is too late; when deregulation has progressed so far as to endanger the very stability of the financial system. Major commercial banks continue to promote the deregulation of 1930s bank legislation, especially the Glass-Steagall Act which separates banking from direct forms of commerce, which will ultimately have such a seriously destabilising effect.

7. By way of illustration, in the Jesse Jackson presidential campaign of 1988, the entrance of white working-class and disgruntled middle-class voters stunned the major media, creating a renaissance of populist rhetoric by other Democratic Party candidates.

8. According to a Wall Street Journal report (Putka, 1988) on a Department of Education initiative to cut new loans for colleges with a 20% or higher default rate, 'Mr. (Bruce) Carnes, who leads the department's efforts to clamp down, acknowledges that the default initiative would have an imbalanced effect. "The sector that will be hit hardest by this will be black colleges. It's possible that their student bodies contain a high level of thieves." Black colleges say this is typical of a misinformed government stance. "I don't accept that – it's not thieves," says (the financial aid director at a black university). "If a kid comes out with $12,000 of debt and a BA in psychology, he makes $12,000 a year. Then he gets an apartment, and the first thing you know, he misses a payment."' See Bond's 'Behind the News' account in this issue.

9. Community groups in Philadelphia criticised the international lending practices and South Africa ties of one of their biggest banks (Fidelity) in 1985; doing so helped the Eastern North Philadelphia Initiative Coalition win a $55 million agreement that may be the most successful reinvestment programme yet implemented. The visionary National Training and Information Center (parent of National Peoples Action) in Chicago began raising the issue of international drug money laundering in its bank campaigns as early as 1985. As part of the socially responsible investment movement, the Presbyterian Church linked the international lending and South Africa ties of National Westminster Bank to its poor record of community lending in New York City, and won concessions from the bank in 1987. And in addition to MARI, a group in Springfield, Massachusetts linked Central America concerns to redlining in a 1989 bank campaign against Bank of Boston.

10. In the 1980s, two million US workers had their retirement

security cancelled by companies which liquidated management-controlled pension portfolios that were inflated by the Wall Street bull market. In essence, although workers had borne the risk that such investments would not have done well enough to cover their contracted retirement income, the speculative rise of the stock market more than covered the obligatory payments, and yet it was the company, not the workers, that claimed the surplus. Banks are known to force upon companies plans which terminate the pension fund, pay the workers the amount they were contractually responsible for, and used the surplus to pay back loans. This has become prevalent in leveraged buyouts (takeovers which require enormous amounts of debt), and in some cases not only do workers lose their pension funds but their company is sold, the assets stripped, and marginally profitable plants are permanently closed. Corporate concentration through mergers and takeovers, and the rationalisation of production such processes engender, became extreme in the textile and food industries throughout the 1980s. Unions such as the Amalgamated Clothing and Textile Workers Union and the United Food and Commercial Workers Union struck back, by bringing court and legislative challenges against the termination of pension funds and the stripping of corporate assets that were both primarily the result of overindebtedness.

11. The main union strategist for the JP Stevens campaign, Ray Rogers, later set up a non-profit company called Corporate Campaign, Inc. in New York, where he and several colleagues offered advice on major campaigns against banks connected to the International Paper Company (Bank of Boston and Pittsburgh National Corporation) on behalf of Jay, Maine paperworkers; to the Campbell Soup Company (Philadelphia National Bank) on behalf of Latino farm workers in rural Ohio; to the Hormel Company (First Bank Systems) on behalf of meatpackers in Austin, Minnesota; and others.

12. Witness the S&L-related corruption that led to the resignations of the first and third ranking Democrats in the US House of Representatives in May 1989. Speaker James Wright was ultimately felled by a questionable book royalties arrangement, but he admitted contacting government bank regulators on behalf of failing Texas S&L owners who had donated hundreds of thousands of dollars to Democratic Party coffers, and he is alleged to have added billions of dollars in costs to taxpayers for the S&L bailout as a result of delaying clean-up legislation in 1986, again for the purpose of pressuring regulators. Majority Whip Tony Coelho used his California political networks, especially his connections to the Beverly Hills junk bond nexus of

Michael Milken, Drexel Burnham Lambert, and Columbia S&L, to raise Democratic Party Funds. He resigned on the basis of an illegal $50,000 interest-free loan and $100,000 junk bond investment involving both the S&L and Milken.

13. The other, the late Harold Washington of Chicago, had a stronger rainbow coalition constituency from which to oppose growth machine strategies (e.g., the revitalisation of the waterfront) and to support community development programmes (Giloth and Mier, 1989).

14. The FDC emphasises the problem of redlining in inner city neighbourhoods and the need for a national low-interest housing fund which all financial institutions would contribute to. Nader calls for the Federal Home Loan Bank System to fund community development, with 20% of the system's capital invested in non-profit housing. Socialist housing experts led by Chester Hartman of the Institute for Policy Studies and Michael Stone of the University of Massachusetts/ Boston argue that bankrupt S&Ls should be reconstituted as mutually-owned, locally-orientated housing finance institutions that would emphasise socially – rather than individually-owned housing.

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