

# Municipal Bank of LA: Democratic Governance Frameworks

Michael McCarthy<sup>1</sup>

<sup>1</sup>Marquette University; Berggruen Institute Fellow

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# The Deliberative Promise

To pursue a model of finance that breaks with neoliberalism, the [Municipal Bank of Los Angeles](#) (MBLA) must be democratically run. It is not enough to make the bank answerable to public representatives. Forms of active citizen deliberation must be integrated into its processes, in order to acknowledge deep and persistent inequalities in the city of Los Angeles. A board of governors will handle operational divisions, like at any bank. Two other institutions must be set up: people's assemblies and standing commissions.

People's assemblies are a way to coordinate public deliberation about how to allocate the bank's investments. Assemblies use random selection or stratified sampling to bring manageably sized groups of residents together to make collective decisions about bank mandates. Unlike voting, which collects an individual's top-of-mind opinions, people's assemblies are deliberative and therefore promote discerning judgments. Much like juries, they are filled based on civic duty.

Ideally, every resident of Los Angeles would be able to deliberate about the bank's investments. But this is simply not feasible at scale, given the need for efficiency and workability. In complex cities like Los Angeles, local democracy requires divisions of mental labor where some of us focus on, learn about, and deliberate over an area on behalf of others. Representative democracy of course offers a solution to this problem. But relying solely on representative government excludes residents from deliberative decision-making and increases chances of political corruption and interest-group influence over the process. On the other hand, the public comment process is deeply flawed because it allows the loudest voices to dominate the room and fails to resolve contentious issues.

People's assemblies solve these design problems by assembling ordinary citizens, who are then provided clear information about an issue or set of options, based on which they deliberate on key questions. These residents are chosen through a random lot process. There are also ways to more heavily sample from historically underrepresented or politically marginalized groups, if it is desirable. And this has tremendous promise as being a key decision-making process for MBLA.

Governance by lot is an old idea that has its roots in ancient Greek democracy. It was also used in the ancient Roman Centuriate As well as later, in more complex early modern societies, such as the Republics of Venice and Florence. Recently, people's assemblies have gotten a new lease on life, as they are increasingly used to grapple with complex and controversial public issues such as questions about

reproductive rights (e.g. Ireland) and climate change (e.g. France). The OECD has described this new turn toward assembly democratic governance as a “[deliberative wave](#).”

Across the globe, assembly experiments using random selection, or sortition, empower ordinary residents to make democratic decisions, give hard decisions a degree of popular legitimacy, make governance more inclusive, help root out political corruption, and enhance social trust. As the OECD [has laid out](#), assemblies work because they draw from a very diverse population of possible participants, create good conditions for quality judgements, provide the information, time, and facilitation needed to remove as much bias as possible, focus on the common good, and engender a high degree of trust among the population at large. As we will suggest below, such a process is ideal for MBLA.

In addition to an assembly, standing commissions will be needed. These could serve two functions. First, class-based commissions could provide a guaranteed voice for the non-elite. Institutions of American democracy suffer from persistent and thorough elite capture, allowing the few to dominate the many. Democratic public banks offer a partial remedy to this problem. One possibility is to create a standing commission within MBLA, exclusively for the voices of the non-elite of the city.

Second, issue-area bodies would weigh in on key pre-determined social priorities. Were the city to determine it, we might have an environment commission to ensure that bank mandates helped to fulfill environmental goals; an indigenous commission to help ensure that bank mandates helped to realize goals pertaining to indigenous communities; and so on. Standing commissions for the environment, workers and indigenous communities, would review the core mandates made for MBLA and possibly veto those that are clear violations of their goals. Even this has precedence elsewhere. In 1986, the Banco Popular y de Desarrollo Comunal in Costa Rica established a “Workers’ Assembly” as the highest decision-making organ. It is composed of 290 representatives selected from ten different occupational sectors. Our model diverges from this approach, as we will show below, but is in its spirit.

Los Angeles’ public bank should treat people’s assemblies, supplemented with standing commissions, as core to its mandate. A large number of experiments in people’s assemblies offer up real-world resources for thinking about the nuts and bolts of democratized finance. We now turn to four ongoing experiments in democratization, drawn from three continents. Together they point to design principles for how finance might be democratized over four-year cycles (that in the US might map onto midterm elections).

We propose that the bank have five governance features: a people's assembly, exploratory juries, people's investment boards, people's review panels, and standing commissions.

# Designing Democratic Governance

A public bank will require a governing board of experts and regular operational divisions. That board might be filled by a general election informed by the findings of a people's assembly (a group of members of the public selected through a sortition process), or by political appointment. The operational division could be hired and largely managed by the governing board. Drawing from recent experiments in lottocratic democracy and building on [new research](#) on public banks and their governance, let's now turn to five specific ways to democratize the bank.

## People's Assembly

The city council of Bogotá, Columbia, set up a body for sequenced deliberation with residents, who were selected through a representative civic lottery through [DemoLab](#). MBLA might work with a similar US-based advocacy group for sortition, to help manage the participant selection and deliberation process. These permanent bodies run simultaneously and consider different issue areas. Their purpose is to develop collective recommendations to the city council. Their members change through lotteries at set intervals.

In Bogotá, the assembly was put into action for the first time in December 2020. One hundred and ten residents, selected through lot, participated in it. They were tasked with identifying broad objectives for the city's urban planning. In the second round, in October 2021, 60 citizens, of which eighteen had participated in the first assembly, were brought together to turn those ideas into concrete recommendations. For both assemblies, citizens spent two weeks engaged in learning activities, followed by two days of remote deliberation (because of the pandemic).

**MBLA can follow from this model, in which an assembly was made the highest decision-making body and core mandate-generating layer of governance.** Our people's assembly would be composed of ninety-nine residents selected through

stratified sampling (to ensure fair representation of key demographic groups). It would be responsible for identifying the broad priorities of the bank for the next investment cycle. These priorities, made on multi-year time horizons, would set the broad mission of the bank until the next assembly convenes. Investment priorities will act as guidance for bank management and staff to build portfolios. However, the staff will compose those portfolios and determine the risks that can be taken within them. An optional measure is for the assembly to propose the creation of *exploratory people's juries* and the mandates for *people's investment boards*, to monitor performance and decision-making between assemblies.

## People's Research Juries

In 2019, 30 Parisians selected by lot were tasked with convening, deliberating, and making recommendations about ways to improve resident involvement in the city's governance. The group recommended the creation of a permanent ["Assembly of Parisians,"](#) which was voted in favor of by the city council in September of the same year. Paris' assembly was kicked off on November 27, 2021, making it the first major city with a standing people's body.

The design element of interest here is their resident jury. As part of its charge, Paris' assembly can initiate one-time resident juries that are tasked with answering a question set by the assembly in a three-month period. The purpose of the jury is to produce recommendations for further consideration at the assembly's next convening.

A research jury can play a similar role in MBLA. Here the people's assembly may identify poorly understood areas of possible interest for investment. For instance, perhaps significant concern arises about lead water pipes in the city. But the conveners of the assembly and prior resident juries had not prepared for this topic, and thus have only poor documentation and evidence to set a mandate about it. The people's assembly can then initiate a smaller research jury to investigate the area, commission studies, and generate recommendations. As I show below, our standing commissions might also have the capacity to initiate a similar research jury. The research juries would run between the second and third years of the four-year cycle. Their recommendations and the findings would then be deliberated on at the beginning of the next four-year investment cycle, by the newly formed people's assembly.

## People's Investment Panels

Ostbelgien in Belgium has set up a [bürgerdialog](#)—a resident dialog-based process for people's assemblies. Much like the Parisian assembly, the Belgians set up a permanent citizens' council with agenda-setting power. However, it also can create up to three citizens' panels to address specific issue areas. These panels are composed of between 25 and 50 people, who are selected through lot.

With respect to MBLA, our peoples' assembly would form specific peoples' investment panels, much like the Belgian citizen panel, to oversee specific parts of the bank mandate. These 25-person standing boards would rotate people in and out over the course of the four-year plan. Their purpose is to oversee actual investment allocation in given mandate areas. There might be a small business lending panel, a housing panel, a green infrastructure and technology panel, a financial inclusion panel, and so on—the actual content of the mandates is an issue for deliberation. Their purpose, however, would be to work with the governing board and the operations divisions to consider key questions in specific investment areas.

## People's Review Board

In Toronto, Canada, the [Toronto Planning Review Panel](#) was established in 2015 as a permanent deliberative board to consider issues of transportation and planning. The 32 members of the review panel serve two years; then another is selected by lot. Their charge is to serve in an advisory capacity to city planning processes.

For our new public bank in Los Angeles, we can construct a similar review board, whose charge is to review operations, to make sure that the bank is achieving its mandate with financial and social impact reporting. Like the other deliberative assemblies, these panels would be filled by lot. Though they would be standing panels, they would not meet continuously over the four-year cycle. Instead, the review panel would meet in the second and fourth year of the cycle, to provide assessments, based on information solicited from the board of banking experts and the people's investment panels. In the second year, the review board would produce a report for the public about the bank's progress. In the fourth year, in addition to the public report, it would produce a report for the next citizen assembly, to help guide the creation of new mandates.

## Plebeian & Issue-Based Commissions

For our final set of institutions, we take inspiration from the class-based institutions of the past, such as the tribunate of the Roman Republic. Much like the non-elite today in American politics, in the Roman Empire, the plebeians, or *plebs*, were excluded from political institutions controlled by the aristocratic patrician class. Through rebellion, they were eventually able to achieve political inclusion.

Here we can include standing commissions that will ensure that certain viewpoints and social fractions are represented in bank policy. We propose the creation of three such commissions: a workers commission, a green commission, and an indigenous commission. Each would consist of 31 lottery-selected participants. The workers commission should not only exclude the hyper wealthy and political elites, but would also exclude the upper-middle and managerial classes. For ease of selection, the workers commission could exclude those among the wealthiest 20 percent of families, based on recent US Census data. Similarly, our green commission will include ecological experts and climate movement practitioners. Finally, our indigenous commission will exclude non-indigenous people from the lottery.

The standing plebeian and issue-based commissions can help set the mandates for the bank, along with the People's Assembly. These commissions would have two basic powers. First, they would review the assembly's initial mandate recommendations, approving those they are able to, and vetoing one at most—to ensure they don't capture the process entirely. Second, they would have the power to propose one area of inquiry for the People's Research Juries to investigate and make mandate recommendations for the next People's Assembly process. This way, particular class-, ecology- and historic-injustice based interests would be fairly represented.

Together these five governance features—a people's assembly that creates investment mandates, standing commissions that ensure compliance with mission, exploratory juries that research new areas, people's investment boards that oversee the allocation of funds, and people's review panels that issue public facing reports—will imbue MBLA with democratic legitimacy. This will help the public bank avoid capture by private interests and function in a way that reflects the needs of the people of Los Angeles. Democratization of finance is the only way to achieve just finance.



**Figure 1: A System of Democratic Governance for MBLA**

