Every morning I go by a cluster of luxury high-rise condominium towers under construction in Vancouver, part of a $3 billion project developed by the son of Hong Kong tycoon Li Ka-shing (Olds, 1998). The development, rising from the lands of the 1986 world’s fair, is widely regarded by community groups and affordable housing advocates as a bittersweet fruit of the city’s effort to ‘go global.’ Last week news reports disclosed that a company controlled by Li is trying to buy the assets of Global Crossing, arousing the opposition of the Defense Department and the FBI for fear that the worldwide fiber optic network might come under Chinese ownership. To overcome this resistance, Global Crossing has retained the chairman of the Defense Policy Board and longtime advocate of the Iraq War, Richard Perle (Labaton, 2003). Perle is a managing partner in a venture-capital firm investing in "homeland security" companies, and in January of this year he met with a group of Saudi industrialists at a lunch arranged by Adnan Khashoggi, the arms dealer who borrowed much of his money for the Iran-contra transaction from the Bank of Credit and Commerce International (Hersh, 2003). I can't help but wonder whether BCCI was required to file HMDA reports before its collapse in 1991.

I offer this anecdote as a deliberate provocation, to help us rethink the challenges now confronting the community reinvestment movement. As we try to assess the just-in-time production of contemporary history, to assess the irrational exuberance of the nineties and the implications for community reinvestment, I think we can benefit by considering the work of two Smiths: Neil Smith (1996, 2002) on the production of geographical scale, and Michael Peter Smith (2001) on the emergence of a truly transnational urbanism.

Since the 1980s there has been a rich literature on the internationalization of property markets for the global-city elite. And these connections do seem to be strengthening and proliferating, reconstructing the scale of the "local" for your average middle-class homeowner. Gramm got his Gliba, the consolidation orgy began and culminated in a bout of infectious greed, and Phil got to go to work for a Swiss Banking giant (UBS Warburg) that changed its name so many times that its own customers had trouble recognizing the behemoth. But there is also a transnationalism from below, although it is less hopeful than some of the processes described by Michael Peter Smith. We may not run into Richard Perle or Phil Gramm when we walk through a working-class inner-city neighborhood, but increasingly we do encounter subsidiaries of name-brand

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banks woven into national and international capital markets. I am troubled by the discourse of "underserved" markets, since many of these areas were simply "ill-served," and "new" markets, since they are really only new for those who long avoided them.

But these terms do capture important changes. The boom of the 1990s brought the U.S. homeownership rate to its highest level ever recorded, and the new markets boom brought substantial gains to low-income and minority neighborhoods and borrowers. But it also did three things that present us with serious challenges. First, the boom redefined the meaning and material benefits of homeownership. Homeownership is valorized by exclusion, meaning that its value is premised on the fact that not everyone can have it. Thus an expansion in the overall rate requires watering down its benefits for some, or paying for benefits by extracting more resources from renters. I think it's fair to say that both happened in the 1990s. Second, the boom set the stage for what appears to be a systematic change in the pace and scale of capitalization. For the wealthy and middle classes, this is simply portfolio rebalancing after the collapse of speculative sectors of the equity markets. From the end of 1999 through the first quarter of 2001, total household wealth in equities and mutual funds dipped from $12.3 to $8.7 trillion, while housing equity jumped from $5.4 to $6.2 trillion. Low mortgage rates fueled continued housing market inflation, and freed up an estimated $55 billion in cash-out home equity loans just in 2001; this figure jumped to $130 billion in 2002. For those of us with (Denis) Koslowskian tastes, this buys a lot of dog umbrella stands, and tightens the market for renters and potential buyers. But it's not clear whether it helps the cohort of new low-income owners who purchased their homes in the boom of the 1990s. As James Defilippis has written, the irony in the term "equity" has been less than pleasant, with the near tripling of the subprime market share just in the loans we can measure with public data -- ignoring the rapid growth in HMDA-optional home equity loans. What is clear is that the emphasis on markets and homeownership of the 1990s has, not surprisingly, solidified the power and discipline of markets. These are not nameless, faceless aggregations of homo economicus, exercising consumer sovereignty in some utopian free market. These are powerful firms and institutions disciplining communities, activists, and legislatures when they commit the unforgivable sin of trying to regulate the terms or liability of credit. Recent events in Georgia bear a striking resemblance to the way Jason Hackworth has shown bond-rating agencies have disciplined old industrial cities during the lean budget years of post-Fordism.

Third, the intersection of new market initiatives and immigration created all sorts of connections in the 1990s that are now coming under intense surveillance. I had hoped to end on an optimistic note, but I just can't seem to do it. I think we are seeing the revitalization of the good old tradition of American exceptionalism, but in a new form of militant provincialism marked by borders and boundaries. America has woken up to the production of geographical scale and transnationalism from below, and the appointed Administration does not like what it sees. The celebrated entrepreneurialism and personal responsibility of rotating credit associations, remittance networks, and other staples of community development finance in immigrant communities looks different from a few years ago. Now capital must have a passport. That's a remarkable shift, and a principle that many of us could support if only it were applied consistently. If we can gain some control over that process, to challenge the double standards that impose Ashcroftian definitions of terrorist funding while viewing predatory capital as a
benign response to consumer choice, then we might be able to protect the hard-fought gains of the community reinvestment movement.

References


