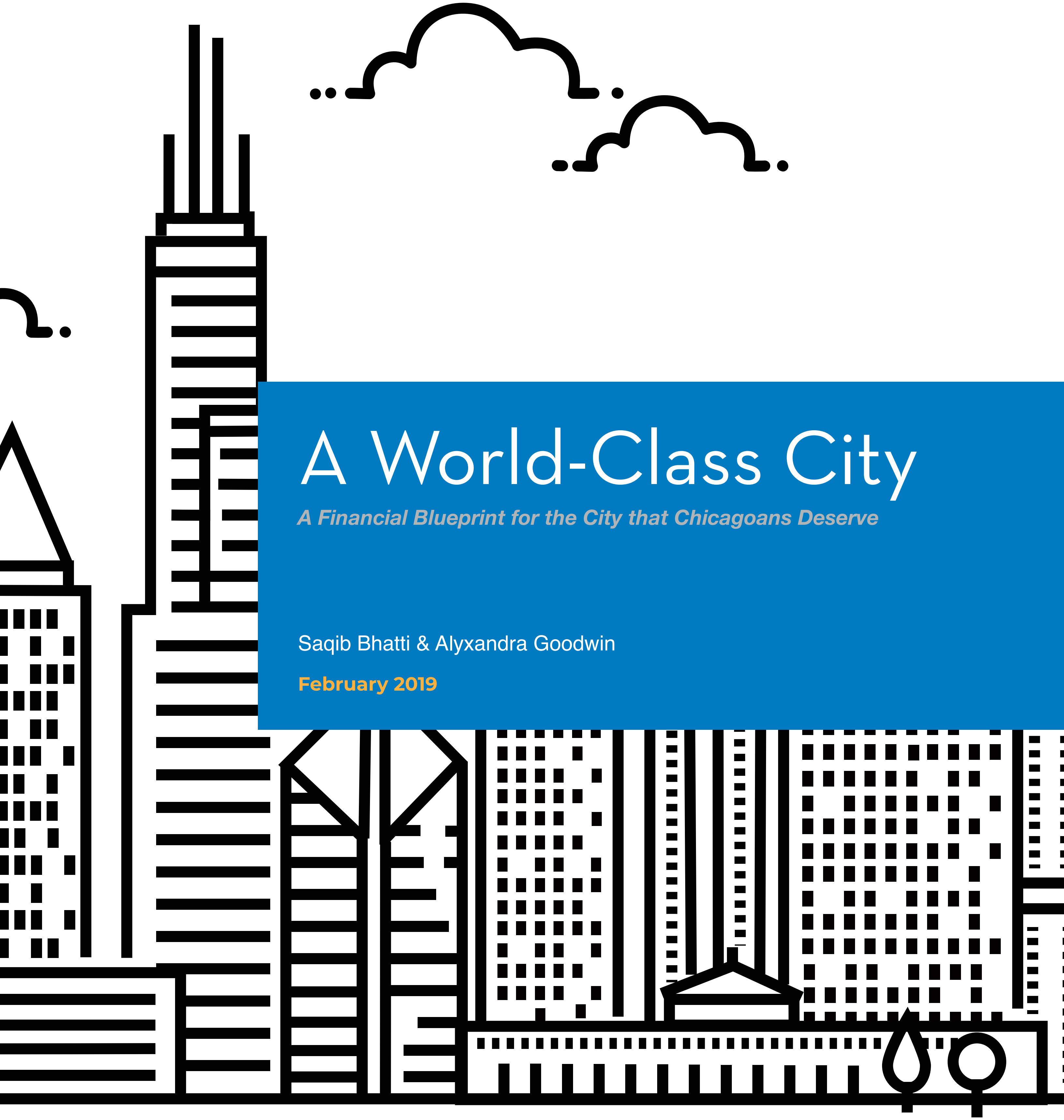

A World-Class City

A Financial Blueprint for the City that Chicagoans Deserve

Saqib Bhatti & Alyxandra Goodwin

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ACRE ACTION CENTER ON RACE & THE ECONOMY

RAP REFUND AMERICA PROJECT A PROJECT OF ACRE

About the Authors

ACRE
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The **Action Center on Race & the Economy** (ACRE) is a campaign hub for organizations working at the intersection of racial justice and Wall Street accountability. We provide research and strategic support for campaigns to win structural change by directly taking on the financial elite that are responsible for pillaging communities of color, devastating working-class communities, and harming our environment.

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The **ReFund America Project** (RAP) is a project of ACRE. RAP tackles the structural problems in the municipal finance system that cost governments across the United States billions of dollars each year at the expense of public services. We research the role of financial deals in contributing to public budget distress and work with policy experts, community leaders, and public officials to develop, advocate for, and implement solutions to save taxpayer dollars.

Acknowledgments

This report builds on decades of work done by grassroots community organizations and labor unions in Chicago that have been working to improve the lives of the city's working-class communities and communities of color. We are deeply in their debt and would like to thank them. We would also like to thank Elizabeth Parisian and Greg Will for their research contributions, without which this report would not have been possible.

“A CITY THAT IS TRULY WORLD-CLASS IS ONE THAT TAKES CARE OF ITS RESIDENTS

Executive Summary

Whether it's digging out of their alleys after a big snowstorm or marching in the streets to win an eight-hour work day, Chicagoans have a rich tradition of coming together to take care of their communities. But when mayors like Richard M. Daley and Rahm Emanuel have talked about turning Chicago into a "world-class city", this has typically meant passing neoliberal policies to attract wealthy, white professionals, and big, multinational corporations to the city, while ignoring the needs of the people who call Chicago home, especially the city's communities of color. But a city that is truly world-class is one that takes care of its residents.

Chicagoans should not have to worry who will take care of their kids when they go to work or how to pay for pre-K to set up their kids for success. In a world-class city, every child under the age of five should have access to free early childhood education.

Students should not have to work two or three jobs to put themselves through college. A world-class education is one in which every high school graduate can attend college for free.

Chicagoans should not have to worry how they will get to work, whether they have a ride to the doctor's office, or who will pick up their kids from school. Chicagoans deserve a world-class public transit system in which everyone can ride the city's trains and buses for free, and those trains and buses go to all parts of the city and get there on time.

No Chicagoan should have to wonder where they will rest their head at night. A world-class city ensures every resident has a home.

As the Daley-Emanuel era in Chicago politics comes to a close, Chicagoans need to come together and demand that the city's new elected leaders make the city truly world-class by implementing policies that will improve the lives of the people who live here.

The new mayor and City Council must make the wealthy and major corporations pay their fair share to fund quality public services. This report outlines proposals to raise more than $3.7 billion by:

- Levying a city income tax on high-earning residents and commuters ($1.4 billion);
- Making the property tax system fairer (hundreds of millions of dollars);
- Raising the real estate transfer tax on transactions worth over $1 million ($150 million);
- Reinstating the corporate use fee for large corporations ($106 million);
- Ending tax handouts to major corporations and developers (hundreds of millions of dollars); and
- Imposing a speculation tax on the financial exchanges on LaSalle Street ($2.0 to $2.4 billion).

That is more than enough money to pay for universal early childhood education, free community college for all, free public transit, and a program to alleviate homelessness in Chicago that could reduce the number of homeless by 36,000 in ten years. All these things would require a $2.6 billion investment from the city. The rest of the more than $3.7 billion in new revenue that our proposed policies would generate could be used to improve city services and expand critical infrastructure in Chicago's neighborhoods.

The city's new elected leaders must also target public investment in Chicago's Black and Latinx communities. Daley and Emanuel systematically disinvested from the communities of color on Chicago's South and West Sides to fund projects Downtown and on the city's predominantly white North Side. The new mayor and City Council have to make a deliberate plan to help communities of color recover and thrive. This means that:

- The Black and Latinx neighborhoods that have historically been disinvested in and disenfranchised by City Hall must be the first ones to benefit from the expanded public services that new revenue streams can provide;
- City officials must divest from policing and incarceration, which currently accounts for nearly 40% of Chicago's budget, and invest that money into programs that will actually help keep Black and Brown bodies safe; and
- The new mayor and City Council should institute a vacancy tax on luxury apartment buildings to help keep rents down and fund affordable housing developments on Chicago's South and West Sides to help keep Black and Latinx families in the city.

Chicago's new elected leaders must increase taxpayer investment in public services and keep them publicly-controlled. Emanuel's office has said they are open to selling Chicago's water system to private investors. Chicagoans need go no farther than the parking meter to be reminded of the pitfalls of privatization deals. When Daley leased the city's parking meters to private investors for 75 years, prices shot up astronomically. Other cities and states have their own horror stories of the sometimes-deadly consequences of turning over control of public services and critical infrastructure to unaccountable corporations. Instead of commodifying our public assets, like Chicago's water, schools, and transit system, we need to fully fund our public services and infrastructure and keep them public.

Finally, Chicago's new mayor and City Council should establish a public bank and declare our independence from the big banks on Wall Street. A public bank could provide a range of services to the City of Chicago, its related agencies like Chicago Public Schools (CPS), and even other municipalities and local agencies in Illinois. The city could use the profits from the bank to invest in infrastructure projects like expanded bus and train service or replacing lead pipes in schools, to fund a massive public housing project to create safe and livable homes in Black and Latinx communities, and to plug budget deficits. Furthermore, a public bank can also help Chicago and its related agencies (including CPS) save more than a billion dollars a year on fees and interest on financial deals:

- A public bank could underwrite the bonds of the city and its related agencies without charging fees. Chicago and CPS pay more than $35 million a year in bond issuance fees, of which underwriting fees make up the largest portion.
- A public bank could hire in-house investment managers to manage Chicago's seven pension funds. This would help the city and its related agencies avoid an estimated $144 million a year in fees. Because the pension funds would be able to invest the money they save on fees, this amount would grow exponentially to an estimated $874 million after five years, $2.1 billion after ten years, and $14.4 billion after 30 years.
- A public bank could refinance the debt of Chicago and its related agencies at significantly lower interest rates because it would not have to make a profit from these loans. Chicago will pay an estimated $1.2 billion in interest in 2019. CPS projects it will spend $450 million on interest payments in FY 2019. Refinancing Chicago and related agency debt at significantly lower interest rates could help taxpayers save more than a billion dollars every year.

For decades, Chicago's mayors have governed the city in the interests of the people they were trying to attract to the city, at the expense of the people who lived here. They siphoned resources away from Black and Latinx neighborhoods in particular to fund luxury developments in wealthier and whiter parts of the city. Their neoliberal vision for a world-class city is deeply at odds with the needs of Chicago's communities.

Chicagoans deserve a city with world-class services and infrastructure—a city that takes care of its residents and makes a deliberate plan to right historical inequities. This report offers a blueprint for the financial policies that will help put Chicago into a class of its own.

A World-Class City

A Financial Blueprint for the City that Chicagoans Deserve

"A world-class city."

Many a Chicago mayor has been obsessed with that phrase. Jane Byrne dreamed that Chicago could be a world-class city.[1] Eugene Sawyer talked of making Chicago a world-class city.[2] Chicago's political establishment widely credited Richard M. Daley for having turned Chicago into a world-class city.[3] And Rahm Emanuel has invoked the term so frequently that, by his second year in office, a local magazine had already written an entire article about it, titled "Chicago's world-class city complex."[4]

CHICAGO NEEDS LEADERSHIP THAT RECOGNIZES AND RESPECTS THE INTRINSIC DIGNITY AND WORTH OF ITS RESIDENTS

But for the past four decades, the vision of a world-class city that the Mayor's Office has projected through its financial and budget priorities has been deeply incongruent with the needs of Chicago's communities. Daley* tore down public housing complexes that had been home to thousands of poor Black and Brown families and turned the land over to developers to lure wealthy, white professionals into the city. He used Tax Increment Financing (TIF) schemes to siphon tax dollars away from blighted neighborhoods in order to award hundreds of millions in tax giveaways to rich corporations and developers. He invested in Downtown projects like Millennium Park, greatly expanded bike lanes, opened new selective enrollment schools on the city's predominantly white North Side, and spent tens of millions on the city's failed 2016 Olympic bid, while ignoring the needs of residents on the city's predominantly Black and Latinx South and West Sides.

When he announced his candidacy in November 2010, Emanuel said, "The choices we make in the next few years… will determine whether we remain a world-class city—or fall back."[5] By then, most Chicagoans had already fallen back. The city's political leadership, which had hung banners off lamp posts thanking Daley for turning Chicago into a world-class city,[6] just had not noticed.

Emanuel followed in Daley's footsteps. He invested in projects that would make Chicago more attractive to wealthier white families and tourists—like the Bloomingdale Trail, Maggie Daley Park, and the Riverwalk extension—and turned a blind eye to the city's Black and Latinx families who were dealing with cuts to public services, unending violence, and rapid gentrification and displacement. He continued to use TIF funds to take from the poor and give to the rich. He sought to bring both the G8 (unsuccessfully) and NATO Summits (successfully) to the city in 2012 as part of maintaining Chicago's world-class status. He wants to build an express train from Downtown to O'Hare to make it easier for worldly business travelers to get to their meetings even though the Blue Line already connects those two places and, according to a study by *FiveThirtyEight*, Chicago is one of only three cities in the country where it is already quicker to get from the airport to Downtown via public transit than by driving.[7] He tried to give Amazon, the wealthiest corporation in the history of the world, $2.25 billion in tax incentives to locate its second headquarters in Chicago,[8] while relying on red light and speeding cameras in communities of color to fill budget deficits.

* Throughout this report we use "Daley" to refer to former Chicago Mayor Richard M. Daley.

> **WITH THE $3.7 BILLION IN NEW, PROGRESSIVE REVENUE OUTLINED IN THIS REPORT, CHICAGO COULD PROVIDE ALL RESIDENTS WITH A FREE PUBLIC EDUCATION SYSTEM FROM BIRTH THROUGH COLLEGE, WITH UNIVERSAL EARLY CHILD-HOOD EDUCATION AND FREE COMMUNITY COLLEGE FOR ALL; MAKE PUBLIC TRANSIT COMPLETELY FREE; AND HELP 36,000 PEOPLE AVOID HOMELESSNESS.**

The goal of past Chicago mayors has been to make the city more attractive to the kind of people they find desirable. "World-class city" is code for a city where rich, well-educated, white people live. But instead, the likes of Daley and Emanuel were cursed by geography and history. They were plopped into a city that—by the time they came to be of governing age—had experienced white flight and was squarely a majority-minority city.

Chicago needs leadership that recognizes and respects the intrinsic dignity and worth of its residents—not the people that neoliberal politicians wish lived here, but the ones who actually do. Chicagoans do not want elected officials that wish to expel them from the city. We want a mayor and City Council that will help transform the city into one that meets the needs of the people who already live here. With the $3.7 billion in new, progressive revenue outlined in this report, Chicago could provide all residents with a free public education system from birth through college, with universal early childhood education and free community college for all; make public transit completely free; and help 36,000 people avoid homelessness.

All of these things require taxpayer investment, but our past mayors have not deemed us worthy. That is why Chicago's new elected leaders need to follow a new blueprint for investing the city's wealth back in our neighborhoods. We need to generate new revenue by making the wealthy and major corporations pay their fair share, target public investment in Back and Latinx communities, properly fund our public services and infrastructure and keep them publicly-controlled, and develop our own financial infrastructure so that we can declare independence from Wall Street and save more than a billion dollars a year on banking fees and interest payments. A city that is truly world-class is one that takes care of its residents. That is the kind of world-class city that Chicagoans deserve.

A Neoliberal Paradise

Chicago's world-class city complex is just one symptom of a broader disease: neoliberalism.

Neoliberalism has been the prevailing ideology in the United States and much of the world over the past few decades. Neoliberals seek market solutions to social, economic, and political problems. They argue that if we let private sector actors compete in an unregulated marketplace, that we will achieve better results than could be attained through government intervention or regulation. Instead of the government providing a service directly, they would rather elected officials pay a corporation to do it. As a result, neoliberals favor cutting taxes, privatizing public services, deregulating industries, and busting unions.[9] Neoliberal mayors like to privatize parking meters, tollways, and airports and convert unionized public schools into nonunion, privately-run charter schools. They prefer putting corporate executives onto school boards appointed by mayors instead of letting parents vote for members of an elected representative school board. Chicago's mayors, bent on making the city world-class, have made it a neoliberal paradise.

"IN AMERICA, NEOLIBERAL POLICIES ARE A RACE-NEUTRAL WAY TO ACHIEVE RACIST OUTCOMES

When it comes to municipal politics in the United States, neoliberalism often boils down to decisions about who is worthy of public investment. Neoliberals believe the rich are worthy and the poor are not. In a world controlled by market competition, it is presumed that the rich earned their money and the poor did not work hard enough, and therefore the rich should be rewarded and the poor should be punished. This is why neoliberals like Daley and Emanuel heap massive tax giveaways onto corporations while at the same time raising regressive fines and fees that hit poor people the hardest—taking money from the poor people who they believe to be losers, and awarding it to the wealthy corporations that they believe to be winners.

Chicago's tax system, which relies heavily on sales taxes, fees, and fines, is one of the most regressive among the nation's major cities. A 2016 study of the state and local tax burdens of residents of the largest cities in each of the 50 states and Washington, DC found that a family making $25,000 a year in Chicago had 13.9% of its earnings go to state and local taxes, higher than all but four cities in the study (Philadelphia, Honolulu, Birmingham, and Seattle).[10] On the flip side, the state and local tax burden of a family making $150,000 a year (the highest income level in the study) in Chicago was just 10.3%, which ranks 22nd among the 51 cities in the study.[11] In fact, there were only three cities in the study in which families making $150,000 a year paid more than 13.9% of their earnings in state and local taxes—the rate that families making $25,000 in Chicago pay (Bridgeport CT, Newark NJ, and Detroit).

Another way neoliberal ideology is applied in cities is getting rid of poor folks by passing policies that make it harder for them to live there. For example, in the years leading up to its bankruptcy, Detroit cut services like street lights and police patrols in huge swaths of the city.[12] While city officials insisted that no resident would be forced to move against their will, it was largely seen as a move to pressure residents to move out of those areas by making them feel unsafe.[13] The city literally turned the lights off to try to get people to leave, as if it were a bar. But when a bar turns the lights off at closing time, customers go home. In Detroit, the city turned off the lights to get residents to leave their homes.

Chicago went one step farther, by literally demolishing the homes of thousands of Black families. Instead of investing in public housing projects like Cabrini-Green to make them safer and more livable, Daley tore down them down because they were too unsafe and too unlivable, displaced the poor Black families who had lived there, and opened up the area for high-end, luxury developments for wealthy white folks instead.[14] The area around where Cabrini-Green once stood saw the greatest increase in the concentration of households earning more than $200,000 of any neighborhood in the country between 2000 and 2017. Now 39% of households there earn more than $200,000, up from 0% in 2000.[15]

Not coincidentally, in cities like Chicago and Detroit, the unworthy poor are overwhelmingly people of color. Undergirding neoliberal ideology is a healthy dose of white supremacy and racism. The idea that the rich are worthy because they earned it and that the poor did not work hard enough ignores structural racism and white privilege, the legacy of slavery and Jim Crow, and the role of white flight and racist redlining in ensuring that communities of color—and Black people in particular—remained poor and were systematically denied access to the so-called American Dream.

In practice, the neoliberal idea that poor folks are not worthy of investment means that communities of color, and Black families in particular, are unworthy. In America, neoliberal policies are a race-neutral way to achieve racist outcomes. Former Chicago Teachers Union President Karen Lewis famously recounted a story that Emanuel told her privately that "25 percent of the students in this city are never going to be anything, never going to amount to anything and he was never going to throw money at them."[16] Two years later, Emanuel closed 50 schools and fired and replaced all the faculty and staff at another five through a so-called "turn around" program. 90% of these 55 schools served majority Black student populations.[17] The students that Emanuel deemed unworthy to spend money educating were Black.

Additionally, neoliberals also invoke racist tropes to gain support for their ideas. For example, neoliberals oppose the social safety net, preferring to slash taxes and let people rise or fall in an unregulated market dominated by major corporations. This is theoretically a tough sell because a majority of Americans, including Republicans, consistently express support for taxing the wealthy in order to fund social welfare spending.[18] A 2018 study by sociologists at Stanford University and the University of California at Berkeley found, however, that white people are more likely to support cutting social welfare programs when they are informed that the programs disproportionately benefited African-Americans. They are also more likely to support cutting the programs when they are informed that white people will become the minority in the United States within 50 years.[19] In other words, race-baiting makes white people more receptive to neoliberal policies.

This is not an abstract idea. Neoliberals have been stoking racial resentment for decades to gain support for their agenda. Many white parents on Chicago's North Side were not concerned with mass school closings on the city's South and West Sides because they saw them as a Black issue. Even though the largest groups of people who receive food stamps and Medicaid benefits are white, neoliberals paint them as programs for Black people in order to gin up opposition. In reality, only 26% of food stamp recipients and 18% of Medicaid beneficiaries are Black.[20]

> **"NEOLIBERALISM ENSURES THAT THERE WILL ALWAYS BE WINNERS AND LOSERS. THE GAME IS RIGGED TO ENSURE THAT COMMUNITIES OF COLOR WILL ALWAYS LOSE.**

Neoliberalism's reliance on competitive markets ensures that there will always be winners and losers. In America, however, the game is rigged to ensure that communities of color will always lose. Chicago's past neoliberal mayors have sought to govern a world-class city of wealthy white winners. They implemented policies that have successfully forced a Black exodus from the city. On average, nearly 1,200 Black residents left Chicago every month in the ten-year period from 2008 through 2017.[21]

But neoliberal policies can never produce a world-class city, because the world does not need more cities that view the majority of their residents as losers who need to be pushed out and replaced. A city that is truly world-class should be run in the best interests of the residents who already live there.

Emanuel's Legacy: Junk

On the eve of the 2011 Chicago municipal elections, Emanuel declared, "Our next mayor faces tough decisions that will ultimately determine if Chicago remains a world-class city."[22] Four years later, while he was in the throes of a hotly contested reelection race against then Cook County Commissioner Chuy Garcia, the major credit rating agencies gave their verdict on the decisions of Emanuel's first term: they downgraded the City of Chicago and Chicago Public Schools' (CPS) credit ratings to junk.[23] Now, in 2019, Moody's Investor Service still rates the city's general obligation bonds as junk[24] and all three major credit rating agencies still have CPS's general obligation bonds in junk territory.[25]

CREDIT RATING AGENCIES:

NEOLIBERAL ENFORCERS

The three major credit rating agencies—Moody's Investor Service, Fitch Ratings, and S&P Global Ratings—are flawed and unreliable institutions. They are supposed to assess the likelihood that borrowers will default on their debt so that potential investors can assess whether to lend them money and what interest rate to charge if they do. A government borrower that has a low credit rating can end up paying very high interest rates on its bonds, theoretically to compensate bondholders for default risk. However, credit ratings for state and local governments are largely a sham, because municipal borrowers almost never default. Even Moody's own analysis found that the default rate of municipal borrowers that it rated from 1970 through 2012 was just 0.012%.[26] In reality, credit ratings are one of Wall Street's tools for enforcing neoliberal ideology. Ratings agencies use the threat of ratings downgrades to push government officials to implement austerity measures. Chicago and CPS's 2015 downgrades meant that, even by neoliberal standards, Emanuel's first term was junk.

Cutting the Deficit the Neoliberal Way

Chicago's projected revenue shortfall for 2019 is $97.9 million, down from a $635 million budget deficit in 2012.[27] While Emanuel has successfully chipped away at the city's deficit during his time in office, he has achieved this largely on the backs of working-class Chicagoans. For example, in Chicago's 2019 Budget Overview, Emanuel's office boasts that, as a result of measures like "the phase-out of retiree healthcare coverage for certain City retirees… the City's healthcare costs have decreased by $32.8 million" since 2011.[28] In other words, the city cut healthcare costs by taking away healthcare from seniors. The city also cut costs by shifting pension obligations to some of its new employees, who have to pay an extra 3% into their pensions.[29] This means those new workers are being paid 3% less for doing the same work as their veteran colleagues. To bring in new revenue, the city is phasing in a regressive water-sewer usage tax, that will cost Chicago residents $2.51 per 1,000 gallons by 2021.[30] According to the DePaul

University Center for Urban Education, the average Chicagoan uses 107,000 gallons of water a year,[31] which means the tax could cost Chicago residents $268.57 per year, on average. All of these measures are right out of the neoliberal playbook. Emanuel chose to balance the budget by taking money away from government workers and retirees and by implementing usage taxes that have a disproportionate impact on the finances of poor folks because they eat up a larger portion of their disposable incomes.

Furthermore, Emanuel has aggressively targeted motorists with regressive fees and fines that are a slap on the wrist for wealthy residents but can upend the lives of poor Chicagoans. *ProPublica* did an expose in 2018 about how the Emanuel Administration's policies have caused immense harm in Chicago's Black communities in particular. *ProPublica* noted that at the same time that Emanuel has raised fines for tickets, he has also increased the penalties for nonpayment of those fines. For example, people with unpaid debts to the city are not allowed to get city contracts or licenses or access grants from the city. Taxi drivers who are unable to pay their tickets cannot obtain a chauffer's license to drive in the city. After 10 unpaid parking tickets or five unpaid traffic camera tickets, the city can also request that the state suspend a driver's license. The use of this tactic has skyrocketed under Emanuel. According to *ProPublica*, "In 2016, Chicago asked the state to suspend licenses of more than 21,000 drivers, up threefold since 2010, according to the city's finance department."[32]

Chicago requires residents with cars to purchase a city sticker in order to drive and park in the city. For most cars, the city sticker costs $87.82 annually. This is above and beyond the $101 a year that drivers must pay the state to renew their license plates. In 2012, then City Clerk Susana Mendoza pushed for increasing the cost of the ticket for not having a city sticker from $120 to $200, which the City Council unanimously approved and Emanuel signed.[33] The next year, in 2013, the city started counting not having a city sticker towards the violations that can result in a suspended license.[34] *ProPublica* found that "Black neighborhoods are hit with sticker violations at a higher rate, per household, than other parts of the city," and that "Tickets issued in more affluent, majority white neighborhoods are more likely to get dismissed."[35] In 2018, the city raised the prices of city stickers in order to raise an additional $127.6 million in revenue.[36]

As a result of these neoliberal policies, unpaid tickets are now a major cause of bankruptcy for poor Chicago residents, and Black Chicagoans in particular.[37] *ProPublica* reports:

> In 2007, an estimated 1,000 Chapter 13 bankruptcies included debts to the city, usually for unpaid tickets, with the median amount claimed around $1,500 per case. By last year, the number of cases surpassed 10,000, with the typical debt to the city around $3,900. Though the numbers of tickets issued did not rise during that time, the city increased the costs of fines, expanded its traffic camera program and sought more license suspensions.[38]

Emanuel also doubled down on the red light camera program that Daley had started by installing speeding cameras throughout the city. Although these cameras are ostensibly intended to protect children near schools and parks, they have drawn fire for being located in areas where they are more likely to generate revenue for the city than they are to protect children from being hit by speeding cars.[39] Furthermore, the cameras are often wrong. A *Chicago Tribune* investigation found the cameras issued $2.4 million worth of bad tickets in just their first two years in operation.[40]

> **"EMANUEL'S WATER-SEWER USAGE TAX COULD COST CHICAGOANS $268.57 PER YEAR.**

These policies are literally bankrupting Chicagoans, but they are helping Emanuel avoid raising taxes on the wealthy and major corporations. According to *ProPublica,* "[T]ickets brought in nearly $264 million in 2016, or about 7 percent of the city's $3.6 billion operating budget."[41]

During his two terms in office, Emanuel has instituted property tax levies to fund the police, fire, and teachers' pension funds.[42] These new revenue streams played a significant role in helping Emanuel close both the Chicago and CPS budget deficits. CPS projects a deficit of only $62.6 million in FY 2019 and actually ended FY 2018 with an estimated $231.9 million surplus.[43]

Chicago and CPS's pension obligations are important, and it is imperative that the city and school district pay them. However, because of the city's current property tax structure, paying them using property taxes hurts low-income families. A 2017 *Chicago Tribune* investigation found that then Cook County Assessor

“THESE POLICIES ARE LITERALLY BANKRUPTING CHICAGOANS, BUT THEY ARE HELPING EMANUEL AVOID RAISING TAXES ON THE WEALTHY AND MAJOR CORPORATIONS

Joseph Berrios overvalued homes in poorer neighborhoods and undervalued them in wealthier neighborhoods. The result was that “people living in poorer areas tended to pay more in taxes as a percentage of their home’s value than residents in more affluent communities.”[44] A different 2017 study by *ProPublica* and the *Chicago Tribune* found that Berrios also generally undervalued expensive Downtown office buildings and overvalued small businesses in poorer neighborhoods.[45]

Emanuel’s decision to raise property taxes across the city without targeting them at wealthier neighborhoods or expensive Downtown real estate compounded these inequities. Chicagoans who are living paycheck to paycheck or struggling to keep their small businesses afloat cannot afford further hikes in their property taxes. The city needs to overhaul its property tax structures to ensure we can provide quality services and a quality education to Chicagoans without pricing them out of their homes.

While Chicago and CPS’s budgets are healthier than they were on the eve of the 2015 municipal elections, both are still rated junk by credit rating agencies. As a result, the city is still paying close to 6% interest rates on its most recently issued tax-exempt general obligation bonds, while CPS is paying 5%.[46] In contrast, the interest rates on AAA-rated 30-year bonds stood at 3.10% as of January 24, 2019, according to the Thomson Reuters’s Municipal Market Monitor.[47]

NEOLIBERAL WAGE THEFT

Neoliberals try to sensationalize pensions, but they are just a part of the wages that employers owe workers for their work. People who work for an employer that offers pensions accept lower raises so that their employer will put part of the money that would have gone towards their raise into a pension fund. The pension fund will invest those pension contributions, and when those people retire, there will be enough money there for them to have a pension. Pensions used to be common in the private sector as well as the public sector, but right-wing attacks have nearly eliminated them from private sector jobs in the United States.

The real pension crisis that cities like Chicago are facing is that instead of making those pension contributions at the time that people did the work, city officials instead used that money to plug budget deficits. Because they skipped those pension contributions, that money never got invested and it did not earn a return over time. That is why pensions are underfunded—because people worked for the city for 30+ years and expected the city to put a portion of their wages into a pension fund that they could draw from in the future, but the city stole that money instead. Now, instead of giving retirees the money they have already worked for, neoliberal politicians are trying to villainize them. This is all the more egregious because many public sector workers are not eligible for Social Security, so they do not have another safety net. What the politicians should do instead is tax the wealthy and corporations so that they can afford to pay for public services without stealing from the people who work for them.

THE COST OF JUNK

The City of Chicago has $24 billion in outstanding long-term debt,[48] and expects to make $2 billion in debt service payments in 2019.[49] According to projections in its most recent Comprehensive Annual Financial Report (CAFR),[†] the city projects $1.2 billion of its debt service in 2019 will be interest payments—approximately 60% of the total.[50] In 2017, the last full year for which data is available, Chicago also paid banks and other firms $28 million in bond-related fees,[51] which was down from $50 million in 2016.[52]

As of June 30, 2018, CPS had approximately $8.2 billion in outstanding long-term debt.[53] In FY 2019, CPS projects it will spend $612 million on debt service payments, of which $450 million—or 74% of the total—will be interest payments.[54] CPS has also budgeted $7.5 million in bond fees for FY 2019.[55]

[†] The City of Chicago's 2017 Comprehensive Annual Financial Report, which was released in June 2018, is the most recent one available.

Neoliberal Spin

Emanuel has consistently tried to portray himself as a financially savvy reformer. The narrative he has tried to spin is that he had inherited a city and school district that were a financial mess through no fault of his own, that Daley had stuck him with the risky and expensive financial schemes that the city and CPS were embroiled in, and that he was working to fix these issues but there was only so much he could do because his hands were tied. This narrative was false. In reality, he doubled down on Daley's financial policies and continued to engage in the same risky and expensive financial deals as his predecessor.

This is one of the reasons that Chicago and CPS are saddled with so much expensive debt. Governments routinely use debt for long-term capital expenditures. Long-term debt helps cities and states pay to build schools, roads, and transit systems. Debt is a key component of a healthy fiscal plan and enables governments to pay for things now that residents will use for years to come. However, it is reckless to use long-term debt to fill short-term budget deficits. The timeline for paying a debt should not be longer than the timeline for using the thing the debt will pay for. In other words, you should not pay for something longer than you expect to be able to use it. Homeowners should take out 30-year mortgages to pay for a home, not to purchase a computer.

IF THE CITY IS UNABLE TO BRING IN ENOUGH MONEY TO PAY BONDHOLDERS, IT MEANS THAT CHICAGO'S ALREADY HIGHEST-IN-THE-NATION SALES TAX COULD GO EVEN HIGHER

Emanuel, however, routinely took out long-term debt to be able to pay short-term bills. For example, he regularly issued new bonds to make interest payments on older bonds[56]—a practice known as "scoop-and-toss financing" because it scoops up today's payments and tosses them into the future. This is akin to paying one credit card bill with another credit card. It dramatically increases interest charges because the borrower ends up paying interest on the interest charges from the first card.

EMANUEL DOUBLED DOWN ON DALEY'S FINANCIAL POLICIES AND CONTINUED TO ENGAGE IN THE SAME RISKY AND EXPENSIVE FINANCIAL DEALS

In the city's 2019 Budget Overview, the Mayor's Office derides scoop-and-toss financing as a "budget gimmick," and brags that although Emanuel had announced that he would phase out its use over four years, by 2019, he actually accomplished this a year ahead of schedule.[57] This is a strange thing to brag about. Scoop-and-toss financing is not a process that, once started, takes four years to undo. This was not a Daley policy that Emanuel needed to "eliminate" over time. At any given point in time he could have decided not to do it. But instead, Emanuel himself had been using this gimmick heavily before he made that announcement in 2016, and by saying he would phase it out over four years, he had effectively said that he would keep using it for the rest of his time in office. Not only was this not a bold goal, it was hardly a goal at all.

Furthermore, Emanuel "eliminated" the use of the gimmick a year early through another scheme to dedicate the city's sales tax revenues to debt payments.[58] This means that bondholders have first rights on the city's sales tax revenues. Bondholders will get Chicago's sales tax dollars before a dime goes towards city services. Moreover, if the city is unable to bring in enough money to pay bondholders, it means that Chicago's already highest-in-the-nation sales tax[59] could go even higher. Sales taxes are very regressive since poor people spend a larger share of their income buying things, whether it be groceries, clothes, or school supplies, and wealthy people spend a larger share of their income on savings and investments. Once again, the way that Emanuel accomplished the great feat of deciding not to use a budget gimmick was by putting poor people on the hook instead of forcing the wealthy and corporations to pay their fair share.

Another policy that Emanuel has bragged about ending is the city's use of bonds to pay for police misconduct judgments and settlements, which we refer to as "police brutality bonds". Our 2018 report, *Police Brutality Bonds: How Wall Street Profits from Police Violence*, covers this issue in depth. Even though the city budgeted an average $16.2 million a year for police lawsuit payouts between 2012 and 2014, it actually spent an average of $52 million a year, and it had to borrow to fill the gap.[60] All told, Chicago borrowed $709.3 million for legal judgments and settlements from 2010 through 2017, a large portion of which were for police misconduct cases.[61] That means that banks and investors effectively got to charge interest and fees on the city's police brutality payments.

In 2015, Emanuel had announced he would end the use of police brutality bonds by 2019. Again, this was an empty promise since his term was going to end in 2019 anyway. In 2017, he preemptively took out $225 million in bonds to pay for future legal judgments and settlements. This means that, instead of making a plan to curb police abuse, Emanuel simply borrowed several years' worth of judgments and settlements upfront so that he could say that he had ended the practice. As a result, Chicagoans are paying banks and bondholders the profit on police brutality settlements for people who have not even been killed yet. Banks and bondholders are getting an advance on their profits off the murder of Black and Brown bodies.

Emanuel also tries to present himself as a TIF reformer. The Mayor's Office has abused the city's tax increment financing (TIF) system for decades to divert property taxes away from critical services in order to award developers and wealthy corporations with tax handouts. In particular, the practice of spending TIF funds, which are theoretically intended to help revitalize blighted neighborhoods, in wealthy parts of the city—like Downtown—has raised public ire. In response to this criticism, the city's 2019 Budget Overview boasts about Emanuel's "comprehensive approach to reforming the City's Tax Increment Financing ('TIF') program" since taking office in 2011,[62] which includes "terminating districts and freezing spending [in] downtown TIF districts."[63] However, as a parting gift to developers, Emanuel announced $1.5 billion in TIF funds for wealthy developments near Downtown in late 2018. This includes money for the Lincoln Yards development between Lincoln Park and Bucktown and the 78 project in the South Loop.[64]

In the city's 2019 Budget Overview, the Mayor's Office also claims that Emanuel saved taxpayers millions of dollars by terminating the city's interest rate swap deals.[65] These toxic swaps were predatory deals through which banks like Bank of America drained $1.4 billion from the Chicago and CPS budgets.[66] Our 2015 report, *Our Kind of Town: A Financial Plan that Puts Chicago's Communities First*, explains the problems with toxic swaps more fully.[67] As with scoop-and-toss financing, Emanuel has also blamed Daley for saddling him with these toxic swap deals and tried to make himself out to be a reformer out to fix Daley's mess.[68]

There was strong evidence that the banks that sold these deals to Chicago and CPS had done so fraudulently and broken state and federal laws. In fact, many of the banks themselves had already admitted to regulators that they had rigged the interest rates that the toxic swaps were based on, which is illegal.[69] Emanuel refused to take legal action to recover taxpayers' money from these bad deals. Instead, when community leaders pressed him to pursue legal remedies, he preemptively signed away the city's right to sue the banks and recover its losses.[70] Daley may have saddled him with these deals, but he tied his own hands to silence critics.

> **BANKS AND BONDHOLDERS ARE GETTING AN ADVANCE ON THEIR PROFITS OFF THE MURDER OF BLACK AND BROWN BODIES**

This was not the only time he had tied his own hands. Emanuel slammed Daley for privatizing the city's parking meters[71]—a deal that caused the price of metered parking to grow exponentially, with the revenues going to wealthy investors rather than back into the city's coffers[72]—but claimed that there was nothing he could do about it. However, when a public interest group filed a lawsuit challenging the deal, Emanuel ordered the city's attorneys to intervene in the litigation and defend the deal. This helped kill the lawsuit. The judges noted that even though the deal was clearly bad for the city, the legal challenge was undermined by the fact that the city

EMANUEL DELIBERATELY SABOTAGED ANY CHANCE OF RECOVERING TAXPAYER DOLLARS FROM THE DISASTROUS PARKING METER DEAL

itself kept insisting that it provided "public benefits".[73] By intervening to defend the deal, Emanuel deliberately sabotaged any chance of recovering taxpayer dollars from the disastrous parking meter deal.

The latest financial gimmick that Emanuel wants to pursue to balance the budget without raising taxes on the wealthy and corporations is something called a "pension obligation bond".[74] We described pension obligation bonds (POBs) in depth in our 2014 report, *Dirty Deals: How Wall Street's Predatory Deals Hurt Taxpayers and What We Can Do About It*:

> A POB allows public officials to use borrowed money to cover their unfunded pension liability instead of paying it from existing revenues. A city that issues a POB can invest the proceeds from the bond sale. As long as it earns a rate of return on its investment that is higher than the interest rate it owes to bondholders, the city is able to meet its pension obligation and pay the interest on the bonds without having to contribute any of its own money… However, these deals are inherently risky because if the investments underperform, the city may not make enough money to be able to cover the interest on the bonds. If the investments actually lose money, as happened when the stock market crashed in September 2008, then taxpayers will also be unable to cover the pension obligation and may have to find additional funding sources.[75]

In other words, POBs are a risky way to pay this year's pension obligations—a short-term bill—using a long-term bond. In 2018, Emanuel proposed borrowing up to $10 billion in POBs. This would allow Emanuel to balance his last budget without raising taxes on the wealthy, but it would leave future mayors and, more importantly, the residents of Chicago, with a ticking time bomb that could cause us to double our losses in the future. The idea has effectively been put on hold since Emanuel announced that he would not run for reelection,[76] though he continues to make the case for it.[77]

Emanuel's posturing as a reformer is undercut by his record of repeatedly doubling down on Daley's failed financial policies. These financial gimmicks that Daley and Emanuel have both gravitated toward are also part and parcel of neoliberal ideology. They are rooted in the belief that market solutions—and not a progressive tax policy—will solve Chicago's problems. Neoliberal politicians truly believe that the new, innovative products that banks are pitching them are designed to help them fix their financial woes. But time and again, these market solutions have left Chicagoans deeper in debt and on the hook for financing Wall Street profits. This is because the banks that sell us these deals are not interested in protecting taxpayers' interests. Their own bottom line is their priority. Emanuel's refusal to understand that Wall Street is not Chicago's friend has cost the city hundreds of millions of dollars. That is why, even by credit rating agencies' own neoliberal standards, Emanuel's legacy is junk.

Photo Credit: Micah Uetricht

CHICAGO SHOULD BE GOVERNED FOR THE PEOPLE WHO LIVE HERE

The World-Class City Chicagoans Deserve

As the Daley-Emanuel era in Chicago comes to a close, it is important for the city's new elected leadership to learn from their failures and commit to policies that will put the interests of Chicago's current residents first. These policies must be rooted in one fundamental principle: Chicago should be governed for the people who live here. If city officials wish they ran a city of wealthy, white professionals, they should move to a city where those people already live and run for office there. Improving Chicago does not mean pushing out the people who live here to create room for more desirable constituents; it means improving the lives of the people who already call Chicago home.

This can only happen if the city's elected officials reject the neoliberal paradigm that holds that policies should be made to reward the rich and punish the poor, and that anything government can do, corporations can do better. To give Chicagoans the world-class city they deserve, the city's new elected leaders should embrace these policies:

- Make the wealthy and major corporations pay their fair share to fund quality public services;
- Target public investment in Black and Latinx communities to let them thrive;
- Increase taxpayer investment in and maintain public control over public services; and
- Establish a public bank and declare Chicago's indepedence from the big banks on Wall Street.

Make the Wealthy and Major Corporations Pay Their Fair Share to Fund Quality Public Services

Chicago is one of the wealthiest cities in the country, yet it is always broke. This is because city officials like Emanuel refuse to properly tax the wealthiest people and corporations in the city. Instead, they shift the costs to poor communities of color. Chicago can afford a world-class education system, a free and fast public transit system, and a healthy and affordable water system. The city can provide safe and livable public housing for all who need it, free early childhood education and healthcare for all residents, and universal broadband access. These are all services that a world-class city should have, and they are all services that Chicago could afford if it would make the wealthy and major corporations pay their fair share.

There are a number of ways that Chicago's new elected leaders can do this. The proposals outlined in this section would generate more than $3.7 billion in new, progressive revenue. That is more than enough money to pay for universal early childhood education, free community college for all, free public transit, and a program to alleviate homelessness in Chicago that could reduce the number of homeless by 36,000 in ten years. All these things would require a $2.6 billion investment from the city. The rest of the more than $3.7 billion in new revenue that these policies would generate could be used to improve city services and expand critical infrastructure in Chicago's neighborhoods.

PAYING FOR QUALITY PUBLIC SERVICES

Revenue from Making the Wealthy Pay Their Fair Share	
City income tax on high-earning residents & commuters	$1.4 billion
Real estate transfer tax on high-end properties	$150 million
Corporate use fee on large corporations	$106 million
LaSalle Street Tax	$2.0 to $2.4 billion
Make property taxes more progressive	Hundreds of millions
End tax subsidies for wealthy developers and corporations	Hundreds of millions
Total Revenue	**More than $3.7 billion**

Cost of Quality Public Services	
Free early childhood education for all children under five[78]	$1.6 billion
Free public transit for all[79]	$588 million
Free community college for all[80]	$289 million
Homelessness alleviation program[81]	$150 million
Total Cost	**$2.6 billion**

First, Chicago should implement a city income tax. Chicago is seeing an influx of wealthy young people. Between 2010 and 2016, Chicago saw a larger increase in households making over $100,000 with the head of household under the age of 45 than any city in the country except New York.[82] A city income tax would force these wealthy yuppies to pay their fair share. Major cities like New York and Philadelphia levy income taxes on residents and enjoy thriving economies. If Chicago instituted a 3.5% tax on household income above $100,000, it would bring in an estimated $950 million in revenue without costing Chicago's working-class families a penny.[83] A 3.5% tax would be less than the top rates in New York City (3.876%)[84] and Philadelphia (3.891%).[85] A city income tax would require a change in state law, but city leaders should lobby Springfield to allow Chicago to move forward with it. By exempting the first $100,000 of income from the tax, the city could ensure the tax is progressive without a change in the state constitution.

The city income tax could be made even more progressive and bring in even more revenues by applying it to high-earning commuters. More than a third of the people who work in Chicago commute into the city from the suburbs, but their property tax dollars do not help support the city services and infrastructure from which they benefit.[86] They should also have to pay a tax on their earnings in Chicago. Philadelphia applies a 3.465% city income tax to commuters.[87] If Chicago applied a 3.5% city income tax to commuters as well, it would bring the total to $1.4 billion.[88]

Second, Chicago needs to pass the Bring Chicago Home Coalition's proposal to implement a 1.2 percentage point increase on the real estate transactions tax on transactions worth more than $1 million to alleviate homelessness. The proposal would generate $150 million annually, which would be "legally dedicated to programs that alleviate homelessness, including assistance for homeless children, homeless veterans, and homeless women recovering from

> **NOT ONLY WOULD THIS PROPOSAL LEAD TO NEARLY 36,000 FEWER PEOPLE WHO ARE HOMELESS IN CHICAGO IN TEN YEARS, IT WOULD ALSO HELP CREATE MORE THAN 4,000 NEW JOBS**

domestic violence," according to the coalition's website. Because the proposal would only increase the tax on high-end properties, it would not impact 96% of residential transactions in the city.[89] Not only would this proposal lead to nearly 36,000 fewer people who are homeless in Chicago in ten years, it would also help create more than 4,000 new jobs.[90]

Third, Chicago needs to make its property tax system more progressive. Property taxes are a major source of revenue for both Chicago and CPS, but the city's current property tax system hits poor people the hardest. Chicago's new elected leaders must fix this by working with the Cook County Assessor's Office to shift taxes from lower-value residential properties to higher-value residential and commercial properties. From 2011 through 2015, Cook County shifted $2.2 billion in taxes from under-taxed residential properties to over-taxed ones.[91] The election of a new County Assessor who ran on a platform of un-rigging the county's property tax system poses an opportunity to shift these taxes back to the wealthy property owners who can most afford to pay.

In addition to reassessing property values to make property taxes more progressive, the city's new elected leaders also need to develop a tiered property tax system that would tax higher-value real estate at higher rates in order to make the wealthy and major corporations pay their fair share. This could be done by working with the County Assessor's Office to develop new classes of luxury real estate that can be taxed at a higher rate, or by working with state legislators in Springfield to do an overhaul of our property tax system in order to make it fairer.

Fourth, Chicago needs to bring back the corporate use fee for large corporations. The city used to charge corporations with more than 50 employees $4 per employee per month,[92] but Emanuel eliminated this fee shortly after coming into office.[93] In 2017 a group of aldermen put forth a proposal to reinstate the fee at the higher monthly rate of $33 per employee ($396 annually). This would have brought in $106 million a year, but the law did not pass.[94] Corporations who do business in the city benefit from city services. Their employees use city roads to get to work, regardless of whether they live in the city. They benefit from the city's infrastructure. Instead of trying to lure corporations like Amazon with taxpayer handouts, the city needs to reinstate the corporate use fee at the $33 per employee rate to make them pay their fair share.

Fifth, Chicago should end all future taxpayer handouts to wealthy corporations and real estate developers and do an audit of all past deals to determine whether the corporations delivered on the promises they had made to the city. For example, Boeing received $63 million in state and local tax incentives in 2001 to bring 500 jobs to Chicago—$126,000 per job—but a 2008 study found that, "There was, in fact, no evidence of local job creation associated with the Boeing relocation to Midway and the multiplier effect—the creation of additional jobs and income as spending from the Boeing headquarters rippled through the economy—was not significant."[95] An audit should look at whether or not any given deal resulted in the creation of new jobs, who got those jobs, and the wages and benefits offered by those jobs. Did the jobs go to existing Chicago residents in low-income neighborhoods or to wealthy transplants or suburban residents? Corporations like Boeing that did not live up to their promises should be forced to give the money back to the city.

As part of ending unwarranted taxpayer handouts, the city's new elected leaders must also embark on substantive reform of the city's TIF system. This means opposing the TIFs for Lincoln Yards and the 78, and any giveaway of property tax dollars to those developments. It also means ending TIFs in the downtown area and gentrifying neighborhoods that siphon property taxes from the city and CPS budgets and ensuring that money is spent in working-class neighborhoods instead.

> **INSTEAD OF TRYING TO LURE CORPORATIONS LIKE AMAZON WITH TAXPAYER HANDOUTS, THE CITY NEEDS TO REINSTATE THE CORPORATE USE FEE TO MAKE THEM PAY THEIR FAIR SHARE**

Finally, Chicago's new mayor and City Council should work with the Illinois General Assembly to implement the LaSalle Street Tax—a tax on the financial transactions at the Chicago Board of Trade and Chicago Board Options Exchange—to generate revenue for both the city and the state. These exchanges handle hundreds of millions of trades every month. While the amount of revenue generated would vary depending on the size of the tax, the Chicago Political Economy Group estimates that even a modest fee of $1-$2 per trade could generate $10-12 billion for the state. Since Chicago accounts for roughly 20% of the population of the state, if Chicago were allotted 20% of the revenues, that would mean $2.0 to $2.4 billion for the city that could be used to fund public services.[96]

Target Public Investment in Black and Latinx Communities to Let Them Thrive

As mentioned above, in America, neoliberal policies are a race-neutral way to achieve racist outcomes that disadvantage and displace Black and Latinx communities. Chicago's new elected leaders must make deliberate plans to counteract the racist impacts of past mayors' neoliberal policies by targeting investments in communities of color.

First, this means prioritizing public investments in Black and Latinx communities. Throughout Chicago's history, public dollars have been funneled toward whiter parts of the city. We need to bring the quality of services on the city's South and West Sides to parity with the North Side, and improve the quality of services throughout the city at the same time. This means fully funding community schools with wraparound services, greatly expanding mental health services, and investing in safe and livable public housing throughout the city's Black and Latinx neighborhoods. It means fixing potholes, expanding public transit, and increasing after-school programs for youth on Chicago's South and West Sides. It means implementing restorative justice programs in schools, funding programs like Cease Fire, and launching a summer jobs program to help curb violence in the city. The communities of color that have historically been disinvested in and disenfranchised by City Hall must be the first ones to benefit from the expanded public services that new revenue streams can provide.

Second, it means divesting from policing and incarceration and instead investing that money into programs that will actually help keep Black and Brown bodies safe. Nearly 40% of Chicago's corporate fund budget goes toward policing.[97] Chicago does not need to put even more resources towards failed policing policies that are ineffective at keeping communities safe but highly effective at jailing, brutalizing, and killing Black and Latinx folks. Putting more cops or detectives on the streets does not address the structural issues that contribute to violence. Through an invest/divest framework, the city and CPS can increase funding for services that Black and Latinx communities need by defunding policing. For example, CPS should remove police officers from schools and put that money towards ensuring that there are social workers, counselors, and nurses in every school. This will help address the underlying causes of violence without making Black and Brown youth even more vulnerable to state violence.

Finally, Chicago needs to stop the pushout of Black families from the city. Approximately 1,200 Black residents move out of Chicago every month—nearly 40 people a day. This is because Daley and Emanuel's neoliberal policies have been premised on removing people they deem to be undesirable in order to attract wealthy, white yuppies. Black and Latinx neighborhoods that are close to Downtown have been or are being gentrified, putting affordable housing out of reach for the families who used to live there. Meanwhile, Black and Latinx neighborhoods deeper on the city's South and West Sides continue to experience massive disinvestment at the hands of City Hall.

> **"CHICAGO'S NEW ELECTED LEADERS MUST MAKE DELIBERATE PLANS TO COUNTERACT THE RACIST IMPACTS OF PAST MAYORS' NEOLIBERAL POLICIES BY TARGETING INVESTMENTS IN COMMUNITIES OF COLOR**

One way to reverse these trends is to institute a vacancy tax that specifically targets luxury apartment buildings in order to fund affordable housing developments on the city's South and West Sides. Chicago's luxury apartment market is overbuilt, with supply far outpacing demand.[98] As a result, many of these units with sky-high rents sit empty. This is such a problem that many landlords now offer incentives like gift cards and a couple of months of free rent to lure prospective tenants.[99] If more than 10% of a luxury apartment building's units sit empty for more than 60 days, the city should tax the vacant units an amount equal to the monthly rent on those units. This will both create a downward pressure on rents and produce revenue for the city that it could use to fund affordable housing elsewhere in Black and Latinx neighborhoods.

Increase Taxpayer Investment in and Maintain Public Control Over Public Services

Last year, the *Chicago Sun-Times* reported that Emanuel had considered entering into a deal with Goldman Sachs in 2015 to privatize the city's water system in order to get money upfront to plug the budget deficit. This is very similar to the circumstances under which Daley agreed to privatize Chicago's parking meters. Emanuel's Chief Financial Officer, Carole Brown, said that the city passed on the deal then because it would not have paid enough, but that she was not ruling out privatizing the city's water in the future if a better offer came along.[100]

Neoliberals love to privatize public services. They insist that corporations are better and more efficient at providing services than the government, so they would rather spend taxpayer dollars to pay an unaccountable corporation to provide public services instead of providing it themselves. This is seriously flawed because corporate executives are accountable to their investors, not the broader public. This is why the price of Chicago's parking meters shot up astronomically after Daley privatized them.[101]

Other cities and states have their own privatization horror stories. In Pittsburgh, after a private contractor took over the city's water system, the water authority switched to a cheaper chemical solvent that caused the city's pipes to corrode, which led to lead poisoning.[102] After Michigan privatized prison food services in 2013, problems abounded from food shortages to food poisoning. A 2014 report by the Center for Media and Democracy reported, "In June 2014, 30 prisoners came down with severe food poisoning as maggots and larvae were discovered in the food."[103] The quality of healthcare services in Florida's prisons deteriorated after Governor Rick Scott outsourced healthcare services to Corizon Health, a for-profit prison health care corporation. A *Palm Beach Post* investigation found that "Just months after all medical care in state prisons was privatized, the count of inmate deaths spiked to a 10-year high…"[104] One patient died from undiagnosed lung cancer, which Corizon had been treating with "Tylenol and warm compresses."[105]

Furthermore, adding a corporation as a middleman between the city (which is supposed to provide services) and its residents (who use the services) is by definition less efficient than the city providing the services itself. The bottom line is that if taxpayers are paying for a service, then they should control it. Instead of commodifying our public assets, like Chicago's water, schools, and transit system, we need to fully fund our public services and infrastructure and keep them public.

Establish a Public Bank and Declare Chicago's Independence from the Big Banks on Wall Street

Daley and Emanuel's penchant for toxic financial deals has cost Chicagoans billions of dollars. This money would have been better spent providing services and building infrastructure that truly could have made Chicago a world-class city. Instead, our neoliberal mayors have repeatedly trusted Wall Street to fix our problems with risky gimmicks and the result has been an unending drain on our budget.

Chicago needs to declare its independence from Wall Street. One way to do that is by establishing a city-owned public bank. A public bank could provide a range of services to the city, CPS, and other municipalities, school

"A PUBLIC BANK CAN ADDRESS CHICAGO'S HOUSING CRISIS AND HELP KEEP BLACK AND BROWN FAMILIES IN THE CITY

districts, and local government agencies in Illinois. The city could use profits from the bank to invest in public services and infrastructure projects and to plug budget deficits. North Dakota already has a thriving state-owned bank that returns an annual profit and helped the state weather the Great Recession relatively unscathed.[106]

Notably, the profits from a public bank could enable Chicago to invest in solutions to the city's housing crisis. The city could invest its profits into a massive public housing project to create safe and livable homes in Black and Latinx communities to quell the exodus of people of color from the city. North Dakota has used its revenues to bolster lending to small farms in the state. Chicago could also use its revenues to increase lending for affordable housing developments in communities of color in the city. These are concrete ways in which a public bank can address Chicago's housing crisis and help keep Black and Brown families in the city.

A public bank would be capitalized by the city's own deposits, as well as the deposits of related agencies like CPS, the Chicago Park District, the Chicago Housing Authority, the Chicago Transit Authority, and the City Colleges of Chicago. Additionally, it could also be set up to take deposits from other cities, counties, and governmental entities in the state. While the bank would certainly provide cash management services—like checking accounts and debit cards—to its depositors, it could also provide a wide array of other services.

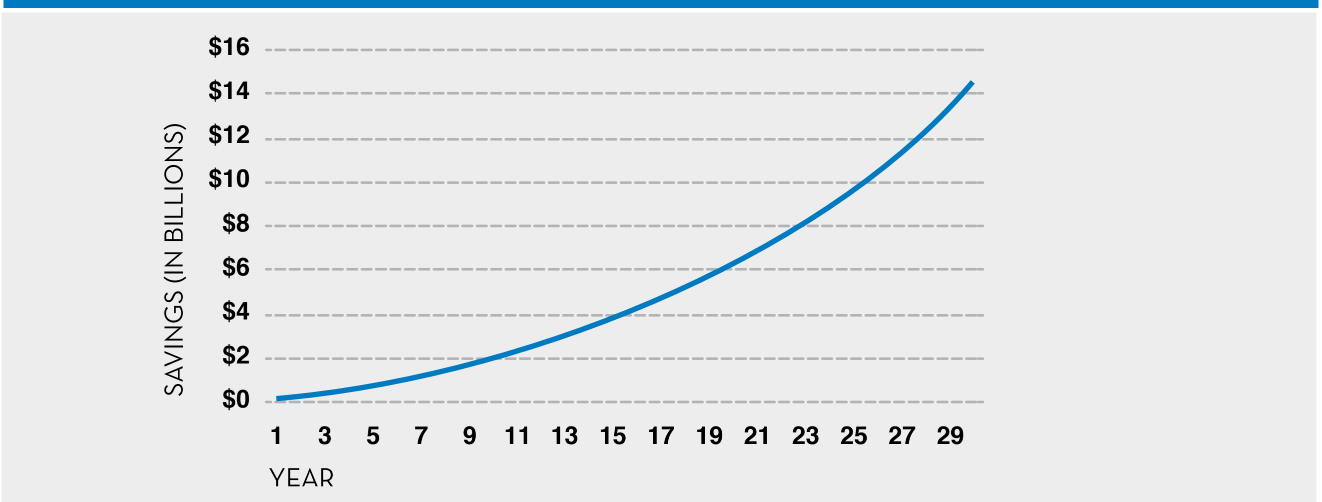
For example, a public bank could underwrite bonds for Chicago, CPS, and other government entities in Illinois. Chicago and CPS pay more than $35 million a year in bond issuance fees, of which underwriting fees make up the largest portion. If Chicago's public bank underwrites their bonds, they can put this money toward improving public services.

Similarly, a public bank could hire investment managers to manage pension funds for the city and its related agencies. Wall Street investment managers charge high management fees that are based on a percentage of the amount of money that they are managing, and they often also charge performance fees that are based on a percentage of the pension fund's return on investment. These fees add up very quickly, especially when pension funds invest with alternative investment managers like private equity firms or hedge funds.

Chicago's seven pension funds paid alternative investment managers an estimated $116 million in fees in FY 2017.[107] Over the last five fiscal years, they paid an estimated $144 million a year, on average, in alternative investment fees.[108] Because every dollar a pension fund does not spend on fees stays in the fund and earns a compounding return, the savings from not paying these fees grow exponentially over time.[109] Therefore, if the pension funds stopped investing in alternative investments and instead invested that money with the city's own public bank, the estimated savings to the funds from getting out of the alternatives would be:[110]

- **$152 million after 1 year;**
- **$874 million after 5 years;**
- **$2.1 billion after 10 years;**
- **$3.8 billion after 15 years; and**
- **$14.4 billion after 30 years.**

Cumulative Compounded Savings for Chicago's Pension Funds After Divesting from Alternative Investments by Year



Chicago's seven pension funds currently need to raise approximately $6.4 billion to get to a funding ratio of 70%.[111] By getting out of alternative investments alone, they can recover that amount in just 21 years. Even if the public bank had to offer seven-figure salaries to hire top-tier investment managers, paying a small handful of employees a couple million dollars each would still be significantly cheaper than sending over a hundred million dollars to Wall Street every year.

Finally, a public bank can also be the conduit for debt restructuring for Chicago and CPS. The city has $24 billion in outstanding debt and expects to make $2 billion in debt

BY ESTABLISHING A PUBLIC BANK, CHICAGO'S NEW ELECTED LEADERS WOULD BE SHORING UP THE CITY'S OWN FINANCIAL INFRASTRUCTURE AND CUTTING WALL STREET OUT ALTOGETHER

service payments in 2019, of which $1.2 billion will be interest. CPS has $8.2 billion in outstanding debt and expects to make $612 million in debt service payments in FY 2019, of which $450 million will be interest. Chicago and CPS have incredibly high interest payments because of their junk credit ratings. These credit ratings are artificially low, however, because the chances of either Chicago or CPS defaulting on their bonds are practically nil.

A public bank could refinance Chicago's debt at significantly lower interest rates. The traditional business model in banking was to take money from depositors and lend it to borrowers. Banks made their profits from the difference between the interest rates they paid to depositors and the interest rates they charged borrowers. A city-owned, public bank would not need to make a profit from its business with Chicago and its related agencies (including CPS). The bank could simply charge them the interest it has to pay depositors, which would allow the city and its related agencies to cut interest costs significantly.[†]

A public bank would be the antithesis of City Hall's neoliberal past. Instead of relying on market solutions offered by big Wall Street firms, by establishing a public bank, Chicago's new elected leaders would be shoring up the city's own financial infrastructure and cutting Wall Street out altogether. This would save taxpayers billions of dollars that could be redirected to funding world-class services for Chicagoans.

A Model for the World

The Chicago school of economics helped spread neoliberalism around the world, but it could not make its namesake city "world-class". Daley and Emanuel governed from the neoliberal principle that improving Chicago meant bringing in higher quality people—which to them meant wealthy and white—and pushing out everyone else. They were not interested in doing the hard work of improving the lives of the people who already called the city home. By pushing out poor, Black, and Brown families, they were hollowing out the very thing that makes Chicago world-class: its people.

A world-class city is one that takes care of the people who already live there. As Chicago prepares to put the Daley-Emanuel era in the rearview mirror, the city's new elected leadership needs to devise a new blueprint for progressive economic policies that puts the interests of Chicagoans first. That would truly put Chicago in a class of its own and make it a model for the rest of the world.

[†] A public bank would also have a second option for refinancing Chicago's short-term debt. Banks are allowed to take out short-term loans at extremely low interest rates from the Federal Reserve Bank's discount window. A public bank can be set up in such a way that it would be allowed to access the Federal Reserve Bank's discount window and serve as a conduit to pass those low interest rates onto taxpayers for short-term borrowing.

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