Grassroots REPORT

FROM DIVESTMENT TO REINVESTMENT

Baltimore campaign links apartheid, redlining

By Patrick Bond

There may be no more powerful institution in Baltimore than the Maryland National Bank (MNB). There may be no more authentic symbol of power in the city than the Board of Trustees of the Johns Hopkins University. Last summer, Hopkins students and community and labor organizations discovered they had a mutual interest in tackling these two giants. The community organizations wanted the bank to invest in Baltimore's low-income neighborhoods. The students' primary goal was to force both Hopkins and MNB to divest their holdings in South Africa.

A three-month campaign against MNB's holding company yielded powerful results. The bank pulled out of South Africa completely and agreed to loan $50 million to low-income Baltimore neighborhoods over the next five years. While the student anti-apartheid activists failed to get Hopkins trustees to support full divestment, their alliance with community organizations has increased their strength and their political maturity as they continue to pressure the university.

FROM BALTIMORE TO JOHANNESBURG

Despite Baltimore's recent downtown renaissance, complete with upscale shopping, new office buildings, and gentrification, a recent congressional Joint Economic Committee study named the city the fifth neediest in the nation. And one of Baltimore's worst blemishes is its tremendous low-income housing shortage, a crisis stemming in part from "redlining" practices by major local banks. In recent years, large commercial banks have refused to make a fair proportion of home mortgage loans in low-income and minority census tracts. A Hopkins study cited MNB as the worst offender.

While MNB avoided investing in Baltimore neighborhoods, it was investing abroad. MNB's Latin American loans amount to well over $200 million.

MNB also participated in at least $50 million in syndicated loans to South Africa during the 1970s, according to investigators from the United Nations Centre Against Apartheid. Responding to calls for divestment, MNB officials in 1986 claimed that the bank no longer had any business dealings with South Africa. However, a Hopkins student discovered that MNB maintained so-called "correspondent banking accounts" with three Johannesburg banks. Many banks maintain such accounts, which permit short-term trade financing between U.S. companies and South Africa. In a recent *Euromoney* interview, South Africa's finance minister stated that these ties enable his government to withstand international sanctions.

The partial sanctions Congress imposed against South Africa in September 1986 prohibit U.S. banks from engaging in new lending to the country, but specifically allow trade financing. Senator Charles Mathias (R-MD) offered this loophole as an amendment to the sanctions bill. Mathias has since retired and joined the faculty of Hopkins' School for Advanced International Studies.

STUDENTS AGAINST APARTHEID

The two-front Baltimore campaign began as a typical student divestment struggle. The Johns Hopkins Coalition for a Free South Africa, formed in January 1986 after South Africa's antiapartheid Bishop Desmond Tutu visited the university, had been trying to force the school to divest its $70 million in South Africa-related investments. Calls for divestment became more frequent and urgent in May, following a night-time firebombing of a mock South African shanty. One antiapartheid activist sleeping in the shanty was hospitalized with burns and two others narrowly escaped injury.

In response to the firebombing, Hopkins trustees imposed a ban, backed by a court order, against shanty construction on campus. When students continued to build shanties, they were arrested and cited for contempt of court. At many universities, such bans have

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been effective in quelling activism, but Hopkins students and faculty rallied enough support to force the administration to back down and allow shanties. Within a week, shanties were up to stay on campus in a victory widely reported throughout Baltimore.

Student activists then decided to embark on a "corporate campaign" targeting MNB as the locus of power at Hopkins. They charged that the trustees' resistance to divestment stemmed from conflicts of interest. MNB was doing business in South Africa and seven members of the MNB board of directors were Hopkins trustees—including MNB's current and former chairmen, the chairman of Hopkins' Board of Trustees, and Baltimore's leading philanthropist. Moreover, the bank had just donated $1 million to Hopkins for an evening business school two blocks from MNB's downtown headquarters, and the university keeps many of its own accounts with MNB.

The students hoped to persuade the seven powerful MNB trustees that divestment of Hopkins' South Africa-related holdings would be in the best interests of the bank. A protest at a campus cocktail party hosted by MNB to recruit bank trainees launched the campaign. The party was held in Hopkins' Glass Pavilion, a building with a large balcony circling its four plate-glass walls. Well-dressed coalition members inside handed out leaflets in plain white envelopes, and two dozen activists outside on the balconies glared at the bankers and draped banners calling on MNB to break ties with South Africa.

JOSE IVEY

A student-community coalition pressured Maryland National Bank to end its involvement in South Africa and begin lending to Baltimore's needy neighborhoods.

Four days later, on October 10, a Hopkins student holding a stock proxy entered an MNB shareholders meeting. Forty protesters picketed outside the bank's corporate headquarters, while inside the meeting the shareholders were told that protests would continue as long as MNB did business in South Africa and Hopkins refused to divest. After ten more days of picketing, the students built a shanty in front of MNB headquarters, attracting the local press in force—and creating bad publicity for the bank. However, MNB officials refused to even meet with the Coalition for a Free South Africa.

On October 27, the Hopkins Trustees rejected total divestment. The Coalition for a Free South Africa responded with a nine-day occupation of the administration building, renaming it "Mandela Hall." The students argued that 22 Hopkins trustees, including the seven MNB bankers, had conflicts of interest on their divestment vote because they represented companies involved in South Africa. And on November 5, the students resumed their picketing at MNB headquarters.

BIRTH OF AN ALLIANCE

In their challenge to MNB, Hopkins students found a natural ally among community activists. While students searched for a way to force the bank and the university to divest, Baltimore's main activist group, Maryland Citizen Action Coalition, was making banking a community issue following the calamitous state savings and loan crisis of 1985-86 [see *D&S*, July/August 1985]. In the spring, Hopkins students began to meet informally with Citizen Action and assist the organization with research. The students were also among the participants when Citizen Action

convened a conference on banking in July 1986. Out of that conference came a new organization, the Maryland Alliance for Responsible Investment (MARI).

Since then, MARI has been the core of a powerful community-student alliance. The organization's charter members included the Coalition for a Free South Africa, the local AFL-CIO, and the NAACP. Local non-profit housing advocates—including Baltimore Neighborhoods Inc., the People's Homesteading Group, and the Northwest Baltimore Corporation—and other community groups and civic associations were also active from the start.

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The coalition works to insure fair banking standards and accountability by local financial institutions in areas as diverse as labor relations, ties to South Africa, and third world debt. MARI also wants banks to reinvest their money in the communities from which it comes. Baltimore's largest bank, MNB, was MARI's first target.

The strategy for the MNB campaign was set even before MARI was formally launched, when the bank announced plans to merge with American Security Corp., a large Washington D.C. bank. The merger—and the federal Community Reinvestment Act of 1977 (CRA)—gave activists crucial leverage. That act allows the public to challenge such mergers if it can be shown that one or both of the banks are failing to "affirmatively meet the credit needs of the communities in which they are chartered to do business, including low- and moderate-income communities." Community groups can file a formal protest against a merger application, saddling a bank with bad publicity and costly delays until the Federal Reserve Bank rules on the challenge.

As members of MARI, the student protesters worked closely with the community CRA campaign, and a Hopkins graduate student was on the negotiating team that met throughout November with top MNB officials. MARI's demands, presented on October 30, reflected this cooperation—it included both increased investments in low-income neighborhoods and an end to MNB banking ties to South Africa.

One unprecedented demand was that MNB endorse a concept to solve the debt crisis put forth by Senator Bill Bradley (D-NJ). Bradley's proposal calls for banks to write off much of their $100 billion-plus in loans to less developed nations in exchange for new investment opportunities for U.S. capital in third world nations. While new U.S. investment might not aid those nations, establishing the principle that banks should suffer for dubious lending practices made sense to MARI.

The AFL-CIO and the Hopkins students endorsed the Bradley plan as a way to save U.S. jobs, while helping third world nations raise their standard of living. Relieved of much of their debt, other nations could begin importing U.S. goods again. Moreover, they could export less to this country since they wouldn't need dollars that only went to repay loans.

ALLIANCE BRINGS VICTORY

While MARI negotiated with MNB, it held off filing a CRA challenge to the bank merger. However, antiapartheid activists from other universities came to the aid of the Hopkins students. Students from Georgetown University in Washington picketed the local American Security branches that MNB hoped to acquire, and, in a key move, the Student Coalition Against Apartheid and Racism, a group with representatives from a dozen area universities, submitted a letter to the Federal Reserve Board alleging race discrimination patterns in mortgage lending by MNB. The letter also asked the Fed to delay MNB's merger application for two weeks.

The Federal Reserve Board granted the delay and told MNB to meet with the Student Coalition Against Apartheid and Racism, thus engaging the bank in a second set of negotiations with activists. On November 5, 13 student leaders, including two Baltimore high-school students, told the bankers that protests would continue as long as the bank stayed in South Africa. Two days later, MNB announced it would cut all ties to South Africa.

Members of the Coalition for a Free South Africa were cautious. They believed that MNB might be trying a divide-and-conquer strategy to split the students from the other groups in MARI. Moreover, Hopkins still refused to divest. Rather than declaring an unconditional victory, students continued to protest outside the bank's headquarters, citing the role of the seven Hopkins Trustees from MNB. Thousands of leaflets were distributed over the next ten days.

Two weeks later, MNB conceded and the *Baltimore Sun* reported MARI's victory: "Under pressure from a coalition of community groups, Maryland National Bank announced yesterday that it has agreed to lend at least $50 million over the next five years to low- and moderate-income families, small businesses, and housing developers in Baltimore." Members of MARI will sit on a new MNB Community Development Advisory Committee to monitor the agreement. MNB also endorsed the Bradley debt-crisis plan, introduced a free checking account for the poor, and will make donations of $50,000 a year to community groups.

Since November, the Hopkins Coalition for a Free South Africa has turned to other banks, demanding that they, too, end trade financing and correspondent banking ties. The organization is joining a national effort to force Citibank out of South Africa. In April 1987, students from Hopkins, Morgan State University, Towson State

University, and the University of Maryland built a shanty outside Citibank's main Baltimore branch and vowed to escalate that struggle with new tactics and civil disobedience.

On the other hand, the Coalition for a Free South Africa has yet to win divestment at Hopkins. But continued struggle is forcing more and more members of the university community to question the moral and political values of the trustees who make decisions for Hopkins—and Baltimore.

From their participation in MARI, Hopkins students learned the impact of redlining taking place just minutes from the elite university's campus. They are determined that MNB allot mortgage money to finance housing for low-income Baltimore citizens displaced by the university's extensive real-estate purchases. With 140 residential properties owned by Hopkins Hospital, students and community residents fear gentrification, and they are demanding that Hopkins turn over vacant houses for rehabilitation by the Baltimore Homeless Union.

MARI is still a young coalition, and is hoping to win even more concessions—and benefits for Baltimore—as it grows. New MARI campaigns have since begun against interstate mergers involving Sovran Bank, North Carolina National Bank, Baltimore Federal Financial Savings and Loan, and the Bank of Baltimore.

The victories over powerful MNB and the ongoing struggle at Hopkins set several precedents. First, students won free-speech rights at a university that tried, as so many others are trying, to ban shantytown construction. Now they are taking that symbolic tactic off campus and into Baltimore's financial district. Second, Baltimore activists won by forming a student/community alliance aimed at a common target. Their strategy of public protest combined with behind-the-scenes negotiations by a united coalition culminated in a commitment by a huge bank to change basic policies.■

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WELFARE

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costs of home-based childcare only in the poorer states in the nation and would probably be insufficient to pay for enrollment in a daycare center anywhere. In California or Massachusetts, such benefits would only cover half to three-quarters of the cost of childcare. More important, the Ford bill would only continue such benefits for six months after the recipient found work.

The most any of the state plans offer for health coverage is a grace period during which the recipient can continue to receive Medicaid. In Massachusetts, whose program has been considered one of the most successful, a recent survey of recipients placed in jobs showed that only 55% had any health coverage where they worked; only 14% received benefits paid in full by the employer.

The federal legislation currently under consideration does no better than the state programs in providing these necessities for welfare recipients entering the paid work force.

WELFARE AND PARTY POLITICS

This year's competition to claim credit for welfare reform is an early skirmish in the upcoming presidential election. For Republicans, an attack on welfare is an attack on the role of government in redistributing income to the poor. For Democrats, welfare reform is an opportunity to demonstrate that they are efficient state managers. They emphasize the cost-saving aspects of proposals to show that they can do more than just throw money at problems. This new image, they hope, will sweep them into office in 1988.

But whoever gets elected in 1988 is likely to find that while he may be able to kick families off welfare, in so doing he won't reduce poverty. The current range of reform proposals doesn't address the basic problems that generate poverty: unemployment, low-paying jobs without benefits, inequitable wages for women, and an inadequate supply of affordable childcare.

In the abstract, there is nothing wrong with some aspects of the welfare reform proposals being considered by Congress. Increasing economic opportunity for welfare recipients through vocational training and job placement is a worthy goal. And it is a step forward for legislators that they are proposing at least some form of childcare subsidy.

But as long as politicians insist on making participation by welfare recipients with no children under three years of age mandatory, the introduction of job training programs is not a positive development. As long as legislators continue their retreat from the commitment to provide a sufficient, basic income to the poorest members of society, their proposals will only oppress welfare recipients.

A more progressive welfare reform would recognize that a job is not an automatic ticket out of poverty for single-parent families. A meaningful system of income supplements for low-income families, such as the European family allowance system, comes closer to what is required. In this system, the government pays a uniform subsidy to all families with children. In Western Europe as a whole, between 1% and 2% of gross national product is devoted to family allowances. Devoting the same share of GNP to alleviating family poverty in the United States would require between $40 and $80 billion, roughly twice what we are currently spending on AFDC and Food Stamps.

If the policy goal is to expand the labor market options available to welfare recipients, the most important consideration should not be welfare reform but rather raising the effective wages of the work that is available to them. Such a change, which workers have as much interest in demanding as those on public assistance, would involve mandating both higher cash wages—by at least raising the minimum wage—and employer-provided benefits like health insurance and childcare. Then those welfare recipients who want to enter the labor market will not have to bear such economic hardship to do so.■

SOURCES: Michael Katz, *In the Shadow of the Poor House*, 1986; Teresa Amott and Jean Kluver, *ET: A Model for the Nation?* American Friends Service Committee, 1986; House Ways and Means Committee, "Background Material and Data," *Ways and Means Committee Print: 99-14.*