Agenda Item 1333 TESTIMONY 2:00 PM TIME CERTAIN

# SOCIALLY RESPONSIBLE INVESTMENTS COMMITTEE REPORT

IF YOU WISH TO **SPEAK** TO CITY COUNCIL, **PRINT** YOUR **NAME.**

| Number | Name (please print) | Address & Zip Code (optional) | Email (optional) |
|---|---|---|---|
| ✓ 1 | Randi Rosenfield | 428 SW Colony 97219 | |
| ✓ 2 | Amanda Aguilar Shank | | |
| ✓ 3 | Jamie Teinkle | | |
| ✓ 4 | Roberta Phillip Robins | | |
| ✓ 5 | Kayse Jama | | |
| ✓ 6 | Bob Horenstein | | |
| ✓ 7 | Craig Berne | | |
| ✓ 8 | Rabbi Fischer | | |
| ✓ 9 | CJ Robbins | Black Male Achievement | |
| ✓ 10 | ~~Chabre Vickers~~ Audrey Alverson | HRC - Vice Chair | |

Date 11-30-2016

Page 1 of ______

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|---|---|---|---|
| 11 | ✓ ~~Audrey Alverson~~ Chabre Vickers | HRC - Chair | r |
| 12 | ✓ Roz Roseman | 2808 SE Clay St Pdx 97214 | rozroseman@gmail.com |
| 13 | ✓ RICHARD TOLL | 13021 SE RIVER RD PORTLAND 97222 | RTOLL41439@AOL.com |
| 14 | ✓ Isabella Fernandez | | |
| 15 | ✓ Peter Parks | 5728 N. Wilbur, Pdt. 97217 | |
| 16 | ✓ Maxine Fookson | SE 54th | |
| 17 | ✓ Daniel Shea | 19716 NE Flanders Portland, OR 97230 | djshea@hotmail.com |
| 18 | ✓ ~~GREGORY MONAHAN~~ MELISSA LANG | 7225 SW 13TH AVE PORTLAND, OR 97219 | gregorymonahan29@gmail.com |
| 19 | ✓ Wael Elasady | Portland, OR | |
| 20 | ✓ Cindy Corrie | 5637 Old Hwy 110 SW Olympia, WA 98512 | cindy@rachelcorriefoundation.org |

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Page 2 of ______

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|---|---|---|---|
| 21 | ✓ Craig Corrie | 5637 Old Hwy 410 SW Olympia, WA 98512 | |
| 22 | ✓ stephen Denny | 10143 SE 49th Ave Milwaukie OR 97222 | |
| 23 | ✓ ~~Bill Sankford~~ Hyung Nam | | |
| 24 | ✓ Cheryl Livneh | | |
| 25 | ✓ ~~Richard Horowitz~~ anthony Sahr. | | |
| 26 | Jeff Reingold / ✓ Rachel Rachel Nelson | | |
| 27 | ✓ Randie Peterson | | |
| 28 | ✓ Michael Weiner | | |
| 29 | ✓ Michelle Bimbaft Minch | | |
| 30 | ✓ Michael Horenstein | | |

Chloe Eudaly

Date 11-30-2016

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|---|---|---|---|
| 31 ✓ | Rabbi Rose | | |
| -Break- 32 ✓ | Rabbi Cahana Cahana | | |
| 33 ✓ | Rob Jacobs | | |
| 34 ✓ | Ron Swerdlin | | |
| 35 ✓ | Crystal Elinski | POB 8973 97207 | |
| 36 | Doug Bennett | 415 SW ~~Alder~~ Alder St. 97204 | |
| 37 | ~~Wael Elasady~~ | PDX | |
| 38 ✓ | Steven Goldberg | PDX | |
| 39 ✓ | Diane Pulin | PDX | |
| 40 ✓ | Joe Finkbonner | PDX | |

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|---|---|---|---|
| 41 | Phil Jayson Killary | | |
| 42 | ~~Dick Toll~~ | | |
| 43 | ~~Stephen Perry~~ | | |
| 44 | ✓Catherine Alder | | |
| 45 | ✓Ron Warner Jr. | | |
| 46 | ✓Marlene Eid | | |
| 47 | ✓Phyllis Beckmeyer | | |
| 48 | ✓Dona Mustafa | | |
| 49 | Leila Terrace | | |
| 50 | ✓Mark Braverman | | |

Date 11-30-2016 OVER → Page 5 of ______

✓51. Ned Rosch
✓52. John shuck
✓53. Tom Beilman
✓54. Curtis Bell
✓55. Stephanie Wahab
✓56. TigherMan Lee
57. Ava Soto Perella
58 Jema Noelle
✓59. Anneka Henry
60. Rosella De Leon
✓61. ROCHELLE GAUSE
✓62 D Pei Wu
✓63 Peter Starzynski

✓64. Faviana Schectman

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|---|---|---|---|
| 51 | ✓ Cecelia A. Beckwith | 2107 SE 43Rd Portland 97215 | ceceliabeckwith@gmail.com |
| 52 | ~~PHYLLIS BEKEMEYER~~ | 2116 N.E. 53ND AVE PDX 97213 | |
| 53 | ✓ Anita Rogers | 825 NE 20th Ave #250 Portland, OR 97232 | |
| 54 | ~~Ron Werner~~ | 6229 NE FREMONT ST. PORTLAND, OR 97213 | |
| 55 | ✓ Renato Quintero | 229 Scherry DR Cornelius OR 97113 | |
| 56 | ~~Diane Dulin~~ | 0245 SW Bancroft AVE | |
| 57 | ~~Tom Beitman~~ | 0245 SW Bancroft Ave | |
| 58 | ✓ Joanie McClellan | 5417 SE Flavel Dr. | joanmcclel@aol.com |
| 59 | ✓ Hanna Eid | | hanneid@pdx.edu |
| 60 | ~~Curtis Bell~~ | 1808 NW Aspen | curt.c.bell@gmail.com |

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|---|---|---|---|
| 61 | ✓ Patrick O'Herron | 97217 | |
| 62 | Audry Alverson | 97214 | |
| 63 | ✓ Rod Such | 97214 | |
| 64 | ✓ Rev. Bill Sinkford | 97210 | |
| 65 | ✓ Romeo Sosa | | |
| 66 | ✓ Spoke for 2 Pedro Sosa | | |
| 67 | Ruth Campbell read for ✓ Eileen Sterlock | | |
| 68 | ✓ Alfredo Gonzales | | |
| 69 | Charlie Flenelling | 97201 | |
| 70 | ✓ Dee Poujade | 97201 | |

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|---|---|---|---|
| 71 | ~~Esther Nelson~~ | 4 Mountain Circle 97035 | |
| 72 | ✓ SANDY POLISHUK ~~Nancy Becker~~ | | |
| 73 | ✓ Harriet Cooke | 3126 SW Carson St | holisticcooke@aol.co |
| 74 | ✓ Will Fuller | 3824 SW Canby ST | wufuller@teleport.com |
| 75 | ✓ ERIC VEGA | 7703 SE WOODWARD | SAC86880@CSUS.E |
| 76 | ✓ Peter Miller | 1706 SE 30th | |
| 77 | ✓ Eliana Machuca | | |
| ✓ 78 | ✓ MICHAEL TRIGOBOFF | | |
| 79 | ~~Peter Starzynski~~ | | |
| 80 | JACKIE FORD | 101 N. MORRIS ST APT 111 BOX | |

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|---|---|---|---|
| 81 | ✓ DAVID DELK | 11 NE 4th 97213 | |
| 82 | ~~SANDY POLISHUK~~ | | |
| 83 | ✓ Eileen Lipkin | 10806 S.W. 4th Ave Portland OR 97219 | |
| 84 | Nadene Goldfoot | 21016 SE Stark st Gresham, OR 97030 | |
| 85 | ✓ Oscar Guerra-Vera | | |
| 86 | ✓ Dorian Pacheco | | |
| 87 | ✓ Saige Wheaton | | |
| 88 | ✓ GARY DARLING | | |
| 89 | ~~Hyung Nam - SRIC member~~ | | |
| 90 | RON POPKIN | 97205 | |

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| Number | Name (please print) | Address & Zip Code (optional) | Email (optional) |
|---|---|---|---|
| 91 | Emiliano Vega | | |
| 92 | ✓ Alex Kaplan | | alexkaplandoc@gmail |
| 93 | ✓ Kay Ellison | | |
| 94 | Ali Pullen | | alipullen756@me.com |
| 95 | Garrett Felber | | |
| 96 | Elizabeth Hinton | | |
| 97 | ✓ Michael Sonnleitner | | soulon2u@hotmail.co |
| 98 | ~~Cheyenne McClain~~ | ~~724 NW Davis Portland OR 97209~~ | ~~cmcclain@[illegible]~~ |
| 99 | Jordan Winkler | | Jordan.Winkler@gmail.com |
| 100 | left Cheryl Torch | 5020 SW Windsor Ct Portland 97221 | chery_torch@hotmail.com |

**Agenda Item 1333** **TESTIMONY** **2:00 PM TIME CERTAIN**

| Number | Name (please print) | Address & Zip Code (optional) | Email (optional) |
|---|---|---|---|
| 101- 101 | Charles Bridgecrane JOHNSON | | |
| 102 | Bill Dodds | 30947 SE Bluff Rd 97080 Gresham OR | BillDodds@HotMail.Com |
| 103 | Mulch Wilson | | |
| 104 | Herschel Soles | 6126 NE 31st Ave | herschel@spiritone.com |
| 105 | Ron Katz | 3044 NE 53rd | |
| 106 | Lorraine Widman | 942 SW PLUM Dr. | lorrainebwidman@gmail.com |
| * 107 | Disability Mohammed Nabil | PDX | |
| 108 | Julie Reardon | | |
| 109 | Dialo Bennett | | |
| 120 | | | |

Date 11-30-2016

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## Parsons, Susan

| | |
|---|---|
| **From:** | Charlie Flewelling <flew4117@pacificu.edu> |
| **Sent:** | Wednesday, November 30, 2016 4:39 PM |
| **To:** | Council Clerk – Testimony |
| **Subject:** | Testimony for Socially Responsible Investments Committee Report Hearing on 11/30/16 |
| **Attachments:** | City Council Prison testimony Flewelling 11-30-16.pdf |

Dear Council Clerk,

Please accept the testimony below (and attached) for the hearing on Socially Responsible Investments. I decided to email this testimony instead of presenting orally after the decision was made to limit comments to 1 minute.

Many thanks,

Charlie Flewelling
1880 SW 5th Ave #66
Portland, OR 97201
Charlie@Pacificu.edu
(971)300-4802

Hello, my name is Charlie Flewelling, and I thank the council for this opportunity to be heard. I am here to speak about my experiences as an attorney who has been to Dilley Texas to volunteer with the Cara Pro Bono project providing legal services to asylum seekers incarcerated in the South Texas Family Residential Center. This is a facility run by CCA. The businesses under consideration, especially Wells Fargo, invest in and directly profit from private prison companies such as CCA.

This facility has beds for 2,200 people, and is known as baby jail. Asylum seekers, including those who merely present themselves at the border and ask for help, are put into these private prisons. The facility in Dilley houses only mothers with accompanied children under the age of 18. There are toddlers without crayons. Kids receiving no education. Mothers who are nursing infants. Most are sick, kept indoors in crowded conditions without access to basic medical care. All in a jail. ICE says differently, but there is barbed wire, flood lights, security, and no option to leave, no self determination.

As a human my biggest concern comes from the hundreds of stories the asylum seekers tell: rape, murder, and extortion, and the threat that the US would send them back. As an attorney, my biggest shock came from the lack of due process:

The majority of the mothers who I worked with had no charging documents. Nothing saying why they were detained, or what the process would be for getting out. The bedrock of habeus corpus is that if we hold someone in jail it be for a reason, and that they know the reason.

Asylum seekers are moved across the country with no notice to their attorney of record.

The legal issue to be decided is do the asylum seekers have a credible fear of torture or persecution. At this point in the process the legal standard is basically do asylum seekers have any likelihood of being credible in their fear. It is supposed to be an extraordinarily low bar. Mothers get to tell their story to an ICE worker, and negative decisions can be appealed to the US Immigration court.

I won my first two hearings as an attorney while there, not because of my skill, but because my judge broke down crying listening to these stories, saying she heard the same story day after day and that it was too painful to listen to. My colleagues, going before a different judge were not allowed to speak on their client's behalf, and their clients were deported. This isn't a fair process, this is not a legal process, this is not due process, this is a lottery to see who decides your fate.

Portland has a choice. Continue propping up this dehumanizing system, continue capitalizing on human suffering, or take affirmative steps to defund and divest from this system that egregiously harms so many of our most marginalized. Either way, it will be done in our name.

Thank you so much for your time.

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## Parsons, Susan

| | |
|---|---|
| **From:** | danielkaptur@gmail.com |
| **Sent:** | Wednesday, November 30, 2016 3:26 PM |
| **To:** | Parsons, Susan |
| **Subject:** | Palestinian-caterpillar Product |

I will like to comment that I fell sorry for the lost of their daughter.

I don't thing that Portland as city should be involve in international issues and also this is crazy how a company can be sue for selling their equipment to a customer.

Best Regards,

Sent from my iPhone DKaptur

Hello, my name is Rod Such. I live in the Laurelhurst neighborhood and I'm a member of the steering committee of Occupation-Free Portland. I want to address the notion that by placing Caterpillar on the Do-Not-Buy list, the city of Portland might lose about $300,000 in one-year investment returns. The city treasurer's office has conceded that this is a worst-case scenario based on comparisons with short-term U.S. Treasuries as the default investment. In actuality the city always seeks the highest possible return. Our study of the city's investment returns over the past two years showed that Caterpillar's offerings matured within one to three months. Nothing, however, compels the city to invest in short-term commercial paper. Under the city's own investment guidelines, 50 percent of its portfolio must be invested in securities that mature within two years. Our study found that two-year U.S. Treasuries consistently outperformed Caterpillar's return.

The real question here is why the city has invested $110 million in a fossil fuel extraction company after placing 200 fossil fuel companies on the Do-Not-Buy list. Of the nearly 50 corporations that qualify for investment, Caterpillar is the only fossil fuel extraction company on that list. Why would the city send a message to 200 companies to "keep it in the ground" but invest $110 million in a company that specializes in taking out of the ground? Why would the city pass a resolution condemning the Dakota Access Pipeline but invest $110 million in Caterpillar which is building the pipeline? Why would you establish human rights criteria for your investment policy but invest $110 million in a company that is flagrantly complicit in human rights violations from Standing Rock to Palestine? I urge you to accept the recommendation of the SRIC and stop investing in Caterpillar, Wells Fargo and all the companies found to have violated human rights. Thank you.

Alliance for Democracy Portland
www.afd-pdx.org

112 NE 45th Ave.
Portland OR 97213

503.232.5495

www.afd-pdx.org/public-bank
www.publicbankinginstitute.org

November 30, 2016

I want to thank the members of the Socially Responsible Investing committee for the excellent work they have done to get us to this point in time, and for making these recommendations.

If the City Council were to place even a few of these corporations on the Do-Not-Buy list, funds currently invested would need to be invested differently.

As the President of the Alliance for Democracy, I ask that the Council begin now to consider formation of a Portland Municipal Bank. The funds currently invested in these corporations could be used to begin capitalizing such a bank.

I know that this is a new idea for the city; but it is not a new idea elsewhere. Alabama, Kentucky, Illinois, Vermont, Georgia, Tennessee and South Carolina all once had banks completely owned by those state governments. North Dakota has had its own public bank for almost 100 years, providing funds for farmers, merchants, even low cost student loans. In 1997, the Red River flooded eastern North Dakota, destroyed the cities of Grand Forks, ND, and East Grand Forks, Minnesota. The Bank of North Dakota swung into action, aiding in the rebuilding and alleviating the economic hardship experienced by citizens in Grand Forks. East Grand Forks was not so luckily. Without the public bank to assist it, East Grand Forks took many more years to recover.

When the Portland City Council was considering referral of the Affordable Housing Bond measure for $258 million, I testified in favor. I noted that proponents estimated that fees and interest would add 7% per year to the bond's cost. By their estimate, we would actually pay more in fees and interest than we would pay for providing affordable housing. That is a high price to pay, especially since a municipal bank would be able to provide the same funds to the city without the high interest costs and fees.

A movement is sweeping across the nation, looking at the advantages of public banks. Santa Fe is furthest along having produced feasibility studies showing their bank returning $5 million annually in profit to the city by the fifth year of operation. They are now looking at how to implement its creation.

There are active efforts in Seattle, Tacoma, San Francisco and Oakland. In fact, on November 15, the Oakland City Council finance committee voted to fund a feasibility study. The list goes on to include Boston and Washington DC, Philadelphia and many more

Progressive far-sighted Portland now needs to join our sister cities in investigating the opportunities presented by municipal banking.

David e. Delk
President, Portland Public Banking Alliance

Rec. and ~~from~~ Soc. Resp Invest Comtte

Thanks and Bryl list

Testimony for Portland City council Nov. 30th re: Public Banking
#2 to follow Hyung's testimony

My name is ______ & I'm here represent myself & PPBA

~~That it~~ is brilliant

First, I would like to thank City Council and the Socially Responsible Investing Committee for all of your work in bringing these issues into focus and deliberation. You have done a tremendous service towards advancing social equity, health, and ecological sustainability by illuminating the money trail to irresponsible and unethical investments, ~~and seeking alternative investment opportunities that~~ will ~~support future generations as well as operate our current city functions.~~

Jennifer Cooperman    Divest only 1/2 of the equation

explosion of fiscal value

Toward the goal of identifying and establishing responsible investments and optimizing the power of city dollars, The Portland Public Banking Alliance would like to request that City Council seriously explore the potential of a Municipal Bank of Portland. to more than make up the difference

**Like all banks, a Public Bank has the ability to create money and charge interest.** By establishing a banking institution to directly handle and manage our city funds, we can eliminate many high fees and costs of doing business with big banks that pay their CEO's and managers exorbitant salaries, and that use our deposits to finance loans to corporations and institutions that violate our city's values and objectives ~~of creating a more equitable, healthier, safer, and sustainable world~~.

**Instead, A Portland Public Bank could allow us to refinance existing loans at significantly lower interest to potentially save Portland millions of dollars**. We can make future loans to ourselves for affordable housing, expanding public transportation, repairing roads, etc., at much lower interest rates than we are charged by the private banking industry. Whatever profits we make on our loans can be recirculated back into our general fund to meet the ongoing needs of our city.

* The city of Santa Fe New Mexico has completed a 5 year feasibility study that demonstrates a debt reduction, budget easing, income generating and job creating strategy for their city. Their study shows a profit in the first year of over half a million dollars, that expands to almost 5 million dollars by its 5th year. The PPBA would like to ask city council to follow in the footsteps of Santa Fe and perform a feasibility study for establishing a Municipal bank for Portland.


Harriet Cooke & Portland Public Bank Alliance
Harriet Cooke MD, MPH, ABIHM
holisticooke@aol.com
503-975-4571

*Mayor Hales and Commissioners.*

*My name is Sandy Polishuk. I live in NE Portland. I represent 350PDX.*

*In these new political times, leading locally is more important than ever. I am proud and glad to live in a city that is showing leadership, especially on climate, at this difficult time. Portland has made us proud in many ways with its landmark planning and actions on sustainability, placing the Carbon Tracker 200 on the do-not-buy list and banning new fossil fuel infrastructure.*

*I am here today to ask you to vote to keep the Carbon Tracker 200 list of companies with the largest fossil fuel reserves on the do-not-buy list for another year. As you know, the urgency of keeping it in the ground has only grown with time.*

*I also want to mention that some of the companies the SRI committee has recommended to you for the list, in addition to the concerns cited by the committee, have climate/environmental reasons to be on the list. For example, the actual digging for the Dakota access pipeline is being accomplished with equipment from Caterpillar. Wells Fargo is a major and loyal funder of the pipeline.*

*Tomorrow is a national Defund DAPL day. We are being asked by the indigenous water protectors to disassociate ourselves from Wells Fargo until they remove their financial support of the pipeline. Tomorrow, many of us will go to Wells Fargo to close our accounts. Today we ask you to show that same support for the Standing Rock water protectors by accepting the recommendation of your committee and putting Caterpillar and Wells Fargo on the do-not-buy list.*

I am unable, within my alloted time, to add the comment that despite Bob Horenstein's assertion that the Portland mainstream Jewish community is of one mind on the issue of BDS, this is not the case. There is significant dissent within the community but it is mostly kept within the community. There has never been a poll of the Jewish community on this issue — the result could be unwelcome

November 30, 2016

To the Portland City Council.

I strongly urge you to accept the recommendations of the Socially Responsible Investments Committee (SRIC) as a whole package.

Caterpillar is an especially important addition, for reasons you will hear from many others. I am concerned that you will be pressured to reject the Caterpillar recommendation because some of the organizations supporting it are linked to the BDS (Boycott, Divestment and Sanctions) movement focused on Israel. Resist that misguided pressure. Be guided by the facts.

Here are three reasons:

1. Once the City accepts the principle of socially responsible investments, and sets up a committee to recommend companies that should be off the City's investment portfolio, then the City should give weight to the committee's due diligence and research, and not second-guess those recommendations without exceptional reasons to do so.

2. You should judge each recommendation on its merits, not its links to particular groups. My approach to controversial issues like this one is first to investigate and understand the various positions, then take a position, but not be too cock-sure that I'm right. After investigation, I support putting Caterpillar on the City's Do-Not-Buy list -- but I'm no expert. The SRIC is, and the clearly-stated criteria for their recommendations are based on their own careful analysis after hearing arguments pro and con, not on which groups favor or oppose the recommendation. This is a level-headed, appropriate approach to considering social responsibility in City investments.

3. The reasons for divesting from Caterpillar include much more than its involvement in Israeli mistreatment of Palestinians, and these other reasons add significant weight to the recommendation.

In short, support your SRIC committee's recommendations fully, especially about Caterpillar, and take a strong stand for social responsibility when you invest our tax dollars.

Will Fuller
3824 SW Canby St
Portland, OR 97219
503-764-5501
wwfuller@teleport.com

LOCAL 49 SEIU
Stronger Together

Testimony to Portland City Council
Provided by Renato Quintero
Member and Executive Vice President of SEIU Local 49
3536 SE 26th Ave
Portland, OR 97202

Re: Support for the City of Portland's Socially Responsible Investments Committee's recommendations for the Do-Not-Buy list

November 30, 2016

Good afternoon Mayor Hales and Commissioners,

My name is Renato Quintero, and I am a janitor and Executive Vice President of the Property Services division of the Service Employees International Union, Local 49. Local 49 represents 11,000 workers in Oregon and Southwest Washington. We stand together for fair pay, affordable healthcare, and dignity and a voice on the job.

Local 49 has been a proud supporter of the City of Portland's Socially Responsible Investments policy since it was enacted in 2013, and we are hopeful about what this policy–when boldly implemented–can mean for the residents and workers of our city.

I am here today to ask that the City Council accept and implement the Socially Responsible Investment Committee's recommendations to add ten corporations to the City's Do-Not-Buy list, **including prison profiteers Wells Fargo, Bank of New York Mellon, JP Morgan Chase, and HSBC**. The careful work of the SRI Committee over the past year should be recognized and their recommendations adopted in full by City Council.

Adding banks that profit from incarceration to the City's Do-Not-Buy list is extremely important to our members. Wells Fargo, JP Morgan Chase, and HSBC are all major lenders to the prison industry; Wells Fargo, JP Morgan Chase, and the Bank of New York Mellon are all major investors in the private prison industry. These banks provide billions of dollars that allow prison corporations to build more prisons and detention centers, and to monetize misery through expanding into surveillance, halfway houses, and mental health.

This expansion of the criminal and immigration systems is felt most acutely by workers, especially immigrants, people of color, and low-wage workers.

Our union members have families that are broken and divided when a member of that family is in detention. The impact is not only economic, since they have to look for legal support, but it is also emotional and psychological. Working as a janitor is difficult work. Paying the bills, paying the rent; it's a constant struggle. It's even more difficult when you have a family member in detention. The whole family is impacted, especially the children, and even friends in the broader community are impacted by assisting in the effort to try to find a lawyer and put together letters of support for the detained person's legal case.

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SEIU
Stronger Together

This matter is personal for me, as I had a cousin that was in one of these jails [an immigration detention center]. They stopped him for a traffic infraction; he had a problem with the taillight of his car. Then they realized he had a warrant and he was ended up being detained. It was awful for my aunt; she had to travel constantly to Tacoma, trying to find friends and family who would lend her money. The whole family pulled together: We couldn't just leave him abandoned there; we had to do anything we could to get him out of jail.

He was there for 3 years. Eventually he was deported. He had been in the US since he was 7 or 8 years old.

This is something we see all the time. My coworkers are always looking for who can lend them money, or who can write letters of support; it is constant.

It is not responsible for the City to invest in private prisons where the rights of immigrants are violated. It's not right that the community is paying taxes, and these taxes are used to support prisons. It's not ethical that this money is directly harming the people who make up the city, the people who pay the taxes. Portland is a progressive city, a city that thinks about the wellbeing of the community. Our investments have to be more aligned with our values, as one of the most progressive cities in the country.

Instead of investing in prisons, the city should invest in companies that are doing something positive for the community, companies that don't harm the community, that don't exploit women and children for profit. We have to investigate and commit to knowing what kind of companies we are investing in.

Ensuring that the City of Portland does not invest in banks that profit from and provide credit for the expansion of private prisons will help keep our community and members out of the cycle of criminalization. The City's bold action will hopefully inspire these banks to recognize that profiteering from prisons is unacceptable.

We also wish to explicitly support the inclusion of Caterpillar, along with the banks financing the Dakota Access Pipeline, on the City's do-not-buy list. Additionally, Caterpillar is an active financial supporter and member of the Board of the American Legislative Exchange Council (ALEC), an extremely conservative legislative group that has advocated for use of low-paid prison inmate labor.

Thank you for your careful attention to this matter.

Sincerely,

Renato Quintero
Member and Executive Vice President
SEIU Local 49

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From the Seattle Public Bank website: www.seattlepublicbanking.org

## WHAT IS PUBLIC BANKING?

In general, public banking can be...

- Viable solutions to the present economic crises in US states.
- Counter-cyclical, meaning they are capable of reducing the negative impact of recessions, because they can make money available for local governments and businesses precisely when private banks decrease lending.
- Potentially available to any-sized government or community able to meet the requirements for setting up a bank.
- Owned by the people of a state or community.
- Economically sustainable, because they operate transparently according to applicable banking regulations
- Able to offset pressures for tax increases with returned credit income to the community.
- Ready sources of affordable credit for local governments, eliminating the need for large "rainy day" funds.
- Required to promote the public interest, as defined in their charters.
- Constitutional, as ruled by the U.S. Supreme Court

However, public banking is not...

- Operated by politicians; rather, they are run by professional, experienced bankers.
- Boondoggles for bank executives; rather, their employees are salaried public servants (paid by the state, with a transparent pay structure) who would likely not earn bonuses, commissions or fees for generating loans.
- Speculative ventures that maximize profits in the short term, without regard to the long-term interests of the public.

How it can work...

Public banking is distinguished from private banking in that its mandate begins with the public's interest. Privately-owned banks, by contrast, have shareholders who generally seek short-term profits as their highest priority. Public banks are able to reduce taxes within their jurisdictions, because their profits are returned to the general fund of the public entity. The costs of public projects undertaken by governmental bodies are also greatly reduced, because public banks do not need to charge interest to themselves. Eliminating interest has been shown to reduce the cost of such projects, on average by 50%.

When the public interest demands, the mission of public banks is to respond immediately, to assure the long-term prosperity of the community. In the U.S., the Bank of North Dakota is a prime example of such a public bank.

Most states, with the exception of North Dakota, currently deposit their tax revenues (the public's money) in private Wall Street banks, which use these deposits for their own private gain. This money could be deposited in the city's or state's own bank and used to fund projects and programs that benefit the public over the long term - the very same projects/programs that are currently being cut from state budgets.

& city

Harriet Cooke & Portland Public Banking Alliance percent of its assets reinvested ba[illegible]ooperative development," explains Thompson. "That entire $2 million creates a leverage ratio of 10 to 1, so our funds have created $20 million of capital access for cooperatives."

Thompson believes that charitable giving is a huge, overlooked potential source of community capital. "Every co-op could use this, but I will use as an example the Sacramento Natural Foods Co-op (SNFC). We have approximately twelve thousand members, and the median income for a family of four in Sacramento County is $52,000. That means that SNFC members earn $624 million per year, over half a billion dollars. We know that people at that income level give 3 percent of their gross income to charity, which means they give away $18.7 million. Who do they give it to? They give it to people that ask them for money. Do co-ops ask them for money? Not really, we're uncomfortable and shy about doing that. But what if we did? Let us say, we only got 1 percent of that. It would be $187,000. So $187,000 a year, coming from fifty storefront cooperatives in metropolitan areas the size of Sacramento, and you'll have $9.3 million in new investment capital for cooperative development. You could then leverage $93 million."

Cooperative innovators like David Thompson believe that their sector can gradually attract more consumers, workers, and small businesses who have given up on the mainstream economy. Whether they are looking for better prices, more efficient platforms for business collaboration, or just more social solidarity, cooperatives are providing practical solutions to Americans' economic problems. But to grow from a percentage point or two of the economy, cooperatives need more capital. A lot more.

The investment tools outlined here—memberships, member loans, and private equity investment—allow Americans in almost every community to participate in this growing universe of local-investment possibilities offered by co-ops, and more tools may well be available in the near future. "My feeling," concludes Thompson, "is that we don't have to change much of the world to be able to change the world."

Excerpts from Local Dollars, Local Sense
by Michael Shuman
Harriet Cooke & the Port. Pub. Banking Alliance

4

# Institutional Lending

What's the first institution that comes to mind when you hear the word *money*? The answer is probably "bank." Why? Because, most of us believe, banks are where most of our money resides; they are the neighborhood financial storefronts open to everyone, rich and poor; they are the principal places into which we can walk, deposit our savings, and borrow whenever we need to. In fact, none of these beliefs is true today.

Banks, whether local or not, are no longer the most important financial institutions in our lives. Recall from the introduction that the long-term savings of households and nonprofits—stocks, bonds, mutual funds, pension funds, and insurance funds—totaled slightly more than $30 trillion at the end of 2010. By comparison, all assets in banks, credit unions, and thrifts were about a quarter as large: $6.4 trillion in savings, $1.1 trillion in money market funds, and a mere $326 billion in checking accounts and cash. So our traditional (and often local) financial institutions have become overshadowed by the titans of Wall Street.

In theory banks are open to everyone, but thanks to massive consolidation the local part of banking is fast becoming as rare as an Indian-head nickel. According to the Federal Deposit Insurance Corporation (FDIC), at the end of 1992 there were 11,463 commercial banks that held $3.5 trillion. Banks with assets under $1 billion accounted for a third of all assets. At the end of 2010 the nation had 6,259 commercial banks with $12 trillion in assets, meaning that nearly half of its banks disappeared in two decades. Banks with assets under $1 billion now account for less than a tenth of all assets, while the top ten bank holding companies account for more than a quarter. The leader of the pack, Bank of America, has nearly a trillion dollars in assets—*as much as all small and medium banks in the country put together*. The near quintupling of bank assets after 1992 went almost entirely to a shrinking number of nonlocal banking behemoths.

The story of savings and loan institutions, so-called thrifts that are also insured by the FDIC, is similar. In 1992, 2,390 thrifts held $1 trillion, with 64 percent held by institutions with assets over $1 billion. At the end of 2010 about half as many thrifts, 1,128, held $1.3 trillion, with 80 percent held by institutions with assets over $1 billion.

Even credit unions have seen a dramatic thinning of the herd. In the 1960s there were more than ten thousand federally insured credit unions. Today there are fewer than eight thousand. As noted in the previous chapter, nearly ninety million Americans are members of credit unions, but their assets at the end of 2010 totaled $679 billion—less than 6 percent of the total assets of commercial banks.

These trends have been accelerating for more than a generation. Banking of all types increasingly has moved beyond single brick-and-mortar outlets into multistate operations. The inescapable problem with large banking chains is that deposits drift from one bank to another, leaving some branches winners and others losers. Banks naturally want to dispatch their money to serve their best customers.

By the late 1970s Congress had become alarmed that banks were moving money from poor neighborhoods to rich ones, and more disturbingly from African American and Latino neighborhoods to white ones. It sought to end these "redlining" practices with the Community Reinvestment Act (CRA), which gathered records of banks' loan patterns and conditioned government approvals of bank plans to expand across state lines or to merge on good local reinvestment performance. Most observers regard the law as a mixed success. Banks have moved trillions of dollars into community investments that they otherwise wouldn't have. But if the CRA had really been effective, place-based banks would have stabilized and community investment could have expanded by an order of magnitude more. Instead, thanks to consolidation, thousands of communities have lost their local banks altogether.

Conservative critics also blame the CRA for the recent financial crisis by forcing banks to invest in less creditworthy customers. But it's a stretch to hold the CRA responsible for predatory private lending by firms like Countrywide Mortgage, for the collusive behavior of the management of



Fannie Mae (lowering lending standards for federally insured loans), and the derivatives, swaps, and other exotic financial instruments that Wall St concocted to hide bad credit risks. The CRA, moreover, only requires a b to reinvest in its neighborhood, not in bad credit risks. Most neighborhoc even poor ones, have *some* good borrowers. And nothing in the CRA requi lending at all. If banks saw only bad risks, they could have sat on their mon and collected interest in overnight accounts (which is essentially what mc banks are doing now to ride out the recession).

A third misunderstanding about banking today is that any credit-wortl individual can get a loan. In fact, as banks have consolidated, they hav decided to put less of their money into their customers and more into highe risk investments that promise higher rewards. In other words, we've allowe our Main Street institutions that once were the key supporters of local busi ness to be hijacked by global gamblers. One catalyst was the dismantling in 1999 of the Glass-Steagall Act, which for decades had placed an impermeable wall between depository banks (which were prohibited from making risky investments) and investment banks (which weren't). When this wall came tumbling down, many banks happily invested federally insured depositor money in all kinds of high-risk activities.

## Why Community Banking Matters

Even before the recent financial meltdown, small businesspeople have come to expect less from their banks. Banks naturally prefer loans with security. They'll extend a mortgage for commercial real estate because, ultimately, they own the land and the buildings. They'll extend a loan for a business to purchase machinery and furniture, because if the company goes belly-up, it can resell the tangible property. But unsecured working capital? Forget about it. Unless of course the entrepreneur puts his own house on the line, which might open the way for a guarantee from the Small Business Administration (SBA).

A recent SBA report shows that even though nine out of ten small businesses currently have loans, more than half these loans are secured by real property, vehicles, equipment, or a lease more than 80 percent of businesses with fewer than five employees. Given this reality, it's understandable why small businesspeople turn first and foremost to their own personal assets—their savings, their credit cards, and their houses. Then they might turn to their family—their spouse, their uncle, maybe their uncle's uncle. In close-knit ethnic communities, such as the Korean population in Los Angeles, broad networks of families also lend to one another.

Historically, the kind of financial institution most likely to extend a loan to a local business was a locally owned one. As Stacy Mitchell at the Institute for Local Self-Reliance recently observed: "Although small and midsized banks ($1 billion or less in assets) control only 22 percent of all bank assets, they account for 54 percent of small-business lending. Big banks, meanwhile, allocate relatively little of their resources to small business. The largest twenty banks, which now command 57 percent of all bank assets, devote only 18 percent of their commercial loan portfolios to small business."[2]

Mitchell is one of the best friends the local business community has. Her New Rules Project (www.newrules.org) collects cutting-edge public policies that can help local business, and her most recent book, *Big-Box Swindle*, has been a bible to local activists fighting Walmart and other chain stores. Her passion over the past two years has been the Move Your Money campaign, led by activist Arianna Huffington (who publishes online the popular *Huffington Post*) and financial televangelist Suze Orman. The campaign has encouraged Americans to take their cash out of big banks and put it into local banks in the name of community revitalization.

Mitchell argues that smaller banks and credit unions are inherently more open to extending credit to local businesses: "One reason," she writes, "is that big banks rely on computer models to determine whether to make a loan. Because the local market conditions and circumstances surrounding each borrower and his or her enterprise are so incredibly varied, this standardized approach does not work very well when it comes to understanding the nuances of risk associated with a particular small business."[3]

Smaller banks rely on a real-world understanding that comes from having relationships with borrowers, knowing their history, family, and ties with the community. This judgment, while difficult to reduce to a simple, machine-assembled score, is actually a much better predictor of the riskiness of a given loan. Consequently, smaller banks and credit unions actually have lower default rates on their small-business portfolios. In 2009, the peak year of the financial crisis, big banks had to write off 2.7 percent of the value of their loans, while small banks and credit unions only had to write off 1.2 percent.[4]



In August 2010, Thomas Hoenig, president of the Federal Reserve Bank of Kansas City, testified to Congress that "data show that community banks have done a better job serving their local loan needs over the past year. Community banks, as a whole, increased their total loans by about 2 percent, as compared to a 6 percent decline for larger banks . . . Business lending in particular stands out, with community bank loans dropping only 3 percent as compared with a 21 percent decline for larger banks."[5] Even though smaller banks and credit unions were largely uninvolved in the mortgage-backed securities that brought the system down, the crisis has exacted a particularly heavy toll on them. Like all banks, the values of their mortgages sunk. To maintain their legal loan-to-asset requirements, they had to pare down credit lines, call in loans, and hold back on making new loans. Their smaller size, however, meant they had less room to maneuver, and hundreds of small banks have failed or been shut down by federal regulators.

Despite this, the Move Your Money campaign has been a stunning success. Credit unions added 1.5 million members in 2009, a level of growth commensurate with the previous fourteen years combined![6] They expanded their business lending that year by 10 percent, while big banks were contracting business lending by 22 percent. The immediate impact of the campaign, however, has been blunted by several other nasty consequences of the financial crisis. Two of the largest (and least place-based) credit unions that performed back-office services for local credit unions were heavily invested in mortgage-backed securities, lost billions, and went into conservatorship. The National Credit Union Share Insurance Fund covered the bill, but now all credit unions must cover the loss. This has brought down their net earnings. Regulators currently consider 6 percent of the nation's credit unions "undercapitalized," which means they are close to failure, and all of them are constrained in their ability to make new loans.

Over time, as consumers understand the relative advantages of local banks and credit unions, many more Americans may Move Their Money. We know, The timing of this proposal, of course, was less than ideal. After the recent financial crisis, state and local governments across the country are practically broke. The national stimulus package pumped federal dollars into state coffers during the first two years of the financial crisis, but as the stimulus has wound down, many states now see oceans of red ink ahead. Their bond ratings have plummeted, and new bond deals are off the table. Even Slow Money has put Slow Munis on the back burner.

It's ironic, and tragic, that the foolish investment policies that state and local authorities embraced with such gusto—investing their pension funds and surplus revenues in exotic derivatives that went bust and nearly bankrupted once financially strong jurisdictions like Orange County—now prevent them from taking the simplest of steps to move in a new direction. But the current bad patch in state and local finance will sooner or later come to an end, and then Slow Munis might begin to get the kind of attention they deserve. In the meantime, there may be other, more direct ways state governments can stimulate institutional lending to local businesses.

## Good Banking in the Badlands

In 2007, state and local governments in the United States spent slightly more than $3 *trillion*. About a sixth came from the federal government. The rest, because state and local government operate under strict balanced budget requirements, came from taxes, fees, royalties, and other revenue sources. Like any business, a smart government entity doesn't spend money the moment it's collected. At any given time, state and local governments have a trillion dollars or more sloshing around in reserves.[12] That money is not sitting in the governor's or mayor's safe. It's usually placed in portfolios of globally traded securities. In other words, all the potential stimulus that could come from government reserves is essentially lost to Wall Street.

state funds invested

But another direction is possible, as suggested in a recent article in *U.S. Banker*, a trade journal for banking professionals:

> Consider this tale of two cities: Grand Forks, North Dakota, suffered massive flooding that left it economically crippled in April 2007. So did East Grand Forks, just across the river in Minnesota. Three years later, Grand Forks had lost 3% of its population, and East Grand Forks had lost 17%.
>
> Those who are pushing for states like Illinois and Washington to create a publicly owned bank insist this difference in economic recovery is no coincidence. They give much of the credit for Grand Forks' resiliency—only one minute by car from its Minnesota counterpart—to the 92-year-old Bank of North Dakota, the country's only state-owned bank. Its help came in many forms, including a quickly established $25 million line of credit for the city itself.[13]



Ellen Brown, a lawyer turned writer, is president and chairman of the Public Banking Institute and a leading advocate for state-owned banks like North Dakota's. She reflects on another victim of the 2007 flood, the city of Fargo: "It was a big flood, just like the New Orleans flood on a relative scale, and the bank just stepped in and took care of it. It put a moratorium on foreclosures and acted in the public interest. It saved the city.

"It takes a crisis to change the system," she adds, referring to the recent financial crisis, "and I think we're at that point now."

The Bank of North Dakota is the only state-owned bank in the United States, but at least half a dozen states are seriously looking at the model. It's important to clarify that the most important function of a publicly owned bank is not to put privately owned banks and credit unions out of business but to provide them with capital and services that can improve their performance. It basically places state and local money on deposit at the right local banks, at the right time.

The Bank of North Dakota was founded in 1919 with $2 million in state money, after local farmers found it impossible to obtain credit from out-of-state lenders. Its mission was "to deliver quality, sound financial services that promote agriculture, commerce, and industry in North Dakota." Today its capital assets have grown to $270 million. Since 1945, it has generated $555 million in profits for the state, and it's one reason many observers think the state has had one of the nation's lowest unemployment rates and biggest budget surpluses.

Individuals and companies can set up their own savings and checking accounts at the bank, but these only account for about 1.5 percent of the bank's deposits. Most of its capital comes from public entities. State agencies are required to use the bank to hold funds, and many local governments choose to do so as well. Yet-to-be-used federal dollar transfers to North Dakota also are kept in the bank.

The vast majority of the bank's funds are currently used for federally guaranteed student loans, though this is changing because of recent congressional legislation. It also performs the exhaustive paperwork for community banks in North Dakota to handle FHA and VA residential mortgages. The bank balances its relatively safe activities with riskier loan portfolios for farms, ranches, livestock, health technology, water facilities, and various small businesses. It loans directly to priority projects and also guarantees loans originating from other banks in the state.

One of the most important functions of the bank has been to strengthen North Dakota's local banks. For example, it provides loans to residents and institutions to buy stock in local banks. It also strategically places its capital in various local banks to improve their loan-to-asset ratios, which in turn increases their willingness to engage in more lending.

The Bank of North Dakota takes money that might have been placed in a multinational bank, where it might have done economic-development work in, say, Singapore, and makes sure that the funds are doing that same work back home in North Dakota. It also allows the state to take advantage of some of the unique opportunities available to a bank. For example, while most states these days must pay 4 to 5 percent on the bond market to borrow funds for various projects, banks can borrow from one another or from the Federal Reserve at an extraordinarily low rate of 0.2 percent. Plus, banking allows a state to multiply the impact of its deposits. Every deposited dollar can cover more than $10 of loans.

Sam Munger, managing director of the Center for State Innovation at the University of Wisconsin–Madison, which has been issuing a flurry of papers analyzing what this kind of bank might look like in other states, says, "In the wake of the recession, people started talking about the public banking idea. They are able to act counter-cyclically to ramp up lending at a time when banks cannot or will not." The center's paper on a proposed state bank for Oregon found that it could create sixty-nine to eighty-eight hundred new small-business jobs, primarily by stimulating $1.3 billion of additional lending in the state.[14] It further estimates that an initial capitalization of $100 million could create a profitable institution within three years and generate more than $1 billion of revenue for state coffers within forty years.



Jared Gardner, a former mortgage banker, has partnered with the Oregon Working Family Party to lead the effort to create a state bank in Oregon. "In January of 2009," he recalls, "we hosted an economic crisis town hall, and about nine hundred people came. People were really riled up about the big banks. So we started channeling that energy into focus groups and brainstorming groups. We learned about community banks and credit unions, and we developed a Move Your Money campaign that highlighted the value and benefit of community banks.

"When we borrow from community banks," Gardner continues, "the whole back-end structure is dominated by the large institutions. That'd be everything from loan participations to correspondence services or federal funds management. Small banks are often having to borrow overnight, short-term loans from the big banks to manage their books. And we came across the Bank of North Dakota model, and started realizing that it provided community banks with a lot of the support they needed—so they didn't arbitrarily have to pull credit lines and operating lines, or not refinance viable businesses. We started exploring that model, organizing conference calls with Bank of North Dakota executives and community bankers, talking to our legislators and treasurer to see what support there was. That process has taken about two years."

Gardner is keenly aware that most job creation comes from local business. "Since community banks are the most likely to support small business, anything we can do to expand their capacity or to level the playing field will get more small businesses loans. A state bank is kind of a large Move Your Money campaign."

The jury is still out on whether Gardner and his colleagues in Oregon will succeed. Ellen Brown thinks their effort has the best odds among half a dozen campaigns under way nationally, because they have sold it carefully to banking officials throughout the state. "The first reaction of any banker, or anybody really, is that it won't work: Why do we need another bank that's going to compete with us? But Gardner and his group went around and talked to the small bankers, asked them what their problems were, and showed them how this proposal would solve their problems."

Brown is hopeful that success in one more state, like Oregon, could trigger a national movement: "If just one state did it, it would be so obvious that it was an improvement—and then everyone else would follow."

Even if these states do not embrace a full-scale public bank, the debate may well open political space for other innovations. Another model being talked about—in some ways similar to Slow Munis—is the Connecticut Development Authority, which issues industrial-development bonds and then uses the proceeds to help local banks with economic-development lending, by guaranteeing their loans, for example. The authority was initially capitalized by the state but now is self-financing.

## The Future of Community Capital

For the foreseeable future, local banks and credit unions will remain among the most important places where local businesses get their capital. The innovations described in this chapter could increase the flow of capital to these critically important businesses. The expansion of local banks and credit unions, fueled by Move Your Money campaigns, can inject new capital into the very financial institutions with the best track record of assisting local business. The creation of additional lending platforms within these institutions, along the lines of the SHARE program or Alternatives Federal Credit Union programs, can accelerate this flow, especially to businesses regarded as most critical to self-reliant local economies. Even if Blue Dot never gets started, similar enterprises will undoubtedly form to link depositors to local energy or food businesses. The addition of still-larger capital vehicles to guarantee these kinds of loans, such as slow munis and state-owned banks, could dramatically spur the flow of more community capital, especially during times of disaster or recession.

For those of us who deposit our money, these options underscore that where we put all of our short-term money—our cash, our checking funds, our savings, our money market accounts, our CDs—really matters. Indeed, removing our money from the nation's diminishing number of bankosaurs, whose insatiable appetites to grow may hasten the extinction of the communities they inhabit and thus themselves, may be the single most important act of localization that any individual or family can make.



Localizing banking need not be an act of community charity. Interest rates right now are extraordinarily low, reflecting national policy makers' embrace of "loose money" to pull the nation permanently out of its financial tailspin. But they will rise in time. Moreover, as we saw with the Alternatives example, programs can be set up to ensure that depositors obtain whatever rate of return they are looking for. To be sure, their savings are at risk, but no more so than they would be on Wall Street. The spread of Slow Munis and state-owned banks may create hundreds of new entry points, with higher rates of return, for local investors. The result could be a return of banking to its once core mission of supporting the local economy.

**David's comment**

I want to thank the members of the Socially Responsible Investing committee for the excellent work they have done to get us to this point in time, and for making the recommendations presented in their report. And I thank the City Council for taking the time to consider their ideas.

If the City Council were to place even a few of these corporations on the Do-Not-Buy list, funds currently invested would need to be invested differently.

As a member of the Portland Public Banking Alliance, I ask that the Council begin now to consider formation of a Portland Municipal Bank. The funds currently invested in these corporations could be used to begin capitalizing such a bank.

I know that this is a new idea for the city; but it is not a new idea else where. Alabama, Kentucky, Illinois, Vermont, Georgia, Tennessee and South Carolina all had banks completely owned by the state government. North Dakota has had its own public bank for almost 100 years, providing funds for farmers, merchants, even low cost student loans. In 1997, the Red River flooded eastern North Dakota, destroyed the cities of Grand Forks, ND, and East Grand Forks, Minnesota. The Bank of North Dakota swung into action, aiding in the rebuilding and alleviating the economic hardship experienced by citizens in Grand Forks. East Grand Forks was not so luckily. Without the public bank to assist it, East Grand Forks took many more years to recover.

When the Portland City Council was considering referral of the Affordable Housing Bond measure for $258 million, I testified in favor. At that time I noted that proponents estimated that fees and interest would add 7% per year to the bond's cost. We would actually by their estimate pay more in fees and interest than we would pay for providing affordable housing. That is a high price to pay, especially since a municipal bank would be able to provide the same funds to the city without the high interest costs and fees.

A movement is sweeping across the nation, looking at the advantages of public banks. Santa Fe is furthest along having produced feasibility studies showing their bank returning $5 million annually in profit to the city by the fifth year of operation. They are now looking at how to implement its creation.

There are active efforts in Seattle, Tacoma, San Francisco and Oakland. In fact, on November 15, the Oakland City Council finance committee voted to fund a feasibility study. T The list goes on.

Progressive far-sighted Portland now needs to join our sister cities in investigating the opportunities presented by forming a Municipal bank.

David Delk & Harriet Cooke
Port. Public Banking Alliance

Gregory Monahan, PhD
7225 SW 13th Ave
Portland, OR 97219

November 30, 2016

Mayor Hales
Commissioner Saltzman
Commissioner Fritz
Commissioner Fish
Commissioner Novick
Auditor Caballero

Re: Agenda Item 1333 for Portland City Council Meeting, November 30, 2016
Accept September 2016 Socially Responsible Investments Committee report

My name is Dr. Gregory Monahan and I am a resident of Portland, Oregon. I come before you today to urge you to accept the September 2016 Socially Responsible Investments Committee report, because it is the right thing to do. As a Jew who is committed to Tikkun Olam, the practice of kindness in order to repair the world, I strongly support the City using its investments to create a better world. I am a member if the NAACP and a full time volunteer leader for the Sierra Club. The Socially Responsible Investments Committee has exercised their responsibilities with full diligence and are to be commended for their selfless service to the people of Portland.

As a case in point, Wells Fargo, invests in private prisons as well as the fossil fuel industry. Funding the companies that make money from the private prison system perpetuates the school to prison pipeline which plagues our justice system. Our country has 25% of the world's prison population with only 5% of the world's population. We lead the world in incarceration of our minorities. One of the fossil fuel projects that Wells Fargo is funding is the Dakota Access Pipeline which is very much in the news currently for the human rights atrocities being committed against peaceful water protectors. This project is violating the treaty rights of the Sioux Tribe and is designed to ship Bakken crude oil at a time when we should be reducing our use of fossil fuels.

I also fully support the inclusion on the do-not-buy list of Caterpillar and all of the banks involved in financing the Dakota Access Pipeline.

The results of the recent presidential election make it clear the **Cities Must Lead** if we are going to create a just transition to a sustainable society.

Thank you for your leadership, courage and vision in helping to make Portland a world class leader this regard.

Gregory P. Monahan, PhD

Gregory P. Monahan, PhD

Council members

Thank you for your time today.

My name is Melissa Lang I come to you as a concerned citizen and as Secretary of the NAACP Portland Branch. The National Association for the Advancement of Colored People stands in solidarity with Enlace and other organizations today that ask you to adopt the recommendations made by the Socially Responsible Investment Committee to not buy bonds of the 10 corporations identified as the "worst of the worst" which include: Wells Fargo, Bank of NY Mellon, JP Morgan Chase, HSBC and Caterpillar.

The mission of *the NAACP is to ensure the political, educational, social, and economic equality of rights of all persons and to eliminate racial hatred and racial discrimination.*

The privatization of prisons in America has contributed to the 500% increase in incarceration in the last 30 years. The US now incarcerates 25% of the world's prisoners yet has 5% of the world's population. We find that even associations of law enforcement chiefs have called for massive reforms to stop incarcerating so many—especially nonviolent--offenders.

The profiteering of African American men and women through private prisons has led to a new era of Jim Crow, and when private industry profits from incarceration, from outrageously low prison wages of pennies per hour, it is arguably even worse than Jim Crow segregation; it is tantamount to a form of slavery.

When the city does business with corporations whose main objective is to build capital--regardless of human rights--those human rights violations are on the hands of the city---especially when a serious and strategically effective campaign to uphold human rights is formulated. In turn it makes your support today much more than symbolic. Your decision could have real salutary effect.

By adopting the recommendations of the SRI and putting these corporations on the do not buy list, the City of Portland will essentially put these corporations on notice—for one year—that to do business with the City of Portland they must divest from inhumane lending and business practices.

Moreover, the City of Portland will be sending a clear message across the United States---and to the Trump administration that wants to increase the criminalization of poverty, race and the undocumented-----that civil rights are more valued in Portland than saving pennies.

Monthly at NAACP meetings I witness the fear among mothers and fathers and grandparents of young men and women who live in a city whose police force does not value their black and brown bodies. I witness the fear about their children living in a city whose leadership appears to do nothing in the face of police brutality. Last October most of you among City Council argued that the premature signage of the Portland Police Contract would do what is necessary to lower the stress on Portland Police that in your view leads to greater instability between police and citizens. As you well know, people of color objected to virtually the entire process and some of the products of the new contract with the police union. Your vote now to clearly act to repudiate private prisons would be seen and felt as a positive signal from you to the community.

As prisons have adopted practices like bed quotas in immigration prisons, and the sale of black and brown bodies in the prison labor industry---the privatization of prisons in America has continued the legacy of the treatment of African Americans, Latinx and indigenous people as a commodity. This inhumane practice trickles down to the demands placed on Portland Police. So, I urge you today to remember your insistence that supporting Portland Police was a top priority of this City Council and don't ask them to continue to participate in the inhumane practices of the Private Prisons Industrial complex.

You can do this today, right now, by making a pledge to adopt the recommendations of the SRI and place the top ten corporations on the do not buy list, thereby forcing these corporations to take a year to review and change their inhumane lending and business practices and be responsible enough to do business with the city and people of Portland.

Thank you.

To: City Council Members
From: Roz Roseman,
Subj: Resolution Re: Do Not Buy List

Date: Wed., Nov. 30, 2016
Topic: Role of City Government

Testimony.City Council 11/30/2016: Boycott Caterpillar Proposal
I'm Roz Roseman and I'm not here to talk about Israel as a home of last resort for a beleaguered people. Or as a bastion of democratic government in that part of the world. Or whether there are or are not violations of rights there. I am asking you not to use a "DO Not BUY" list proposal that demonizes Israel.

I could remind all of us of the LONG LIST of countries in the world with minority populations, countries who stand accused of being or even proven to be violators of human rights - not to even get into the list of countries with PROVEN mistreatment of women in the majority population. Or accusations against the U.S. **Are you prepared to study what to boycott in all those places?** companies

I will remind us - sad and angry and hurt as many of us are - that somehow UN agencies and others enjoy the game of making Israel their main accused-of-choice, their repeated accused-of-choice while ignoring so many countries with proven, bad human rights records.

In 2016, Amnesty International said "The world 'reached a nadir' for human rights" and listed **10** countries they considered to have hit their populations or their protective institutions.

But no. I won't regale you with that list, pro or con -
- OR ask you why you picked out ONE country & not 10.
- NO, I'm not asking you to list companies that sell to Russia,China,Hungary,Pakistan,Gambia,& so on.
- OR ask you what research YOU did or evidence YOU gathered.
NO - Rather I am here to talk about the ROLE of City government-
Where YOUR resources, money, & time should go – And it is not dealing with other countries.

You DO know what your role is: It is to represent ALL of us, all of us.
I am asking you: Please:
- DO NOT SOW DISUNITY in our city by taking sides on international matters
- PLEASE - stay with the complex enough tasks of Portland & relevant County matters.
- You have enough to do.
- Worry about adding bike lanes.
- About housing people.
- About neighborhoods that STILL don't have sidewalks or enough parks.

SO - again - Please stay away from divisive issues that far exceed your mandate.
If it were your JOB to issue opinions on other countries,
You would have a MORAL OBLIGATION
- Not to pick and choose casually just on a citizen request, but
- to investigate ALL the ACCUSED countries to see which deserve listing
I have a list of companies I'd like to see die, but I don't think it is the job of my city gov't to work on that.

So, PLEASE! We citizens of Pdx desperately need you to STICK TO YOUR BIG ENOUGH JOB.
Work on city problems. There is enough disagreement on them to work out.
This is what you OWE your constituents. Please - Represent ALL the citizens of Portland!
Folks - in the friendliest way possible, I ask you - "Please mind OUR own business. The business of running the city. And leave Israel and any other country as a national concern.

Do what most of us have to do. Stick to world politics personally - outside your job and/or when you retire from it. Thank you.

Roz Roseman
2808 SE Clay St., Portland OR 97214-4941

# Testimony to support the City of Portland's Socially Responsible Investments Committee recommendations regarding inclusion in the Do-Not-Buy List

*November 30, 2016*

My name is Sonia Kowal and I am the President of Zevin Asset Management, a Boston-based firm that has been investing responsibly for 20 years. Having followed Portland's deliberations on responsible investment with great interest, I believe that the recommendations of the City's Socially Responsible Investment Committee present the potential for meaningful, path-breaking action around human rights and private prison financing.

I was very impressed by the thoroughness of the research undertaken by the Committee – it resembled the approach that many investors use when evaluating these issues. However, I found the report of financial analysis to be puzzling – specifically the method of comparing the financial impact of divestment against a comparable US Treasury bond. This is an apples to oranges comparison. A better indication of financial impact would be to compare the bond in question against a basket of similar duration high quality corporate bonds. US Treasuries are unduly depressed currently as a result of Fed action to keep rates abnormally low, so they are not a good proxy for corporate bonds. In addition, investors take a bigger risk in investing in a single corporation's bond rather than a US sovereign bond so the yields are correspondingly higher to compensate investors for that risk. It is extremely unlikely that companies on the Do-Not-Buy list cannot be substituted with equivalently yielding investments so I believe strongly that the financial impact, if any, of adding companies to the Do-Not-Buy list would be much less than quantified in the City's report.

I would like to draw attention to a few specific companies mentioned in the report. Starting with Caterpillar, our research has shown that this company exhibits a systematic disregard for human rights as a result of some of their business activities and thus does not adhere to the U.N.'s Guiding Principles on Business and Human Rights. One of the Principles' clauses mandates that businesses "avoid causing or contributing to adverse human rights impacts through their own activities." A 2012 report from the U.N. Human Rights Council Special Rapporteur highlights the fact that Caterpillar has not brought its operations in line with international human rights law. In addition, the company has not been responsive to investor engagement on the topic either through confidential dialogues or through shareholder resolutions. Selling equipment through the Foreign Military Sales program does not absolve Caterpillar of the responsibility for the actions of their representatives in Israel retrofitting the tools or for the way in which the equipment is used. A good comparison would be the many pharmaceutical companies that have express bans on the U.S. government using their drugs to administer the death penalty for prisoners. Although there is no indication that Caterpillar's equipment is being used unethically in other countries, without a more comprehensive and encompassing human rights policy, Caterpillar is leaving itself and its investors open to risks all over the world, not just in Israel. Human rights guidelines should apply equally around the world despite contrary political pressure. Caterpillar is also implicated in tax evasion scandals, labor disputes, environmental controversies and class action lawsuits regarding defective products.

There are also four banks that are recommended for exclusion that have been implicated in providing financing for the private prison industry – Wells Fargo, HSBC, BNY Mellon, and JP Morgan. Wells Fargo especially is deeply involved in enabling the private prison companies to expand their footprints, both by buying new facilities and acquiring other "community corrections" services, such as half-way houses and electronic monitoring. By supporting these companies through financing their operations, these banks are complicit in the human rights abuses that are endemic to private prisons and immigration detention as a result of unhealthy environments, substandard services, and inexperienced staff. Investors are increasingly scrutinizing large banks for their fraud and ethical irresponsibility. The banks mentioned have shown deep failures of oversight and ethics. At Wells Fargo this includes the recent fake accounts scandal as well as "discriminatory steering" of African American and Hispanic borrowers into high cost loans.

Excluding these companies would send a very strong signal that the City is serious about integrating its social concerns into its investments. I look forward to seeing the City of Portland leading this effort and setting a high bar for its peers.

Thank you.

Private Prison Divestment Campaign

enlace

Enlace
PO Box 33167
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**Portland Coalition:**

- American Friends Service Committee
- Black Lives Matter Portland
- Causa Oregon
- Enlace
- Interfaith Movement for Immigrant Justice
- NAACP – Portland
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- Occupation Free PDX
- Oregon DREAM Activists
- Parkrose Community United Church of Christ
- Partnership for Safety and Justice
- Portland Association of Teachers
- PDX Campaign to End the New Jim Crow
- Portland Central America Solidarity Committee
- PDX Jobs with Justice
- Race Talks
- Rural Organizing Project
- Sankofa Collective Northwest
- SEIU Local 49
- SEIU Local 503
- Unite Oregon
- Urban League of Portland
- Voz: Workers' Rights Education Project

November 30th, 2016

Dear Portland City Council,

My name is Amanda Aguilar Shank. I'm the Deputy Director of Enlace, convener of the Prison Divestment Campaign. I live and work in Portland and have been active in social justice organizing here for more than a decade.

We are here today because our communities are hurting. Our families are being torn apart by criminal justice and immigration systems that should be sources of safety and fair application of laws, but that instead are inflicting deep harm and are the source of rampant human rights violations. The harm is felt sharply by immigrants, Muslims, Black and Indigenous communities, LGBT communities and people struggling with mental health and addiction. These are some of the most resilient, powerful, and valuable people in our community, but also the most targeted for incarceration and immigrant detention.

Nearly 1000 Portlanders each year are transferred to for-profit immigration detention centers, 100 of them youth, and we fear that number will rise under Trump.

The harm we are experiencing is not natural, necessary, nor is it a mistake. Incarceration and detention are increasingly systems designed to reap enormous benefits for investors and CEOs, at our expense.

Shamefully, Portland is one of the investors profiting from this harm. Corporations like Wells Fargo and JPMorgan Chase are fueling prison expansion. By buying millions in corporate bonds with these companies, we as a city are implicated. As a taxpayer and representative of a broad coalition, I believe that our taxes should be used to fuel investments in healthy, strong communities, not to fuel a system that dehumanizes us, defrauds us, destroys our natural resources and locks us away.

We are here today to unite behind the SRIC recommendations to add the banks that fund prisons and the Dakota Access pipeline, and Caterpillar to the Do-Not-Buy list. We thank you for your past leadership in creating this process, and thank Commissioner Fish for offering the human rights criteria. We urge you to finish the process you set in motion 2 years ago, and join a national movement to invest in humanity, not harm.

Thank you,

Amanda Aguilar Shank

Deputy Director, Enlace

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November 30th, 2016

Dear Portland City Council,

My name is Jamie Trinkle. I am the Senior Campaign & Research Coordinator at Enlace, convener of the Prison Divestment Campaign, and the Portland Prison Divestment Coalition which includes 23 organizations that demand you take bold action today.

Whose money is fueling the harms Amanda just mentioned? Ours. The city of Portland's.

Wells Fargo, JPMorgan Chase, HSBC, and Bank of NY Mellon are major investors and lenders in private prisons. Banks' bankrolling prisons is what allows prisons to expand, build new facilities and lobby for lock-em-up policies that harm Portlanders and communities of color nationally. The city of Portland currently holds millions in corporate bonds from these banks, and no screen is available to prevent our money from being invested in prison expansion.

The problems of mass incarceration, immigrant detention and of criminalization of our communities are huge, but not too huge to be solved. When the City of Portland takes the step to cut ties, we will become national leaders. We will become the first municipality in the country to cut our ties with private prisons, and to publicly chastise prison lenders and investors. Other cities are already reaching out to Enlace, looking for Portland's leadership and asking how to follow. We will be part of financially isolating the prison industry, stopping its growth, and eventually, of curbing the expansion of mass incarceration and mass criminalization.

Ensuring that the City of Portland does not invest in banks that profit from and provide credit for the expansion of private prisons will keep our community and members out of the cycle of criminalization. Adding banks to the do-not-buy list is the start of a meaningful conversation with these banks. When they stop the harm, we can reinvest. Our immigrant, of color, Muslim and LGBTQ communities are looking to you to take bold, creative, holistic action in the face of the threat Trump poses to our freedoms and lives. We need you to do the right thing.

City council today should uphold its commitment to not invest in human rights abuses by following the SRI committee's recommendation to add the banks involved in lending to and investing in private prisons to its do-not-buy list. I also fully support adding Caterpillar and banks financing the Dakota Access Pipeline to the do-not-buy list.

Thank you,

Jamie Trinkle

Senior Campaign and Research Coordinator, Enlace

# Zevin Asset Management, LLC

PIONEERS IN SOCIALLY RESPONSIBLE INVESTING

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*November 30, 2016*

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Amanda Aguilar Shank

Deputy Director, Enlace

Private Prison Divestment Campaign

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Thank you,

Jamie Trinkle

Senior Campaign and Research Coordinator, Enlace

## Parsons, Susan

**From:** City Auditor, Mary Hull Caballero
**Sent:** Tuesday, November 29, 2016 1:26 PM
**To:** Council Clerk – Testimony
**Subject:** FW: Opposition to BDS denunciation of Caterpillar
**Attachments:** BDS.Caterpillar.Portland 11.25.2016.docx

**From:** Floyd Smith [mailto:ftsmith@comcast.net]
**Sent:** Monday, November 28, 2016 8:53 PM
**To:** Hales, Mayor <mayorcharliehales@portlandoregon.gov>; Commissioner Fish <nick@portlandoregon.gov>; Commissioner Fritz <amanda@portlandoregon.gov>; Commissioner Novick <novick@portlandoregon.gov>; Commissioner Saltzman <dan@portlandoregon.gov>
**Cc:** City Auditor, Mary Hull Caballero <AuditorHullCaballero@portlandoregon.gov>
**Subject:** Opposition to BDS denunciation of Caterpillar

Floyd T. Smith
1925 Electric Ave., Bellingham, WA 98229
503-703-8771

November 25, 2016

Mayor Hales and Members of the Portland City Council

Dear Mayor and Councilors:

BDS is bad. Its proposed Caterpillar condemnation is absurd.

Before I go further, allow me insist that my recent move to Bellingham does not obviate my longtime residence in Portland and my love for the city. I grew up in North Portland, graduating from Beach Grade School, Jefferson High School, and PSU. I spent my working life in the city, as KOIN TV reporter and as communication executive for Northwest Natural Gas, First Interstate Bank, and Oregon human service agencies. I visit the city regularly.

I want the best for Portland. So, please do not embrace the anti-Semitic, BDS-driven resolution that would taint Portland and its leadership as a place where hate can rule the day.

The BDS movement to delegitimize Israel is linked to worldwide organizations that unashamedly work to drive the only serious democracy in the Middle East into oblivion. BDS backers want you to slam the brakes on Portland's purchase of Caterpillar equipment in a bizarre argument that your city should punish Israel for defending itself against the predations of Palestinian terrorists.

The logic is further confounding given that Caterpillar equipment is used by Israelis and Palestinians, not to mention other countries around the world.

BDS supporters, many of whom refuse to acknowledge Israel's historic claim to its land, are on the wrong side of the human rights issue. They want to obliterate democratic Israel and that state's commitment to freedom of religion and expression.

Please don't get sucked into this twisted expression of Jew hatred. Vote NO on the Caterpillar shutout by the City of Portland.

Highest regards,
Floyd T. Smith

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Highest regards,

*Floyd T. Smith*

ZACHOR / זכור
*Legal Institute*
www.ZachorLegal.org

Info@ZachorLegal.org

November 17, 2016

City of Portland City Attorney
City of Portland City Council
City of Portland's Socially Responsible Investments Committee
1221 SW 4th Avenue, Room 130
Portland, OR 97204

**Via USPS**

Dear Portland City Attorney, Portland City Council and Portland Socially Responsible Investments Committee:

Zachor Legal Institute is a legal foundation focusing on constitutional law and anti-discrimination matters. On behalf of Zachor Legal Institute, I am writing this letter with respect to a proposed resolution (the "Proposal") that may be considered by the City Council of the City of Portland in the near future with respect to placing certain companies that do business with the State of Israel on a prohibited investment list.

It is important that the City Council understand the background and intentions of the group that is the primary impetus behind the proposal: an off-shore hate group known as the BDS Movement. Were the City of Portland to adopt the Proposal and implicitly support the BDS Movement, such action would not only violate Portland's longstanding commitment to justice, non-violence, equality and fairness but would also place Portland (and its political representatives) in violation of the federal Constitution a number of federal laws.

By way of background, Zachor Legal Institute has been active in legal issues relating to civil liberties and individual rights and has an active United States Supreme Court practice. The founder of Zachor Legal Institute is the author of the definitive legal study on the BDS Movement, "The BDS Movement: That Which We Call a Foreign Boycott, by Any Other Name, Is Still Illegal" (the "BDS Paper"). The BDS Paper, which will be published as the featured article in a notable law review's upcoming volume, has been cited by numerous civil liberties organizations and legal authorities, including international courts dealing with the question of anti-boycott laws, and can be downloaded at no cost from the Social Science Research Network website at the following link: http://papers.ssrn.com/abstract=2531130. The BDS Paper includes a detailed history of the BDS Movement and information on its affiliates and goals. In addition, the author examined the First Amendment rights of BDS Movement activities in a paper recently published in the Cardozo Law Review, "The Inapplicability of First Amendment Protections to

BDS Movement Boycotts, available at the Cardozo Law Review's website: http://www.cardozolawreview.com/content/denovo/GREENDORFER.denovo.37.pdf.

***Policy Issues with BDS Movement Support***

Portland is known as a leader in the fight to protect LGBTQ, women's and minority rights and a strong proponent of peace in, among other places, the Middle East. The BDS Movement is unlike legitimate peace and rights movements that Portland has supported in the past and will continue to support in the future. The BDS Movement was formed by radical extremists who also are affiliated with groups that are designated terrorist organizations, such as Hamas and the Popular Front for the Liberation of Palestine.[1]

The leaders and supporters of the BDS Movement reputedly participate in violent and oppressive acts, including the persecution and slaughter of LGBTQ persons and religious minorities and they also engage in institutionalized misogyny.[2] In contrast , it should be noted that the sole target of the BDS Movement (and, by extension, the Proposal), Israel, has one of the strongest LGBTQ rights records in the world.[3] It is hard to believe that Portland is even considering support for an organization with goals anathema to Portland's core principles.

Furthermore, the stated policy of the BDS Movement is to oppose the "two-state solution", a process that will result in the creation of a Palestinian Arab state alongside the State of Israel, which has been supported as the preferred path to peace by the US and other governments. Instead, the BDS Movement advocates for the absolute destruction of the Jewish state of Israel.[4]

Finally, many states, after concluding that the BDS Movement is a movement of discrimination and intolerance, have enacted laws to oppose the BDS Movement.[5]

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[1] *See* the BDS Paper at 26–35. *See, also*, Congressional testimony of Dr. Jonathan Schanzer on April 19, 2016, outlining the ties between supporters of the BDS Movement and supporters of Hamas. http://docs.house.gov/meetings/FA/FA18/20160419/104817/HHRG-114-FA18-Wstate-SchanzerJ-20160419.pdf *and* an examination of ties between BDS and the Popular Front for the Liberation of Palestine by the Foundation for Defense of Democracies, http://thehill.com/blogs/congress-blog/foreign-policy/303970-boycott-divestment-and-sanctions-movement-attracting.

[2] *See, e.g.*, Michael Kagan and Anat Ben-Dor, "Nowhere to Run: Gay Palestinian Asylum-Seekers in Israel", available at http://www.law.tau.ac.il/heb/_Uploads/dbsAttachedFiles/NowheretoRun.pdf and Benjamin Weinthal, "Palestinian envoy to US wants Jew-free state", Jerusalem Post (Sept. 14, 2011) ("In an April broadcast on Hamas's Al-Aksa TV, which was translated by the Middle East Media Research Institute (MEMRI), Syrian academic Muhammad Rateb al- Nabulsi said, 'Homosexuality involves a filthy place, and does not generate offspring. Homosexuality leads to the destruction of the homosexual. That is why, brothers, homosexuality carries the death penalty.'")

[3] "The five most improved places for gay tolerance", The Independent (Sept. 17, 2008), available at http://www.independent.co.uk/life-style/love-sex/taboo-tolerance/the-five-most-improved-places-for-gay-tolerance-932635.html ("Israel is the only Middle-Eastern country to support gay rights legislation, and the country attracts gay people from Palestine and Lebanon. Tel Aviv has a growing scene and is tolerant and gay-friendly for both men and women.")

[4] *See* the BDS Paper at 25-34.

[5] *See, e.g.,* the State of New Jersey's findings, declarations relative to investment of State funds in companies boycotting Israel, available at http://lis.njleg.state.nj.us/cgi-

By supporting the agenda of the BDS Movement, Portland would be expressly supporting a movement that is affiliated with designated terrorist organizations and has been associated with some of the worst human rights abuses occurring today, including genocide, persecution of LGBTQ persons and the imposition of misogynistic regimes, and it would also be acting contrary to its longstanding position of opposition to discrimination and support for a just and fair peace in the Middle East.

***Legal Issues with City Support of the BDS Movement.***

In addition to the policy issues with Portland's potential support for the BDS Movement, there are manifest legal issues with such support. Support for the BDS Movement violates the anti-boycott provisions of the Export Administration act of 1979 and the regulations promulgated thereunder (the "EAA"). While those attempting to provide cover to the BDS Movement's unlawful activities have claimed that the EAA doesn't apply to the BDS Movement, the BDS Paper clearly refutes this legally unsupportable smokescreen.[6]

The EAA was enacted to protect US individuals and businesses from being used as weapons of foreign policy against friendly nations. The EAA directly protects US commerce from foreign boycotts of Israel and prohibits any act that would either constitute participation in a boycott or support for such a boycott. The law is very broad and prohibits all forms of support for unsanctioned foreign boycotts. The Proposal is clearly in furtherance of the BDS Movement and is intended to inflict commercial harm on Israel as punishment for alleged abuses, all of which violate the text and intent of the EAA.

Furthermore, the EAA is an act of Congress, as supported by numerous Presidents after its enactment, and thus it speaks for the nation on the issue of foreign boycotts of Israel that affect US commerce. The City of Portland has no right to obstruct the national policy as expressed in the EAA and likely would be subject to prosecution by the Commerce Department, which administers the EAA.

As a matter of constitutional law, any act by Portland to engage in the regulation of commerce in an area that is clearly preempted by Congress would be an unlawful exercise of power and would leave Portland in violation of the Constitution's Commerce Clause.

The Supreme Court has consistently upheld the principle that the conduct of the nation's foreign affairs is the exclusive province of the federal government, explaining that

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bin/om_isapi.dll?clientID=95317058&Depth=2&depth=2&expandheadings=on&headingswithhits=on&hitsperheading=on&infobase=statutes.nfo&record={1636C}&softpage=Doc_Frame_PG42 ("Nationality-based boycott actions are often veiled discrimination, and it is against the public policy of New Jersey to support such discrimination. Boycotts, such as those against Israel, do not make for effective business decision making, prevent a business from making the best use of the resources available to it and should be opposed as an impairment to the soundness of commercial contracting performance.")

[6] *See* the BDS Paper starting at page 46, "The BDS Movement under the EAA Anti-Boycott Law".

*[o]ur system of government is such that the interest of the cities, counties and states, no less than the interest of the people of the whole nation, imperatively requires that federal power in the field affecting foreign relations be left entirely free from local interference.*[7]

It is thus axiomatic that any state or local regulation that prevents the United States government from conducting foreign affairs without interference, and under a uniform policy, is violative of the Commerce Clause.

The goal of the Proposal is to affect foreign affairs by pressuring businesses to stop engaging in commerce with the State of Israel. The motivation of the sponsors of the Proposal is irrelevant for the legal analysis of whether the Proposal can pass constitutional muster. What matters, and the only thing that matters, is that where the federal government has established foreign policy on a subject, as it does on boycott activity directed at Israel, no state or local government can implement policies that are adverse to the federal policy.

Even if we were to take into account the claims of those supporting the Proposal, there is no compelling logic to what they set forth. Those who attempt to defend the discriminatory practices of the BDS Movement make the factually bankrupt, legally indefensible and morally outrageous claim that their movement is engaging in the same type of activism that was used to oppose the South African apartheid system. Claims that Israel is an apartheid state are ludicrous and contrary to demonstrated fact. Legal and political leaders have denounced such comparisons, with Richard Goldstone, a former justice of the South African Constitutional Court and the noted author of a United Nations report that was critical of Israel, demonstrably stating that "[i]n Israel, there is no apartheid."[8]

More to the point, South African apartheid was the subject of federal action that set the nation's policy as one opposing apartheid and favoring divestment as a tool of foreign policy. Under Executive Order No. 12532, signed by President Ronald Reagan in 1985, a number of punitive trade actions were taken against South Africa to compel its government to abandon apartheid. The next year, the Comprehensive Anti-Apartheid Act of 1986 was enacted to isolate trade with South Africa, which was further bolstered by a Budget Reconciliation Act in 1987.

When it came to South African apartheid in the 1980s, the nation had a concrete, unified policy led by the federal government and to the extent there were state and local actions, such as divestment, they were in accord with federal laws and policy. This is where the attempts by BDS Movement supporters to compare their acts to those of anti-apartheid activists reveal a fatal legal and logical flaw.

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[7] Hines v. Davidowitz, 312 U.S. 52, 63 (1941). *See, also*, Japan Line, Ltd. v. County of Los Angeles, 441 U.S. 434 (1979) (striking down a state law that intruded upon the federal government's supreme right to "speak with one voice" for the nation on the topic of foreign affairs); Zschering v. Miller, 389 U.S. 429 (1968), (striking down an Oregon law that was deemed to have impermissibly involved the state in foreign affairs); and Board of Trustees v. United States, 289 U. S. 48, 59 (1933) ("[i]n international relations and with respect to foreign intercourse and trade the people of the United States act through a single government with unified and adequate national power.")

[8] Richard J. Goldstone, Israel and the Apartheid Slander, N.Y. Times (Oct. 31, 2011), available at http://www.nytimes.com/2011/11/01/opinion/israel-and-the-apartheid-slander.html?_r=0

The EAA and other federal laws, including executive orders from each recent President that have continued the provisions of the EAA, expressly state that boycotts and divestment against Israel are contrary to United States policy and violative of United States law. Indeed, in the recently enacted Congressional Trade Priorities and Accountability Act of 2015, United States policy on anti-Israel boycotts and divestiture campaigns was reiterated:

*(A) To discourage actions by potential trading partners that prejudice or discourage commercial activity solely between the United States and Israel.*

*(B) To discourage politically motivated actions to boycott, divest from, or sanction Israel.*

*(C) To seek elimination of politically motivated nontariff barriers on Israeli goods, services, or other commerce imposed on the Jewish state of Israel.*

*(D) To seek elimination of state sponsored unsanctioned foreign actions to boycott, divest from, or sanction Israel or compliance with the Arab League boycott of Israel by prospective trading partners.*[9]

There can be no question that the Proposal is inapposite to federal policy on Israel and thus violates the Commerce Clause.

Moreover, in the mid-1980s, when state and local governments were considering joining the federal government in imposing sanctions and boycotts on South Africa, the United States Department of Justice, Office of Legal Counsel, examined the legality of those actions. The Department of Justice noted the bedrock principle of exclusive federal authority in Commerce Clause jurisprudence and concluded that state and local action to divest from South Africa would not interfere with the federal government's powers under the Commerce Clause (since the federal government had implemented similar policies targeting South Africa) since the federal government was also imposing a policy of divestment on South Africa.

Furthermore, in examining whether state and local divestiture campaigns could survive constitutional scrutiny, the Department of Justice explained that it had to determine whether the federal government had intended to preempt state action with Executive Order No. 12532. Finding that there was no indication of such intent, the Department of Justice concluded that the state and local divestiture campaigns would be in accord with federal law and policy.

The EAA, however, explicitly preempts state and local action that would result in participation in anti-Israel boycott or divestiture activity. As a result, there is no question that the federal government intended to preempt any state or local attempts to boycott or divest from Israel, such as the Proposal, and adoption and implementation of the Proposal by the City of Portland would violate the Constitution.

### *Conclusion*

The subjects of peace in the Middle East and relations between Israel and Palestinian Arabs are always contentious and subject to good faith differences of opinion. How Israel and

[9] Bipartisan Congressional Trade Priorities and Accountability Act of 2015 (P.L.114-26, Sections 102(b)(20) and 103(b)).

the Palestinian Arabs should work towards the goal of peaceful coexistence and respect is something that is open for debate at many levels. However, the BDS Movement is not an organization that seeks a peaceful and respectful resolution of the underlying problems and it is, at its core, a movement that seeks to deny legitimacy to a host of underrepresented constituencies. If the City of Portland were to provide support for the work of the BDS Movement, it would be betraying the interests of its citizens, enabling violence and hate and, most assuredly, exposing itself to legal liability for violations of federal laws.

Zachor Legal Institute urges Portland to **not** move forward with the Proposal.

Sincerely,

Marc A. Greendorfer
President, Zachor Legal Institute

Vol 6 #2

Spring 2014

# Justice Rising

## Grassroots Solutions to Corporate Rule

**The big-bank model for financing public infrastructure and government operations is irresponsible.**

Detroit Statement, Page 2

**Public banking, which focuses on a transfer of tax-payer deposits into public control, for public benefit, is the engine of a more democratic economy.**

Gwendolyn Hallsmith, Page 4

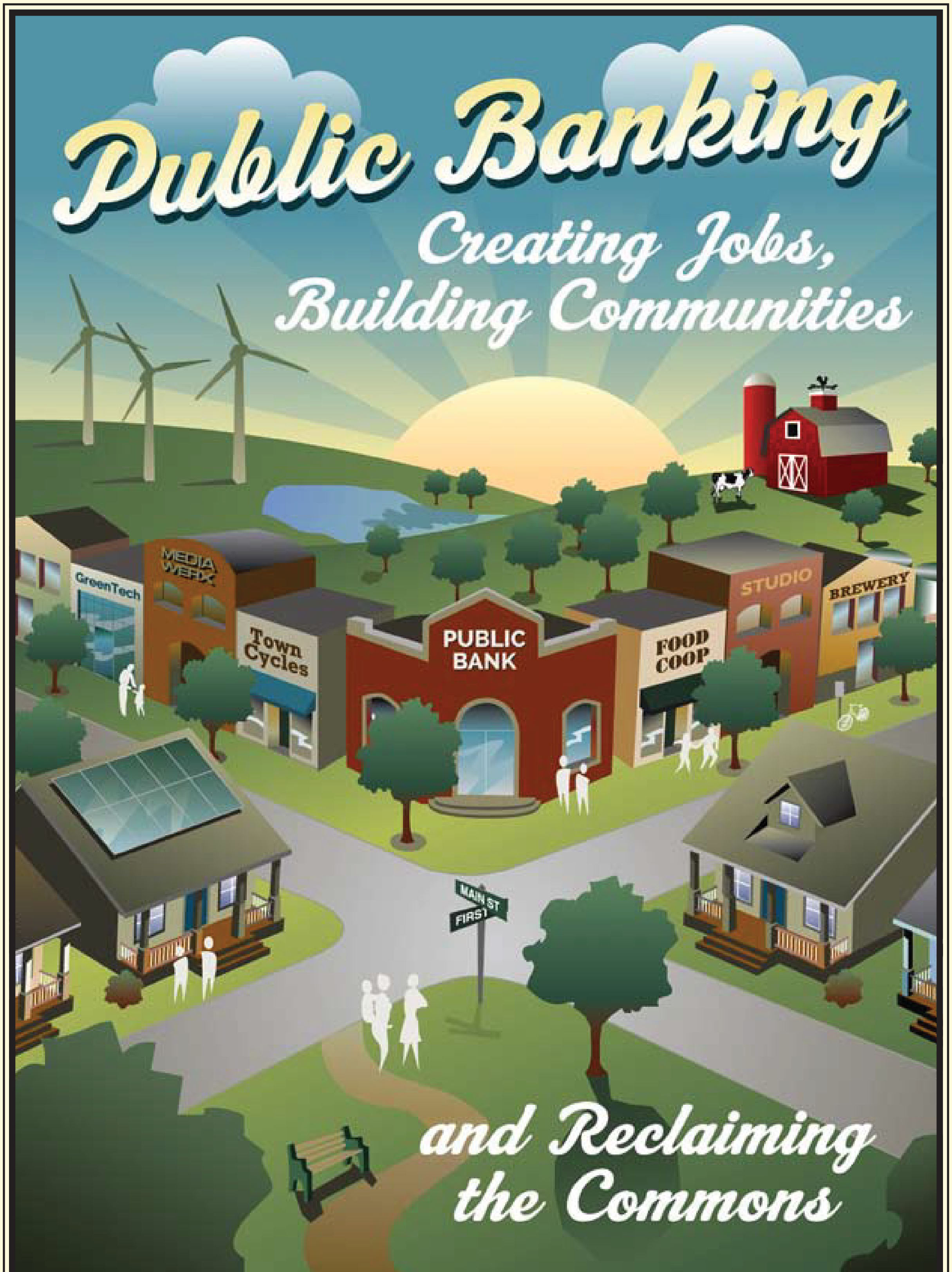
**Currency should be "uniform, sound, cheap, stable, and elastic."**

Greenback Presidential Candidate General George Butler, Page 5

**America's 30,000 Post Offices should offer desperately poor working families short-term emergency payday loans.**

USPS Inspector General, Page 12

**A Publication of Alliance for Democracy**



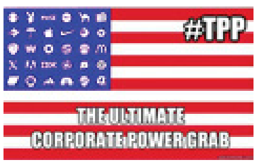

*"The issue is not the issues; the issue is the system." — Ronnie Dugger*

*The Alliance for Democracy*

**Joining together to end corporate rule**

**Alliance for Democracy (AfD).** Since 1996, AfD has focused on liberating our cultural, economic and political systems from domination by trans-national corporations and the wealthy 1%. Working with our members and chapters, and in alliance with like-minded groups, AfD is building a strong national peoples' movement to end corporate rule and develop positive alternatives.

## AfD's Four Major Campaigns



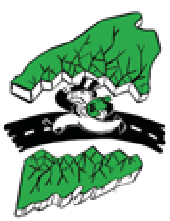

**Corporate Globalization/Positive Alternatives.** Presently, we are focusing on stopping the Trans-Pacific Partnership Trade Agreement (TPP) that would extend corporate/financial rule to many of the countries bordering the Pacific and further trample local democracy. Building local resistance through TPP-Free Zones is key, as well as opposition to "fast tracking" TPP approval by Congress.

PUBLIC BANKING CENTER

**Public Banking.** We must also end the stranglehold which Wall Street has on small businesses, our homes, and our communities. Public banks create public money for the public good. AfD is supporting local and state campaigns to create public banks.

Local Food RULES

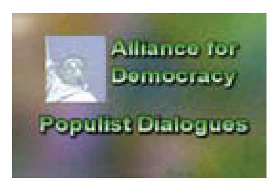
**Community Rights Not Corporate Rights/Local Food Ordinances.** To promote community rights, not corporate rights, AfD is supporting the local movement of resistance to the federal/state regulatory system which serves the interests of corporate agriculture and harms local farmers. This resistance includes local laws to protect local farmers and their customers.



**Defending Water for Life.** Water is a fundamental right for people and nature, not to be commodified or privatized for corporate profit. AfD supports local community resistance, including rights-based law. We are also campaigning against the proposed East-West Super Corridor in Maine, which could be used for the commercial export of water.

## AfD Provides Resources for Active and Concerned Citizens

**AfD's Media Programs Go National.** Populist Dialogues, the Portland Chapter's cable TV program, and Corporations & Democracy, Mendocino Chapter's radio program, feature lively interviews on critical issues you won't hear on corporate-owned TV and radio. They are available at www.PopulistDialogues.org and http://afdradio.org




**AfD Website.** To keep current with these campaigns, to bring AfD's media programs to your community, and to find organizing resources, make the Alliance website www.theallianceforpdemocracy.org one of your favorites.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# Public Banks:
## Creating Public Money for the Public Good

*by Ruth Caplan*

After the 2009 financial meltdown, we published an issue of *Justice Rising* with our analysis of the crisis. This was followed by an issue pointing to positive solutions. Now, several years later, with the global financial risk greater than ever, we are focusing on public banking as a positive, systemic response.

Our vision is for a network of public banks at the municipal, county, state and eventually national levels, where our tax dollars and other government revenues are used to create vibrant, healthy communities. This includes growing local businesses, creating local jobs, investing in environmentally sustainable initiatives, and meeting social needs like affordable housing.

This should be done in tandem with creating a consumer/retail postal bank to meet the needs of the unbanked, who are being exploited by payday lenders. Over time, this postal bank could expand to meet a broader range of retail banking needs, following in the footsteps of the Kiwi Bank in New Zealand.

To round out the democratization of finance, we need local currencies and barter systems like LETS (Local Exchange Trading System) and a truly public Federal Reserve at the national level so our federal government is no longer weighed down by debt to the private banks. We might even want to follow the road blazed by President Lincoln's "greenbacks" during the Civil War and implement the Constitutional prerogative of the federal government, "To coin Money, regulate the Value thereof" by having the government issue its own money.

Nineteenth century Populists understood the power of the Eastern Bankers. In addition to creating cooperatives across the western half of the country, they also tried, but failed, to create an alternative national currency. However, in our early history, the Colony of Pennsylvania set up its own banking system promoted by Ben Franklin to pump needed money into the colony and avoid the noose of England's banks. When Franklin had the temerity to let England know how well the system was working, the English bankers saw to it that the system was shut down. Later, the bankers managed to do away with Greenbacks after the Civil War. So we should anticipate that Wall Street will use every means available to maintain their hegemony over the global gambling casino, aka the modern financial system. This means a strong broad-based movement for pubic banking is essential.

Today we can look to the Bank of North Dakota for inspiration. Created in 1919 as a public bank, BND's success today is the result of decades of growth and setbacks until the current highly successful institution has emerged. We can also look at public banks around the world, representing about 40% of all banks. As reported by Ellen Brown in *The Public Bank Solution,* public banks top the list of many banking criteria:

- Japan Post Bank has the most deposits;
- Royal Bank of Scotland has the most assets;
- State Bank of India has the most branches;
- KfW in Germany is the world's safest bank.

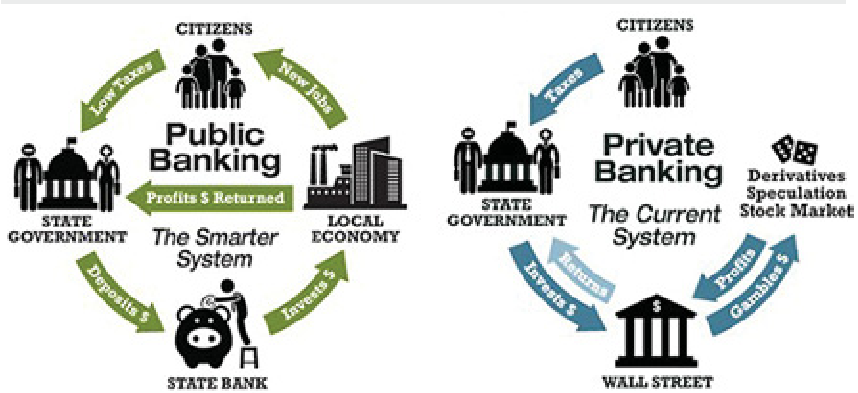
This issue of *Justice Rising* is dedicated to the campaigns around the country which are organizing for public banking and to Ellen Brown and the Public Banking Institute for leading the way.

## How do banks create money?

When a bank makes a loan, it doesn't actually loan out depositors' money. The bank just makes accounting entries. Then these loans are deposited in other banks, first by the loan recipient and then by those to whom they pay for goods and services. These banks, in turn, make more loans. Money is made available by these accounting entries all along the way. The bank retains a cash reserve for when the depositors withdraw their money. As long as there is not a "bank run" by nervous depositors, the system appears to work fine. This is the hocus-pocus of the banking system.

What about the Federal Reserve? When banks need cash to pay depositors withdrawing money, they turn to the Fed which creates the money for the loan. More importantly, the Fed has engaged in massive "quantitative easing" policies where it has been buying $85 billion of government and mortgage bonds every month, using no more than accounting entries on its financial books to create more new money. This has served to buoy up the Wall Street banking system leaving it free to continue to engage in the global gambling casino.

And public banks? They can create money in the same way, by making loans. But while Wall Street banks rarely invest in local communities, even when local governments deposit their revenues in these banks, public banks make their loans to serve the community and the money created is more likely to stay in the community helping to create jobs and other local benefits.




graphic: Public Banking Institute

# In Solidarity with the People of Detroit . . .


photo: PressTV

*We call for a public solution to the crises caused by predatory banks and crony capitalism.*

Detroit's "bankruptcy" demonstrates the failure of the big-bank model to fulfill the obligations that enable the American dream. In the early 20th Century, as industrialization of cities increased in earnest, Detroit and other cities developed around a social contract – embodied in documents such as the "Treaty of Detroit" between the United Auto Workers and General Motors in 1950. The excesses of capitalism would be tempered by community responsibility; working class people would benefit along with the owning class; and shared sacrifice would minimize the impacts when times were bad.

Crisis was not inevitable. Since America's founding, there have been many ways to finance government services and the long-term economic security of public workers. However, in Detroit, and scores of other cities, increasingly aggressive and influential big banks lured governments into murky and inequitable financing schemes that, in many cases, were known by the banks themselves to be volatile and likely to fail. Privatized finance cannot avoid incentives to bet on failure if it's profitable to do so. The result was arrangements in which the big banks exploited imperfect information and unequal power relations in their plunder of Detroit's collective labor and wealth.

**Increasingly aggressive and influential big banks lured governments into murky and inequitable financing schemes that, in many cases, were known by the banks themselves to be volatile and likely to fail.**

Financing of public goods through such unfair, unstable and even fraudulent schemes is the apex of social irresponsibility through crony capitalism. Detroit starkly demonstrates that, when government becomes a subsidiary of private finance, the bankers "socialize" the harms during bad times (while exempting those at the top of the economic hierarchy from virtually all costs and negative externalities), while they privatize the gains during good times. It is no coincidence that these poor financial decisions were made in the midst of the engineered deindustrialization of American cities. Nor is it coincidental that all of this has been accompanied by a racist and classist rhetoric of "failure," "incompetence," and "corruption;" Nor that it occurs in a context of privatization of every sphere of social life, a vanishing commons, and hollowing out schools, transportation, public safety, public health, food assistance, job training, public parks, postal services and the arts. Every aspect of dignified, collective social life is bled dry, then declared to be "too expensive" and a "failure" and therefore subject to privatization.

The big-bank model for financing public infrastructure and government operations is irresponsible. It is not only destructive, but there are much better feasible alternatives. The use of interest to extract maximum value from borrowers is far from the only way to bank. From the *montes pietatus* of medieval Franciscan monks, to the tally system used in England for at least five centuries, to the no-interest arrangements in versions of Islamic banking, to Quaker banks in colonial America, history is rich with examples of banking in the public interest. The Bank of North Dakota demonstrates how public banks can issue credit at low or even no-cost to cities and states; offer bridges to residential, agricultural, and public works financing; partner with responsible private entities to encourage conscious entrepreneurship; provide liquidity; and open and maintain safe bond accounts when bond funding is necessary. Postal banks in the United States and Canada, which still exist in Japan, historically provided financial services to otherwise under served communities, governed through a lens of public service rather than profit-driven interest and exorbitant fees. The failure of the big bank model provides us with opportunities for returning to our future of shared prosperity, equitable development and socially just stewardship of our commons,

We seek a network of public banks adhering to the standards of good governance and democratic participation, to stand separate from the existing network of self-serving and profit-seeking private banks that exploit and loot our cities.

An emerging mosaic of movements support public banks, either initially as supplements to smaller and more manageable banking practices, or eventually as part of a larger paradigm shift to cooperative sustainability. Public banking can be the motor of a new economy of resiliency and material security for urban America, and for all of us. Creating a democratic economy with truly public financing of public goods is a step we can take right now. Otherwise, the transition to a sustainable economy risks being undermined by the exploitation of cumulative interest to extract wealth, and the use of compound interest as a weapon for the powerful to exact their will against the powerless.

We salute the people of Detroit for resisting a bail-in bankruptcy they did not create. We call on state, county, and municipal governments to open public banks. We ask policy makers and citizens to take further steps to democratize our economy.

PUBLIC BANKING INSTITUTE
Banking in the Public Interest

*Over sixty concerned citizens and groups including journalist Chris Hedges, Doctor Margaret Flowers and the economist Richard Wolff have signed onto this statement. Go to www.publicbankinginstitute.org/detroit-statement.htm to see the full list and to sign on.*

# Accumulating Violence


photo: City-analysis

*by Jeremy Mohler*

The very real, and still unfolding, dangers of privatized banking are blatant and well-documented, yet in the mainstream discourse — corporate media, Congress, etc. — there appears to be no alternative. Our instructions say keep depositing paychecks into Bank of America's safekeeping, and keep borrowing from Citibank, but never remember that both banks were saved with public money a little more than five years ago. And ignore that in those five years, the wealthiest one percent in the US have captured 95% of the country's economic growth, while the bottom 90 percent have become poorer. The well-known refrain is right on: the public recapitalization of the big banks socialized losses so gains could remain private.

Mainstream reaction to this ridiculous situation discourages thinking outside its conceptual limits. Why else would people accept such absurdity? Private banking isn't as natural as it seems. Financial capitalism that turns mortgages into traded commodities is a neoliberal, public-private project. While the private sector is the dominant actor, the government, because it has been shaped towards protecting certain private interests, is likewise to blame.

Multinational corporate banks speak in the key of market fundamentalism — insisting that individual freedom is symmetrical to private freedom in the markets — yet they play a different tune. They rely on and lobby for certain regulation that allows them, and very few others, to accumulate increasing amounts of capital; Hence the American Bankers Association's relentless efforts to eliminate the credit union tax exemption. But the way we tend to talk about the economy is narrowed to a frame of government vs. the market, which restricts the conversation to finding the right mix of market and regulation, and disrespects alternatives.

Dodd-Frank expresses the impotency of any such mix. Under current US Chapter 11 bankruptcy law, derivatives receive "superpriority" status if a bank goes under, meaning an investor in derivatives can seize and immediately liquidate a bank's assets to get paid before anyone else. Actual deposits made by individuals receive no such protection — if a bank fails, and what's called a "bail-in" occurs, depositors would pay before the derivative holder.

Law Professor Mark J. Roe has concluded in the Stanford Law Review that Dodd-Frank lacks the needed changes to rein in this derivative superpriority rule, and that bankruptcy law is still tilted in favor of derivatives and other shadowy investments. Yet Jamie Dimon has said that Dodd-Frank has increased the cost of doing business, making it harder for smaller banks to compete with his JP Morgan Chase. In short, in the present system, where private banks are "regulated" by public officials, mega-capital continues to win while everyone else loses.

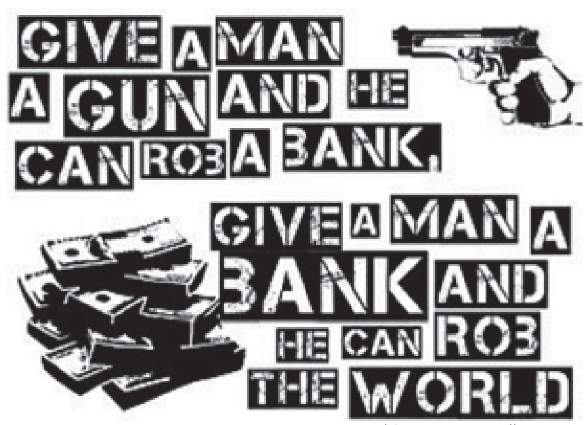
**Restructuring the banking system would be a rare instance of true democracy.**

We know that global financial capitalism pushes violence downwards — the ongoing job losses, foreclosures, and so on — but it also complicates democracy. The language required to understand it zips over most of our heads. Democracy in the neoliberal state is democratically impotent as long as we always use status quo market logic to solve problems themselves induced by that same logic. Why else would serious efforts to address climate change be impossible to pursue?

Thus, restructuring the banking system would be a rare instance of true democracy. That would be egalitarian decision-making in the face of domination — people collectively demanding the right to something that a powerful few hold closely.

So, I now return to the original confusion about alternatives. One of the more absurd aspects of the post-crisis era is all the talk about the government's so-called fiscal irresponsibility, while corporate banks and elite investors still work in the shadows. Public money saved the economy yet they say the government needs fixing. But culpability implies an underlying responsibility. Perhaps if we can rewrite the framing of how banking is talked about, recalibrating it away from the binary of government vs. the market, alternatives like public banking may start to seem natural themselves.

*Jeremy Mohler is a writer living in Washington, DC.*




graphic: Occupy Wall Street

# Public Banking & Economic Democracy

*by Gwendolyn Hallsmith*

Private banks have not always been accepted institutions, fixtures of commerce, and purveyors of most of our economic transactions. Throughout US history, there have been robust public conversations about banks, largely due to their propensity to derail the economy when their business models fail. One example of this was in rural Vermont in 1806, when the state established their first public bank. Testimony on that bill, from Governor Tichenor lays out the problem:

> *Banks, by facilitating enterprises both hazardous and unjustifiable, are natural sources of all that class of vices which arise from the gambling system and which cannot fail to act as sure and fatal, though slow, poisons to the republic in which they exist.*

The current public banking discussion revives this tradition after 100 years of a private central banking model that has failed us. Private banks are behind the rapidly growing disparity between the rich and the poor, due to their need for a boom and bust, bubble-making "growth" economy, which drives impoverishment and ecological devastation.

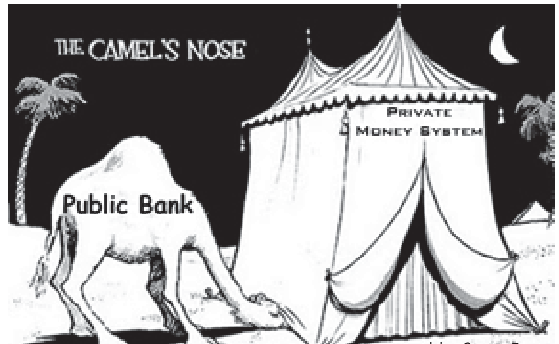
**Public banks can be used to catalyze real change that is needed to transform the money used to drive the economy.**

Income inequality in the US is the highest it has been since 1928 and has grown exponentially over the last 40 years. The concentrating force of the debt-based banking system used to be offset by progressive taxation, but with its demise in the Reagan years, the systemic extraction of wealth from nature and people, which is transferred to those at the top, has gone unchecked.

Ecologically, we are now in the midst of a human-made species extinction larger than any other in Earth's history. Climate change threatens our food supply, as areas of drought and flooding change rapidly. The "growth" economy demands ever-increasing production and consumption to fuel the insatiable appetite of the money system.

An economic operating system that has these problematic side effects would not be chosen knowingly by the world's population. People everywhere recognize that we need a healthy environment. People would not support rampant poverty either, if we only had a choice in the matter.

The Earth Charter Commission undertook something like a global poll about the principles we needed to adopt if we are to have any hope of peace and sustainability. The result was the Earth Charter, an internationally adopted document that outlines an ethical manifesto for our future. It recognized the inherent linkages between social justice and environmental health, which demand democratic governance and a deep sense of



graphic: Steve Breen

respect and care for the whole community of life.

Public banking, which focuses on a transfer of taxpayer deposits into public control, for public benefit, is the engine of a more democratic economy. In Vermont this past month, 18 cities and towns voted to direct the state legislature to create a Public Bank. In Pennsylvania, the City of Reading is establishing a public bank, and Philadelphia is not far behind. Senator Elizabeth Warren just endorsed the idea of post office banks. Other variations include land banks in Ohio, Green Banks in New York, plus traditional public finance options from Community Development Corporations for local and regional economic development to state lending agencies designed to offset market gaps for business, home, student, and municipal finance.

Creating public banks can be the democratic camel's nose under the tent of the privatized monetary system. We start with public control of public money – creating banks where deposits of taxpayer dollars are used to finance economic development, education, and infrastructure. Over the long term, these public banks can be used to catalyze real change that is needed to transform the money used to drive the economy. Public banks on their own do not accomplish this, they merely transfer profits made by economic development lending from the private banks to the public coffers. Public banks can, however, set up systems where a public monetary utility could be established, where Time Banks and commercial barter systems can be facilitated, and their units leveraged for tax payments.

Democracy works when all constituents feel they have a voice in the decisions that affect their lives; it fails when people believe their voices are overpowered by others. Corporate personhood, corporate media, and widespread economic inequality have hijacked our democracy. We need to reassert democratic control over the creation and circulation of money to restore the values of democracy our heritage demands. Public banking can help us do this, especially with the recognition that it is one step in building economic democracy through monetary reform.

*Gwendolyn Hallsmith is the Executive Director, Public Banking Institute*

# Battle for Control of the Monetary System

## The Public Good vs. Private Banks

*Let us control the money of a nation, and we care not who makes its laws"* –Maxim of the House of Rothschilds

*by Jim Tarbell*

Money's invention 2300 years ago provided humans with a powerful tool to carry on an economic system. But maximum benefit of that tool depends on the monetary system serving the common good. We all rely on a well-functioning monetary supply for our daily bread. For the first two thousand years, maximum benefit from the monetary system was ensured by keeping the money supply under public control.

As capitalism developed, and wealthy merchants increasingly exercised the private power that money gave them, a pitched public vs. private battle grew over control of monetary systems. Amsterdam, with its flourishing markets, became the center for this confrontation, and the city leaders took steps in 1609 to stop the private manipulation of the money supply for private benefit. They established the publicly controlled Bank of Amsterdam that reinstated a reliable monetary system. The battle then shifted to England where financial speculators took control of British money when they established the privately-owned Bank of England at the end of the 1600s.

The ever-more powerful British merchant class that had taken over the Bank of England spread their political power to the colonies. Intent on forcing the American colonists to consume British manufactures, they hampered trade among the colonists by restricting the circulation of money. In order to work around London's control, several colonial governments issued their own money, which catalyzed economic growth in the colonies.

The British responded by passing the Currency Act of 1764 outlawing colonial currencies in America. Colonial outrage at this prohibition led Benjamin Franklin to point out that the biggest cause of the American Revolution was "the prohibition of making paper money."

After the Revolution, popular sentiment favored publicly-controlled money. But once Alexander Hamilton, the scion of wealthy Hudson Valley estate owners and friend of British banks in New York, became Washington's Secretary of the Treasury, he turned the money supply over to private control by establishing the speculator-run Bank of the United States

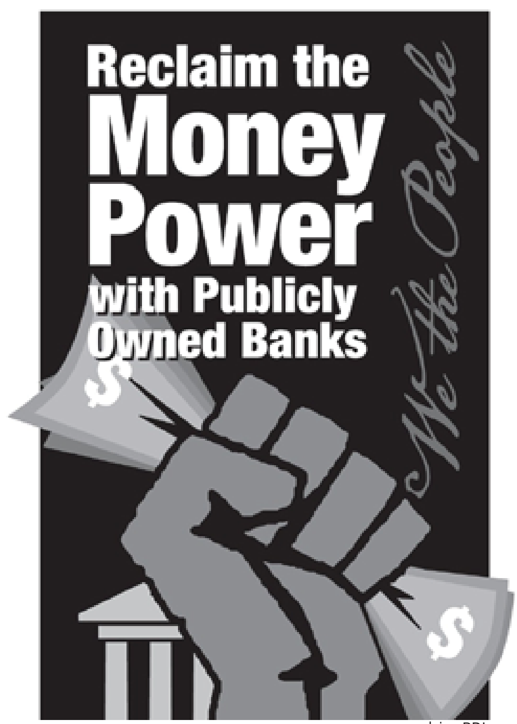
Public confidence in both Hamilton and the Bank quickly deteriorated after many transgressions, which started a struggle over the monetary system that lasted 40 years. President Jackson's veto of the Second Bank of the United States ended that particular struggle in 1832, but Jackson failed to create a public authority over the monetary system and the American money supply devolved into a chaotic system of some 1600 state banks issuing 7000 different currencies. The failures of this system destroyed the public confidence in the banking system so much that when California became a state in 1849 banks were not even allowed to exist there.

Facing this anarchic system and the need to finance the Civil War, the Lincoln administration started printing "greenbacks" as a currency based upon the good will of the government. For years it was a highly trusted, popular success, instigating the rise of the Greenback Party whose 1884 Presidential candidate General George Butler made the logical declaration that currency should be "uniform, sound, cheap, stable, and elastic," while warning that returning the money supply to private hands would lead to deflation and devastation. Even though Greenbackers and their Populist allies represented over half the populace, the political power of the robber barons in the latter half of the 1800s managed to extinguish the Greenback currency and base the US money supply on gold, leading to rampant deflation and devastation of the farm sector.

**For the good of us all, the time has come to reinstate public control of the monetary system.**

Private power has controlled the US monetary system ever since, creating continual bouts of recession and depression, culminating in the 2008 financial fiasco when the evaporation of trust between privately controlled banks destroyed the financial system and brought ruin to millions of American as they lost their jobs and then their houses.

For the good of us all, the time has come to reinstate public control of the monetary system. The movement to create public banks is a valid first step in that effort. The private money industry that supplies the vast percentage of funds political elites depend on to stay in office will fight this effort hard. But it is a job that must be done to stop the continual fleecing of the American people.




graphic: PBI

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***JUSTICE RISING*** is a publication of **the Alliance for Democracy,** whose mission is to end the domination of our politics, our economics, the environment, and our culture by large corporations. The Alliance seeks to establish true economic and political democracy and to create a just society with a sustainable, equitable economy.

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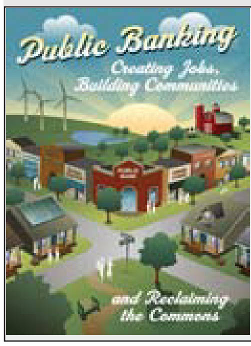



Robert Lanphear has been designing award-winning graphics and marketing solutions since 1990. He works with the Public Banking Institute on their graphic needs and has a design business in Seattle. See his website at www.lanpheardesign.com

# Justice Rising

*by Ruth Caplan*

Much has been written critiquing the current economic system, particularly after the 2009 derivative-driven meltdown, which led to the Federal bail-out of the most malfeasant actors, while distressed homeowners were left with nowhere to turn.

Now, bail-outs have been replaced by "bail-ins." That's right. Thanks to the Dodd-Frank Regulatory Reform Act, there are to be no more tax dollars going to bail out the Wall Street banks. Yet these banks have continued placing derivative bets in the global gambling casino. Instead we now have "bail-ins" coming to us from the global banking center in Basel, Switzerland, and endorsed in a memo between the Bank of England and the FDIC. Bail-ins are a way to save "too big to fail" banks about to go belly up due to bad bets by turning certain kinds of deposits into stock in order to recapitalize the bank. Even government deposits secured by collateral requirements are potentially subject to bail-ins. What happens to the bank deposits of a municipal or state government? Can you imagine a city trying to meet payroll with shares of stock? We won't know how this plays out until it happens, but why take such a risk with our tax dollars? Public banks do not engage in the gambling casino, so they are safe from bail-ins.

We can wring our hands or we can organize. We in the Alliance vote for organizing. This is why we have taken on public banking as one of our four major campaigns. We believe that creating pubic banks is perhaps the most effective tool to free ourselves from the stranglehold Wall Street has on our communities.

Following the model of the Bank of North Dakota, we advocate for the creation of public banks, which make partnership loans with local banks, including cooperative banks, to create jobs and strengthen the local economy. We veer from the North Dakota model, established almost 100 years ago to promote industry and agriculture, in that we believe it is essential to organize for public banks in the context of promoting an environmentally sustainable economy that leads us away from climate catastrophe.

*Ruth Caplan is the guest editor for this issue of* Justice Rising.

*Thanks to the Public Banking Institute for their many contributions to this issue of* Justice Rising.

# AfD's Campaign to Create Public Banks

This issue of *Justice Rising* is part of the Alliance for Democracy's campaign to help establish public banks across the country. Our members are already working hard in Boston and Washington DC and will be getting involved in other campaigns. We are pleased to partner with the Public Banking Institute in this work and appreciate all their support as we have put together this issue of *Justice Rising*.

We are also pleased to support the newly created organization, BankACT, which will be promoting postal banking for the unbanked and underbanked.

This two-pronged approach establishes a clear public path for both retail banking through the US Postal Service and public partnership banking between public banks formed by our state, county or local governments and local community banks. Taken together, these campaigns will help the Alliance achieve its goal of cracking open the vise grip Wall Street has on our economy, our government and our lives.

Ruth Caplan chairs AfD's Public Bank Campaign and has developed this issue of Justice Rising to serve as a useful tool for public bank campaigns around the country. To order extra copies of this issue of Justice Rising please contact the Alliance for Democracy office. Call 781-894-1179 or e-mail afd@thealliancefordemocracy.org. To keep abreast of campaign developments, go to http://bit.ly/publicbanking

Coming up: The fall issue of *Justice Rising* will feature campaigns to establish the rights of local food producers and customers.

# How Do You Start a Public Bank?

*by Tom Sgouros*

In a nation where the banking laws vary by state and local regulations and charter differences are substantial, it is simply not possible to create a public bank that will work equally well in every place. This is because we live in a nation where banking laws vary among the states. Local regulations and charter differences provide even more variation. Vast differences in local economic and political conditions create demand for certain services in some places but not in others.

There are questions of governance, capitalization, and political-will to address, not to mention coming up with a workable business plan. However, it is possible to break the process down into steps that make sense given your local conditions.

Step 1: Find a public policy problem where the solution is both possible and credit is an important component of that solution. Think strategically about a purpose that will mobilize whatever constituency you need to support the bank. If you need to get it through the legislature, think about what will appeal to a legislator. If you need to get it through a voter initiative, think about what will appeal to a voter. In one community, a bank designed to increase the supply of affordable housing could get traction, while in another, business lending or clean energy development might seem more important. In others, direct-to-consumer services like short-term credit or money transfers might be more important.

Don't worry if the purpose seems too narrow. The Bank of North Dakota was started to do agriculture lending, but has since grown to do much more. Start a bank to do one thing and if it is successful, it will find other things to do. This is what any successful organization does, not just banks.

Step 2: This step involves researching the legal and regulatory aspects, as well as the financial ones. Identify a source of the capital and deposits, and a target market to lend in. If you're going after affordable housing as a purpose, maybe this means coming up with a solution that will work through existing housing agencies. If you're after business lending, what is the local banking market like? To have the impact you want, do you need to corral all of your city or county deposits, or just some? Is this a need that crosses a county line? If so, can you come up with a governance structure that will appeal to counties or towns on both sides of that line?

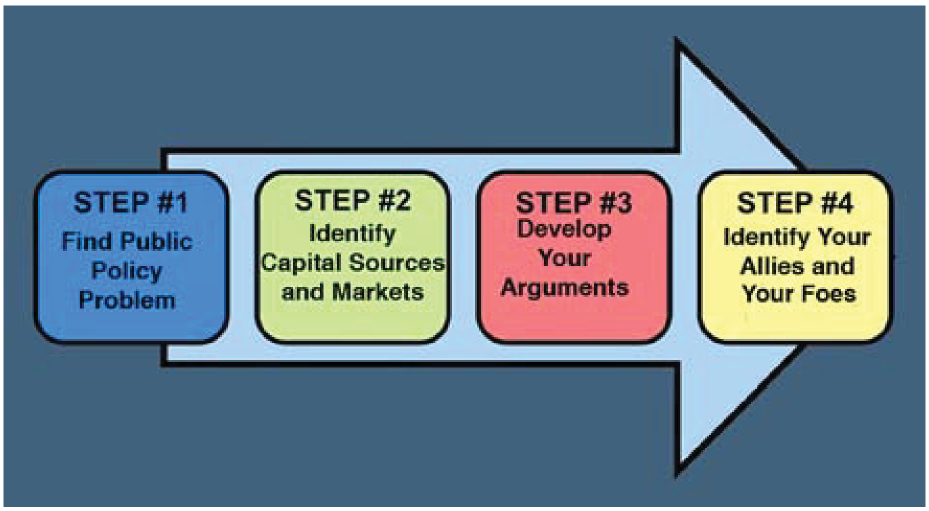
Step 3: Develop the arguments you'll use to promote it. For example, a bank aimed at clean energy development might project forward the increase in generating capacity it will produce five years from now. For a bank aimed at economic development lending, modeling improvements in gross economic output might be more useful. A bank aimed at self-finance for a county might show how it will reduce interest costs.

Ask yourself what arguments will be the most effective with your constituency, and focus on them. Will a bigger bank make a more effective argument? Will a smaller one? Is there a secondary function that will help? You may find yourself going back to Step 2 and adjusting your proposal to make a better case.

Step 4: Mobilize your constituency and move the ball forward. Extract the arguments from your research that will make the most headway, and get them out there. Identify key people and organizations that need persuading, and persuade them. Identify the unmovable people and organizations that will oppose you and work around them. Local banks are valuable potential allies; it is worth some effort to get some on board. At each step of your way, there is help to be found. I wrote a book that can help with some of it (http://checkingthebanks.com). You will need to enlist county executives, ex-bankers, lawyers and accountants. Remember, though, that a public bank hasn't been founded in the US in almost a century. No one alive has the experience to say with confidence how to do this, so everyone is just making it up as they go along. Just like you.

*Tom Sgouros is an engineer and freelance policy consultant specializing in budgeting, economics, and public finance. He has consulted with public banking initiatives in several states, and has written* Checking the Banks *to help people understand how banks work.*

**Local banks are valuable potential allies; it is worth some effort to get some on board.**



## DC Public Banking Center, Washington DC

*by Ruth Caplan*

The campaign for a public bank in the nation's capitol began inauspiciously in August 2011 at the first Democracy Convention in Madison, Wisconsin when two women agreed to return to DC and convene a meeting on public banking. It then got a jump start when DC Mayor Gray announced he wanted DC to become the leader of sustainability in the country. Working groups were created with open participation, including one on green economics.

Lo and behold, a public bank emerged as one of two top recommendations and went on to be enthusiastically received when all the working groups convened. Mayor Gray created a Green Ribbon Advisory Committee and included a study for a public bank as one of his recommendations for Sustainable DC. Now there was an auspicious beginning.

Don't be fooled. No one ever said taking on Wall Street would be easy. The informal public bank working group, which had been meeting to develop a campaign, rebranded itself as the DC Public Banking Center and delved into creating a strategy to win. This included identifying likely allies, likely blockers, and those who might be swayed

Local banks and other local financial institutions were identified as key allies and perhaps the biggest challenge. Meetings were held early on with as many banks as possible to lay out how a DC public partnership bank would benefit them. This continues to be an essential component of the campaign, easily overlooked as other constituencies are pursued.

Organizing tools have been put in place: a clear mission statement; a strong, diverse Advisory Committee; a power point presentation; a website; fact sheets; a petition. With these tools, the campaign is reaching out to key constituencies including the religious community; labor; small businesses; local economic development advocates; environmentalists; and economic/social justice organizations.

The need for a feasibility study was identified early on with a list of essential elements, but the funding hurdle has not yet been surmounted. The University of Vermont Gund study has been a real inspiration to this effort.

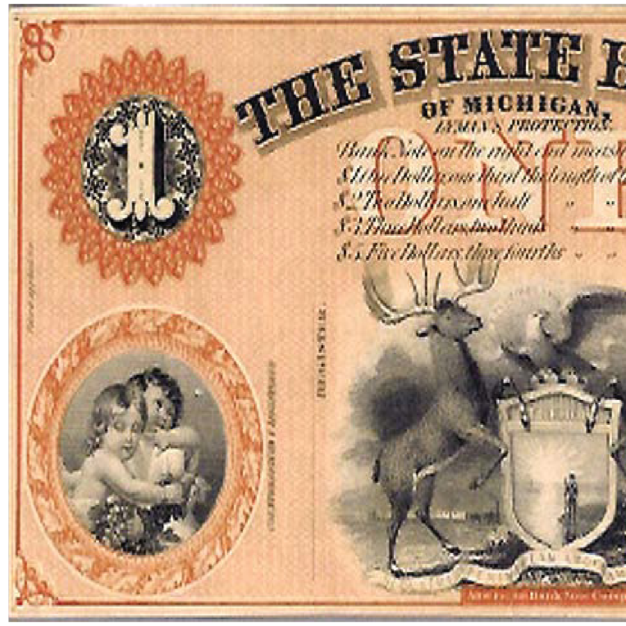
The DC strategy differs from many other campaigns in that introducing legislation is seen as one of the last steps. The bill needs to reflect concerns of various constituencies, which are key to passing the bill, as well as practical considerations from the CFO's office. And given how much political muscle Wall Street can throw at defeating any idea that threatens their hegemony, it is essential to build a broad and deep movement before introducing a bill.

Finally the DC campaign has a unique challenge. Not only has DC been denied a vote in Congress, any bill passed by the City Council can be vetoed by Congress. For more information see www.dcpublicbanking.org


graphic: Sustainable.DC

# Public
# Campaigns Acr

Ever since the financial melt-down in 2009, there has been a surge of interest across the country in public banking as a positive alternative to the derivatives-fueled global gambling casino. The personal suffering families experienced from the loss of their homes, after sub-prime mortgages




## State Bank: The Solution for

*by Dan Osterman*

When it comes to the economy, government does have a necessary and proper role to protect a functioning free market and the rights of individuals to pursue their economic interests, maintenance of public infrastructure, and the undisturbed flow of commerce across borders. Essential to these functions is to support a banking system that seeks to serve the community, act as an incubator for businesses, and to protect the system from those who attempt to abuse it.

The actions of the Federal Reserve System, in concert with Wall Street bankers, has failed in its stated purpose, while repeatedly stealing the wealth of Americans; which has been felt no greater than in Michigan and in particular, Detroit.

If the Michigan legislature is serious about "reinventing" the state and reviving Detroit, their first priority should be a healthy and expanding community banking system, which can only be achieved by the

Banking
# oss the Country

were repackaged into AAA bonds further fueling the sub-prime market, gave a face to the immorality of the Wall Street-driven system. Campaigns to create public banks sprang up from California to Maine. Here are three campaigns under way at the state and city levels.


## r Michigan Economic Stability

establishment of a publicly-owned state bank. In order for Main Street businesses to survive and begin to rebuild the lost wealth of Michiganians, a local community banking system will have to play a lead role; and a publicly-owned state bank is the lynchpin to success. In a 2012 Dallas FED report by Gunther and Klemme it was stated, "Community banks are not only a major source of credit for job-creating businesses but also a stable one."

A Michigan economic recovery will only be possible when the majority of the money which circulates through its economy, stays in Michigan, and is no longer siphoned away by Wall Street.

*Dan Osterman is an engineer/program manager as well as County Coordinator of Michigan Campaign for Liberty, and current Michigan GOP State Committee member for the 12th Congressional District.*

## Vermont: Turning an Economic Development Agency Into a State Bank

*by Ruth Caplan*

Vermont's campaign for a public bank began in 2010 on the heels of the financial crisis, and is now gaining considerable steam. With an innovative approach to creating a state bank, the campaign is built on a three-legged stool: a robust economic study, a Senate bill, and a grassroots campaign focused on town meetings.

Vermonters propose to turn the Vermont Economic Development Agency (VEDA) into a state bank. This solves the challenge of capitalizing a new bank since VEDA appears to have sufficient unrestricted capital to satisfy state guidelines.

This is the recommendation of an economic study, completed in December 2013 by the Gund Institute at the University of Vermont and the Political Economy Research Institute (PERI) at the University of Massachusetts. The report recommends beginning with a pilot program using a portion of state funds. If VEDA were combined with the Vermont Housing Finance Agency (VHRA), the study found that the state could make loans up to 66% of its 2013 unrestricted cash, resulting in

- 2,535 new jobs
- $192 million increase in Gross State Product
- $342 million increase in state output
- $100 million saved in interest costs for capital expenditures

Senate bill S204, introduced in 2014 by Senator Anthony Pollina and five co-sponsors, turns VEDA into a state bank and authorizes 10% of state cash reserves to be deposited in the bank.

The bank's purpose is to alleviate/prevent unemployment, raise per capita income, develop and increase industry, promote prosperity and general welfare, with specific references to abating air/water pollution, promoting renewable energy and helping small businesses.

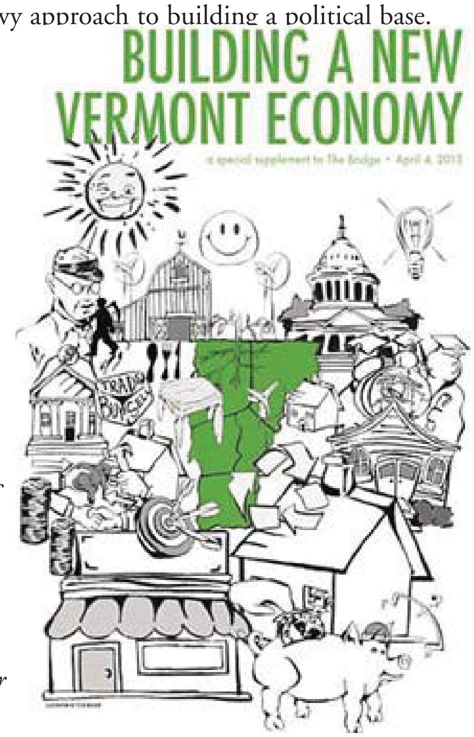
The bank would be run by a 15-member governing committee with a seven-member advisory committee to oversee development of the bank's initial lending priorities focused on renewable energy/energy efficiency; student loans; and local infrastructure.

Vermonters for a New Economy, which has spearheaded the campaign for a Vermont public bank, has taken a savvy approach to building a political base. Taking advantage of New England style grassroots direct democracy embodied in town meetings, they got a state bank on local agendas. This spring18 town meetings authorized resolutions directing the state to create a public bank — an impressive show of support.

Back to the future? Vermont had a successful state bank from 1806-1812. Governor Galusha's words, in addressing the Vermont House in 1809, ring true today as Vermonters mobilize for a public bank:

> *It is apparent that the establishment of a public bank in this State has saved many of our citizens from great losses, and probably some from total ruin…"*

*Ruth Caplan was AfD's first Co-chair with Ronnie Dugger and is Co-director of the DC Public Banking Center.*




graphic: The Bridge

# The Bank of North Dakota:
## Born out of Farm Foreclosures

*by Ruth Caplan*

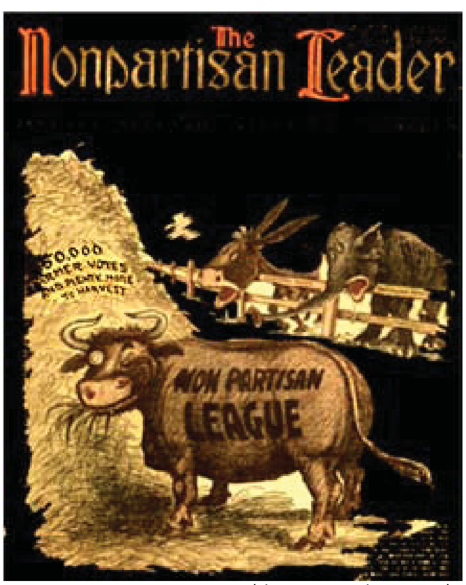
**The bank allowed farmers to rent their foreclosed land and, after the Depression, helped many farmers buy back their land.**

The Bank of North Dakota (BND) serves as a beacon of light and hope to the movement for public banks springing up in our cities, counties and states across the country. But we must recognize that BND has come to its current position of strength through decades of vision, hope, struggle, set backs, and reinventing itself until today it is built on a firm foundation with a broad range of programs.

Prairie Public TV lays out the context of BND's founding in 1919 with these words describing the historical exploitation of North Dakota's farmers by an economic triumvirate:

*By the turn of the century, North Dakota's economy was controlled by a cartel of Minnesota grain brokers, bankers, and railroads. The state's financial future was based on a single industry – agriculture – and a single crop – wheat. Despite repeated efforts by some state leaders to break free, the cartel's control of shipping, marketing and financing kept the state in the unenviable position of being little more than a Minnesota colony.*

This was just like conditions in the South that spawned the Populist Movement in the 1880s. In North Dakota, the farmers' revolt gathered steam with formation of the Non-Partisan League (NPL) in 1915, gaining 40,000 members in the first year. They sought to create state-owned mills, elevators, and packing plants, as well as state-owned, rural credit banks. The NPL incredibly won election of the governor, attorney general, secretary of state, agricultural commissioner and a majority of the House.



graphic: Nonpartisan Leader

In 1918, the NPL also won the Senate and State Supreme Court. In the following year they created the Industrial Commission made up of the Governor, Attorney General and Commissioner of Agriculture, and the Bank of North Dakota (BND) was born. They also established a state-owned mill and grain elevator.

The blowback was fierce. The Independent Voters Association (IVA) was formed by the bankers and their friends who prevented sale of bonds to capitalize the new bank sufficiently to make the promised loans. Just what we should expect from Wall Street today.

The next years were a roller coaster. In 1921, the Industrial Commission was recalled by a statewide referendum, but the bank survived. Labor fought back, selling bonds across the country and raising $6 million to capitalize the bank. The IVA dismantled many of the populist policies, but put the bank on sound financial footing. By 1924, the bank had made loans to more than 2200 farmers. Drought and economic recession followed. Farmers lost their farms. BND became the largest landowner in the state.

A combination of conservative banking policies and progressive social policies, which characterize BND to this day, was born during the Great Depression. When BND had to foreclose, the bank allowed farmers to rent their foreclosed land and, after the Depression, helped many farmers buy back their land. Further, BND "began financing state and county projects, investing in municipal bonds, and during the worst of the depression, buying subdivision warrants so that counties, cities, and schools could pay their employees when there wasn't enough cash to meet payroll."

BND thrived during WWII, financing loans to veterans and students and financing highway construction. Then in the 1950s, BND focused on providing banking services to local banks, while loans to farmers suffered from political discord. By the 1970s, BND was on an upswing with loan programs for farmers, small businesses, and student loans, only to once again be rocked by scandal, recession, and another major drought in the 1980s, with a bank bureaucracy which made it hard for farmers and small businesses to get loans when they were most needed.

In 1988, the state's populist roots came to the fore as the state held town meetings aimed at improving North Dakota's future. Over 6,700 people attended these meetings, giving second highest priority to remaking the culture of BND. Following up on this, the state legislature earmarked BND earnings for an economic revitalization program with a focus on partnerships. As reported on the BND website:

"For perhaps the first time in its history, the Bank of North Dakota had been given both the mandate and the funds to accomplish the mission envisioned by the Non Partisan League of 'encouraging and promoting agriculture, commerce and industry' in North Dakota."

graphic:catalysthouse

# BND Is Thriving Today

*by Ruth Caplan*

With this robust history, the Bank of North Dakota (BND) was well positioned to respond to two devastating floods: the Red River flood of 1997 and the statewide flood of 2011. When the Red River rose 54 feet and breached a dike upstream, the city of Grand Forks flooded. Electrical equipment shorted out, causing a fire that burned down eleven buildings, 60 apartments, and the Grand Forks Herald with its 120 year archive. Fifty thousand people were evacuated. Three hundred fifteen businesses and 75% of area homes were inundated. Property losses topped $3.5 billion. The BND not only quickly came to the rescue with nearly $70 million in credit lines, it also coordinated disaster relief with the North Dakota Community Foundation and worked with federal agencies to defer student and home loans.

In 2011, when all of North Dakota's river basins flooded, BND again deferred mortgage and student loan payments. The bank loaned millions of dollars to state agencies for flood recovery efforts and created a Rebuilders Loan Program through local lenders offering loans at no more than 1% for the first 20 years and deferring payments altogether for the first 2 years. Another program provided financing for new construction, rehab and rentals to prevent homelessness.

Of course, banks are in the business of making loans and that's what BND primarily does. Over the years BND has developed a diversity of loan programs serving farmers, homeowners, students, and businesses ranging from small start-up to high tech businesses.

Most loans are made through participation with a lead financial institution, usually a bank, savings and loan, credit union or Farm Credit Services; however, the legislature has given BND specific lending authority to make loans to individuals, e.g., to help new farmers get started and students afford college.

It also provides low-cost financing for agricultural and commercial ventures. PACE (Partnership in Assisting Community Expansion) is BND's primary commercial lending program. The loans are done in partnership with local financial institutions, allowing local banks to participate in loans, which they could not make on their own given their size. Unlike when they do loans with Wall Street banks, the local banks don't need to worry about having their customers stolen.

Flex PACE allows the community to determine loan eligibility and accountability standards for borrowers that do not qualify under PACE, in order to retain jobs, promote retail and smaller tourist businesses, and provide essential community services.

Ag PACE helps farmers diversify by investing in nontraditional agricultural efforts to create "value added" processing plants or other related businesses.

Other BND commercial loan programs are aimed at beginning entrepreneurs, higher risk endeavors, venture capital, and, most recently, financing non-profit health care facilities.

Recently BND initiated a home loan program. Surprisingly, the North Dakota Bankers Association is fully supportive. Their statement highlights unintended consequences.

> *Over the past years, because of the regulatory burdens our banks face by the passage of Dodd-Frank, and now the creation of the Consumer Financial Protection Bureau, it has become very prohibitive for a number of our banks to provide residential mortgage services anymore. We, two years ago, worked both with the Independent Community Bankers Association, and our Association and the Bank of North Dakota to come up with this idea in this program to help the bank provide services into the parts of the state that really residential mortgaging has seized up. We have a number of our banks that have terminated doing mortgage loans in their communities. They have stopped the process because they cannot afford to be written up by their regulator.*

Over the years, BND has proven to be flexible and innovative because it is not driven by maximizing profits, but rather to serve the people, local businesses and communities of North Dakota by working in partnership with existing financial institutions. Today North Dakota has a thriving private banking sector able to withstand the tsunami of the 2009 financial crisis and to prevent being taken over by Wall Street banks, largely due to the presence of the Bank of North Dakota.

**BND has developed a diversity of loan programs serving farmers, homeowners, students, and businesses ranging from small start-up businesses to high tech.**

## Why It Works in North Dakota

*"…the Bank of North Dakota is successful because we are partners with North Dakota's financial institutions, not competitors. This was so important that one of the bank's founding principles was "to be helpful to and to assist in the development of state and national banks and other financial institutions and public corporations within the state and not, in any manner, to destroy or to be harmful to existing financial institutions.' This directive continues to guide every decision made at the bank today."*

Eric Hardmeyer, BND President and CEO

# Postal Banking:

## Prosperity for Struggling Communities

*by Ira B. Dember*

**34 million mostly low-income households, about a quarter of all US households, don't have bank accounts.**

January 27, 2014 was a Monday like any other, until it wasn't. That's when the Office of Inspector General of the US Postal Service released a report that changed everything. The OIG proposed that America's 30,000 post offices offer desperately poor working families short-term emergency payday loans, essentially small advances against their paychecks.

This proposal came as stunning news because it would solve one of society's most pressing problems. Today, some 34 million mostly low-income households, about a quarter of all US households, don't have bank accounts. Or they don't have enough money to use accounts effectively, or don't have easy access to banks. When there's an emergency, these desperate folks turn to payday lenders.

The OIG report offers this typical example: you borrow $375 for about five months, but must pay $520 in exorbitant interest and fees. The effective interest rate (APR) comes to nearly 400%. Again, that's typical. Some lenders charge more.

These loans work exactly as corporate lenders designed them to. They drive people with no alternative deeper into debt. In 2013 alone, payday lenders cost poor folks $89 billion. For payday borrowers, it averaged more than $2,400 a year in exorbitant interest and fees. For many workers, that's a full month's hard-earned wages, almost as much as a family's annual food budget.

And the problem's getting worse. Predatory lenders are on track to suck $95 billion out of struggling low-income communities in 2014.

These predators can be driven out simply by tightening usury laws. But that would leave the poor without a way to get emergency loans, at any price. (Most banks won't touch them. Banks have been deserting the poor for years.)

Enter the US Postal Service. At various times in the past, the USPS has offered a variety of financial services, even savings accounts. Now the Inspector


General proposes bringing the USPS into the 21st Century with basic financial services designed mainly for low-income people, and for the "unbanked" — millions of Americans who don't have bank accounts.

Remember that $375 loan? And the predatory $520 cost? The OIG report estimates that you'd be able to get the same loan at your local post office for, well, $48. Total.

At that price, the OIG says, the Postal Service would still make a tidy profit. In fact, it would help stabilize the USPS's finances at a time when first class mail usage is declining. That could preserve endangered postal services like Saturday delivery, and keep the USPS from closing and selling off post offices, an outrage today in many communities.

Meanwhile, low-income workers and families would get to keep $80 billion of their hard-earned money. It would be almost like getting a hefty raise, without costing employers or taxpayers a dime.

The Postal Service would need to staff up to handle financial services at post offices, preserving and perhaps creating decent-paying jobs. Families would be able to buy more food and other necessities, injecting $80 billion a year into local economies. That too would create more jobs and help raise many folks above the poverty line.

This significant economic stimulus could help reduce the need for public assistance, which in turn would ease pressure on states and municipalities, and their taxpayers.

There's so much common sense in the OIG's postal banking proposal. Senator Elizabeth Warren came out strongly in favor within days of its release. Other leaders are getting on board.

Naturally, bankers, conservatives and Congress are opposed. It will likely take a KXL Pipeline-type uprising to get postal banking into America's post offices, and resulting benefits into communities.
Are you ready?

*Ira Dember writes extensively on financial fairness. He lives in Houston but somehow never lost his New York accent.*

## Kiwi Bank: The Full Monte

*by Ruth Caplan*

The history of public banking in New Zealand goes back to the election of its first Labor government in 1935 and creation of the Reserve Bank of New Zealand to promote the "economic and social welfare of New Zealand." The bank issued credit at 1% and 1.5% to fund state housing and reduce unemployment and to finance dairy farmers and the government, e.g., for road building.

But the post WWII Bretton Woods agreement, which set up the IMF and World Bank, ended the era of cheap credit as neoliberal theory took hold.

The drought ended in 2002 when a new Progressive Party browbeat the Labor Party into creating a state-owned postal bank which today has more than 800,000 customers with local branches in 280 "Postshops." This approach allowed the bank to be readily accessible to people and to avoid the cost of office space.

While first conceived as a way to provide banking services to the unbanked through the Postshops, the Kiwi Bank now provides a full range of personal banking services, much online, including credit cards, home and car loans, home/car/life/travel insurance, even a range of investment fund options. It also makes business loans and provides international banking services such as funds transfer and foreign exchange.

# German Banking Models

by Steve Seuser

Germany's economy is powered in part by a centuries-long tradition of different banking models, and an estimated 65-70% of Germany's banking sector are not traditional private banks as we know them in the US. These German banking models include public, hybrid, or cooperative entities.

**Förderbanken Development Banks** are 17 state development banks and two national public banks similar to Bank of North Dakota. As bankers' banks, they do not initiate loans directly with customers. Customers apply for loans through commercial banks, savings banks, or other types of local banks, which may forward the application on to these state development banks for partial funding of the loan. Each development bank establishes its own lending priorities, which include affordable housing; small to medium-sized businesses; agriculture; sustainable development; renewable energy; public infrastructure; transportation; information technology, and other public purposes.

One of the national development banks, KfW was established after WWII by the US/German Marshall Plan to rebuild the German economy. It now focuses on small and medium-sized businesses, infrastructure, housing, renewable energy, and international development. The other national bank, Rentenbank, focuses on agriculture and rural development. Both national banks can participate in loans through the 17 state development banks.

**Sparkasse Community Savings Banks** serve consumers and small businesses. They operate at the community or regional level and are mainly public entities without private shareholders. These are the front-line banks for many German households and small businesses, providing secure and affordable banking services. Locally operated, they are members of regional associations of savings banks, and networked with state Landesbanken.

The German savings bank model was first established in Hamburg in 1778 and has been adopted in 80 countries worldwide, including the US, where they were known as savings and loans (S&Ls). While federal deregulation of S&Ls in the United States during 1980s led to significant fraud, the S&L crisis, a federal bailout, and the takeover of the sector by private banks; in Germany, only limited financial challenges have occurred, and savings banks remain key to the local economy.

**Landesbanken State Banks** are mostly public banks serving states within Germany. These state banks act to build the state's economy, serve as business banks, and perform other services for savings banks, other banks, and government entities. Due to bad loans beginning in the 1970s, state banks have faced increasing public criticism and regulation. The 2007-08 financial crisis further exacerbated the situation, forcing one state bank to close. Other states already have or are considering privatizing their state banks.

**Raiffeisenbank/Volksbank Co-op Banks**, serving consumers and small businesses, are named for their founder, 1800s social reformer Friedrich Wilhelm Raiffeisen. He started them to provide capital to farmers and other agricultural businesses under the slogan, "One for all and all for one." Over time, the Raiffeisenbank/ Volksbank, and their affiliates have evolved to serve consumers and small businesses throughout Germany and in several other European countries. Similar to credit unions in the US, these German entities are structured as private Co-ops owned by their 17 million members operating in networks similar to savings banks. Co-op affiliates provide a full spectrum of financial services to members.

Public, hybrid, and co-op banks in Germany serve as important economic building blocks that provide needed capital and services to consumers, businesses, government agencies, and the broader economy. German banks have shown they are not immune to mistakes and failure. A good regulatory framework, accountable leadership, and public oversight are important elements to success for states and communities across the US considering public banking options.

**Public, hybrid, and co-op banks in Germany serve as important economic building blocks that provide needed capital and services to consumers, businesses, government agencies, and the broader economy.**

*Steve Seuser works with the DC Public Banking Center to establish a Washington, DC public bank and has over 25 years of experience working with the public, private and nonprofit sectors in the areas of sustainability, affordable housing, economic development, and nonprofit capacity building.*

graphic: Raiffeisenbank

**The Public Banking Institute (PBI)** was founded by Ellen Brown in 2011 to promote public banking in the U.S. at all levels — local, regional, state, and national — as a sustainable alternative to the current high-risk centralized private banking system. PBI envisions banks functioning as public utilities, run transparently and democratically, and serving the public interest. It is part of the New Economy movement.

Through its writing and website, national conference calls for public bank activists, webinars, blogs, public forum presentations, and consultations, PBI is an invaluable resource for the growing movement. Periodically, PBI hosts conferences such as the Funding the New Economy conference in San Rafael, California in June 2013, which attracted over 700 attendees, and featured presentations by Matt Taibbi, Gar Alperovitz, Birgitta Jónsdóttir, Michael Lerner, and other leading advocates of economic justice.

The list of public banking campaigns and contacts, which follow, are indicative of the amazing work PBI has done to inspire activists in just over two years. For more information about PBI, go to http://publicbankinginstitute.org

Inspired by the US Postal Service's recent proposal for postal banks, **BankACT** is a newly created non-profit, which complements the Public Banking Institute by focusing on the need for the working poor to have access to low-cost banking services. As a 501(c)(4) membership-based organization, BankAct will serve as a rallying point for organizations across America to demand that Congress and the USPS leadership establish postal banking. These include the National Association of Letter Carriers, the American Postal Workers Union, and organizations seeking economic justice for the working poor including, and especially, single working moms, immigrants, people of color and retirees.

In the span of a decade, postal banking could help low-income workers and families retain over $1 trillion of their own hard-earned wages now taken by payday lenders and other financial predators. Thus postal banking would improve millions of lives and help many families rise out of poverty — at no cost to employers or taxpayers.

BankACT's campaign will unite rural and urban Americans demanding that the USPS offer postal banking at 30,000 post offices coast to coast. To learn more — or, better yet, leap into the fray! — visit BankACT.org or e-mail Marc Armstrong at marc@bankact.org

## Public Banking Campaigns Across the Country

ARIZONA
Arizona Public Banking Coalition
www.arizonapublicbanking.org
Contact: James Hanley
jhannley2@msn.com

BOSTON MA
Hub Public Banking
www.hubpublicbanking.org
Contact: Stephen Snyder
asterix40@gmail.com

CALIFORNIA
Contact: Susan Harmon
susanharman1@gmail.com

COLORADO
Colorado Public Banking
Contact: Robert (Bob) Bows
robert.bows@gmail.com

DISTRICT OF COLUMBIA
DC Public Banking Center
www.dcpublicbanking.org
Contact: Ruth Caplan
rcaplan@igc.org

LOS ANGELES CA
Contact: Lauren Steiner
laurensteiner57@gmail.com

MENDOCINO COUNTY CA
Mendocino Public Bank Coalition
Contact: Mary Zellachild
maryzel@willitsonline.com

MICHIGAN
Innovative Solutions for Prosperity
Contact: Dan Osterman
drosterman@sbcglobal.net

NEVADA COUNTY CA
Economic Liberty for Main Street
www.mainstreetforumnc.org/discussion-topics/publicbanks/
Contact: Rick Robins
rick.robins@mainstreetforumnc.org

NEW JERSEY
New Jersey Public Bank Campaign
Contact: Joan Bartl
joanbartl@paymentmgmt.com

NEW MEXICO
WeArePeopleHere!
–BankingOnNewMexico
www.WeArePeopleHere.org/actions
Contact: Nichoe Lichen
BankingOnNewMexico@gmail.com

NEW YORK
Contact: Scott Baker
NYS Coordinator for PBI
ssbaker305@yahoo.com

PENNSYLVANIA
Pennsylvania Project
www.publicbankingpa.org
Contact: Mike Krauss
mike@publicbankinginstitute.org

SONOMA COUNTY, CA
Contact: Jack Wagner
jack@publicbankinginstitute.org

VERMONT
Vermont Partnership Bank
http://vtpublicbank.com/
Contact: Gwen Hallsmith
gwenhs@gmail.com

VIRGINIA
Virginia Council
www.vacouncil.org
Contact: Marc Armstrong
marc@publicbankinginstitute.org

WASHINGTON STATE
Washington Public Bank Coalition
www.washingtonpublicbankcoalition.org
Contact: Cindy Cole
cindy48@q.com

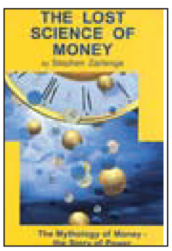
# —Books — Creating Jobs & Building Community

*by Jim Tarbell*

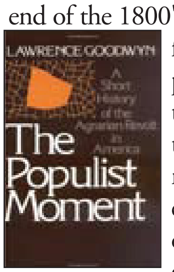
I have been reading books about money for forty years and David Graeber's *Debt: the First 5000 Years* is the best I have seen on the origins of money. Using anthropological tools and research, he pres-


ents a strong story of how money is a tool of culture rather than a tool of business. He shows how the concept of money came from social attempts to value the invaluable: a human life, human relationships, human ability, etc. Once he establishes the beginning, he walks the reader through money's sociological history from the times of the ancient Greeks through the middle ages and the Age of the Great Capitalist Empires, to the current epoch of financialization which he pinpoints as beginning in 1971. It is a very thought provoking journey indeed.

Stephen Zarlenga's *The Lost Science of Money* follows somewhat of the same path, but rather than looking at anthropological traits, he concentrates on the details lost from our history books. He argues convincingly that the public good has fared much better when the control of money has been under the auspices of a public authority rather than private merchants and bankers. His information about the period from 1600 to the present is particularly interesting, as the world swung between public financial administrations that benefitted the public good and disastrous episodes—including our present period — when bankers and traders used their control of our money supply to fleece everybody. It is a convincing tale that governments should be firmly in control of the money supply.

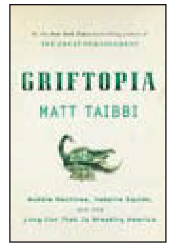



Lawrence Goodwyn's *The Populist Moment* is the tale of the last great popular movement to wrest the power and administration of money away from the private money power. It is the story of American farmers throughout the Mid West and South at the end of the 1800's who found themselves trapped in a

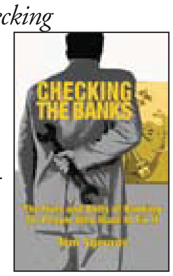


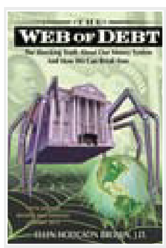

feudal financial system. Their multiple efforts from building huge co-ops to political movements, were consistently squashed by the power of money; not because they were not economically valid, but because they challenged the status quo. Their greatest idea, to create a new agriculture-financing institution, would have made the world better for everyone except the financial middlemen and bankers that were bleeding them dry.

No one has reported on our current financial catastrophe better than Matt Taibbi of *Rolling Stone* magazine. His book *Griftopia: Bubble Machines, Vampire Squids and the Long Con that is Breaking America* is his entertaining and provocative tale of the financial giants that drove the global economy into ruin in 2008. It tells of the principal government overseer of the financial system, Alan Greenspan, who instead of looking out for the public good, turned the reigns over to self-serving Wall Street elites, who praised him all the way. From there Taibbi goes on to the Wall Street inspired real estate bust and other calamities that ruined the monetary system for the average American, throwing them first out of their jobs and then out of their homes.




Finally, Tom Sgouros gives people who want to start fixing the problem the basic information they need to understand the banking world. His *Checking the Bank: The Nuts and Bolts of the Banking System for People Who Want to Fix It* not only goes through the minutiae of the banking business from their accounting mechanisms to their risk taking analysis, it also carries on a commentary in the footnotes about how this or that aspect of the banking business was crucial during the financial crisis. But the best part of his book is the last chapter, that not only talks about creating public banks but also presents a whole series of alternative banking strategies that local governments can use to benefit the good of their community rather than the wealth of Wall Street.

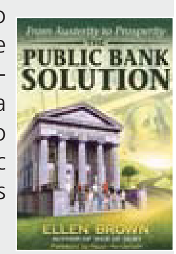



*by Ruth Caplan*

Ellen Brown is the inspiration behind the public bank movement ,which has popped up like mushrooms from an underground system of public indignation over the rape of public wealth by Wall Street banks and their ilk. Her first book, *Web of Debt*, is an eminently readable, yet highly detailed, account of the history of our money system. Using the Wonderful Wizard of Oz as a leitmotif, Brown documents the struggle between the people and the banks starting with the colonies and Ben Franklin, through Lincoln and the Greenbacks, fast forward to the derivatives melt-down and the need to take on the banks and nationalize the Federal Reserve. This is an essential read for anyone who wants to change the financial system.

In her second book, *The Public Bank Solution, From Austerity to Prosperity*, Brown takes the reader back to antiquity and around the globe to show that the idea of public banking has deep roots and wide branches, while she continues her critique of the present dominant financial system. From Japan to New Zealand, from Canada to North Dakota, she recounts how public banking has proven to be a workable system. As founder and president of the Public Banking Institute, Brown's writing continues to inspire activists who pursue public banking as a viable alternative.



# 100 Years Is Enough

## Time to Make the Fed a Public Utility

*Mr. Chairman, we have in this Country one of the most corrupt institutions the world has ever known. I refer to the Federal Reserve Board and the Federal Reserve Banks . . . .The depredations and iniquities of the Fed has cost enough money to pay the National debt several times over. . . .Some people think that the Federal Reserve Banks are United States Government institutions. They are private monopolies which prey upon the people of these United States for the benefit of themselves and their foreign customers; foreign and domestic speculators and swindlers; and rich and predatory money lenders. These twelve private credit monopolies were deceitfully and disloyally foisted upon this Country by the bankers who came here from Europe and repaid us our hospitality by undermining our American institutions.* — Congressman , Representative Louis McFadden, 1934

*by Ellen Brown, excerpted with permission*

**"I stand with Jefferson . . . and tell them, as he did, that the issue of money is a function of the government and that the banks should go out of the governing business."**

William Jennings Bryan

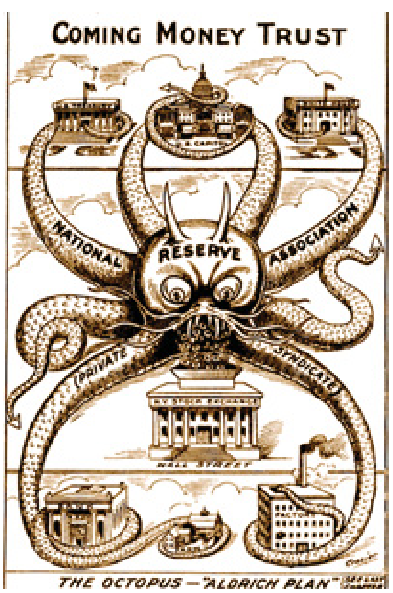
December 23rd, 2013, marked the 100th anniversary of the Federal Reserve, warranting a review of its performance. Has it achieved the purposes for which it was designed?

The answer depends on whose purposes we are talking about. For the banks, the Fed has served quite well. For the laboring masses, whose populist movement prompted it, not much has changed.

The Federal Reserve Act was passed in 1913 in response to a wave of bank crises, which had hit on average every six years over a period of 80 years. The resulting economic depressions triggered a populist movement for monetary reform in the 1890s. Mary Ellen Lease, an early populist leader, said in a fiery speech that could have been written today:

*Wall Street owns the country. It is no longer a government of the people, by the people, and for the people, but a government of Wall Street, by Wall Street, and for Wall Street. The great common people of this country are slaves, and monopoly is the master. . . . Money rules . . . .Our laws are the output of a system which clothes rascals in robes and honesty in rags. The parties lie to us and the political speakers mislead us.....*

*We want money, land and transportation. We want the abolition of the National Banks, and we want the power to make loans direct from the government. We want the foreclosure system wiped out.*




*Alfred Owen Crozier's 1912 depiction of the Federal Reserve. It is a prescient warning, given the ability of the Fed to make the American people continually support the needs of Wall Street banks.*

That was what they wanted, but the Federal Reserve Act that they got was not what the Populists had fought for, or what their leader William Jennings Bryan thought he was approving when he voted for it in 1913. In the stirring speech that won him the Democratic presidential nomination in 1896, Bryan insisted:

*[We] believe that the right to coin money and issue money is a function of government. . . . Those who are opposed to this proposition tell us that the issue of paper money is a function of the bank and that the government ought to go out of the banking business. I stand with Jefferson . . . and tell them, as he did, that the issue of money is a function of the government and that the banks should go out of the governing business.…*

What Bryan and the Populists sought was a national currency issued debt-free and interest-free by the government, on the model of Lincoln's Greenbacks. What the American people got was a money supply created by private banks as credit (or debt) lent to the government and the people at interest. Although the national money supply would be printed by the U.S. Bureau of Engraving and Printing, it would be issued by the "bankers' bank," the Federal Reserve. The Fed is composed of twelve branches, all of which are 100 percent owned by the banks in their districts. Until 1935, these branches could each independently issue paper dollars for the cost of printing them, and could lend them at interest.

The Treasury's website reports the amount of interest paid on the national debt each year, going back 26 years. At the end of 2013, the total for the previous 26 years came to about $9 trillion on a federal debt of $17.25 trillion. If the government had been borrowing from its own central bank interest-free during that period, the debt would have been reduced by more than half. And that was just the interest for 26 years. The federal debt has been accumulating ever since 1835, when Andrew Jackson paid it off and vetoed the Second U.S. Bank's renewal; and all that time it has been accruing interest. If the government had been borrowing from its central bank all along, it might have had no federal debt at all today. It may be time for a new Populist movement, one that demands that the power to issue money be returned to the government and the people it represents; and that the Federal Reserve be made a public utility, owned by the people and serving them. The firehose of cheap credit lavished on Wall Street needs to be redirected to Main Street.

*Ellen Brown is an attorney, author and the Founder of the Public Banking Institute.*

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# Why You Should Care

## Money Power Creates a Dismal Future

The financial industry contributes twice as much money to political campaigns as any other industry and spends far more than any other sector lobbying our government, weakening essential financial protection legislation like Dodd-Frank. Wall Street bankers run our Treasury and the Federal Reserve to ensure their control over the money supply and their earnings from government debt. Big banks and their financial allies continue placing bets on derivatives spelling economic disaster for the rest of us.

## Private Banks Bankrupt Government

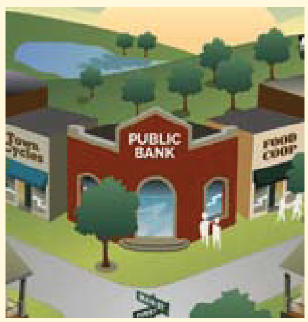
In their drive to maximize profits, the private banking industry has been preying on local governments, selling them snake oil like "credit-default swaps." Detroit and other cities have been bankrupted by such financial schemes. Meanwhile the Federal Reserve, run by the private banks, keeps the federal government in debt by loaning the government money which the Fed just creates out of thin air.

## Public Control of Money is Necessary

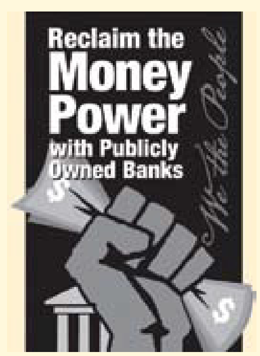
Our privately created and controlled money supply has taken us on a 300-year roller coaster ride guaranteeing that the private money industry reaps the benefits of the system, while the rest of us pay the price. Public money proponent and 1884 Presidential Candidate General George Butler made the logical declaration that currency should be "uniform, sound, cheap, stable, and elastic." But to make that happen, money has to be publicly controlled.

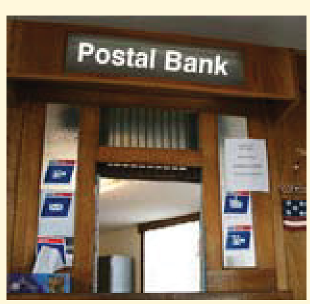
## Working Poor Need a Working Bank

Our banking system should work for the good of everyone. But it does not work for America's poor. A quarter of all US households, 34 million, mostly low-income households, do not have bank accounts. Banks will not even locate in poor communities. The residents of those neighborhoods must depend on a vulture industry of payday lenders that charge an average 400% interest, costing low-income communities $95 billion dollars a year, trapping them in a life of poverty.








# What You Can Do

## Join the Public Bank Movement

Money is power. Until money is placed under public control, the power will reside in the vaults of our corporations and banks. To start taking back the power, create a public bank in your city, county or state. To find out how to get involved in the public banking movement that is spreading across the country, check out the Public Banking Institute at publicbankinginstitute.org And use Justice Rising to spread the word.

## Support Local Institutions

Begin with grassroots action. Put your money into credit unions and local banks. Encourage your local government to move its money out of Wall Street banks and into local financial institutions, while making clear that partnership loans with a public bank will do far more to strengthen the local banks. Remember, deposits are a liability while loans are an asset.

## Push for Publicly Controlled Money

Join the movement to nationalize the Federal Reserve. Encourage your Congressional delegation to embrace the power embodied in the U.S. Constitution to control our own money supply and to print our own currency. This way we will free ourselves from the stranglehold Wall Street has on our families and our communities and prevent our homes from being used as pawns in the race to unearned wealth.

## Help the Working Poor Get a Bank

The US Postal Service providing banking services for the working poor is a win/win solution for the people, the Post Office and society in general. Postal banks are popular throughout the world. The US had postal banking services until the 1960s. The Office of Inspector General of the US Postal Service recommends it. The working poor need it. Senator Elizabeth Warren supports it. Join with Bank Act.org to get involved.