



# Label Letter

Vol. XXXVI, No. 2  
Mar-Apr 2011

Union Label & Service Trades Department, AFL-CIO

## How Gangsters With Briefcases Mugged the Muni Market



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### The Crooks Who Caused U.S. Financial Pickle That the Politicians Now Blame on Public Workers

There was a crime wave raging in America in 2008, but the news media never picked up on it. No one can say how much was stolen, but it's clear that politicians in states as diverse as California, Michigan, Texas, New York, Alabama, Ohio, Florida, Indiana, Tennessee, Maryland and even Wisconsin are trying to recover what was lost by taking it out of the paychecks of their public workers. Victims of this theft by some of the best known names in banking included public employee pension funds, individual IRAs, millions of homeowners and, of course, taxpayer funds held in trust by states, counties

and cities. Chances are, you, your family and your neighbor were all victims, more than once.

In the \$2.8 trillion municipal bond market, gangsters with briefcases conspired with major banks and financial intermediaries to fix bids. Agents from firms that were supposed to advise state and local officials were instead giving inside information to bidders in exchange for generous kickbacks from the bankers. The Bank of America, Citigroup Inc, JP Morgan, Chase & Co., Lehman Brothers Holdings, Wachovia, General Electric Co., and 10 other financial organizations have been implicated. At times, these banks conspired to take turns losing bids to inflate interest rates, keep profits high and business booming.

The U.S. Justice Department, working with the Securities Exchange Commission, the FBI, the Comptroller of the Currency and the Federal Reserve Bank of New York, secured guilty pleas from a number of individuals who were involved in the municipal bond fraud scheme which had apparently been underway since the mid-

1990s, according to details released by the Justice Department.

An investigative report by Bloomberg News Service estimates that the fraud cost taxpayers billions of dollars.

Here's how the fraud hit the people of Jefferson County, Alabama. Over a decade ago, County officials elected to finance \$2.9 billion to update sewers for the region, which includes the city of Birmingham. They issued bonds to pay 5.25% interest to investors. When the bond market got overheated and interest rates dropped in the early 2000s, bankers swarmed into the County offering to restructure the debt and theoretically save the County millions of dollars in interest payments. Jefferson County then restructured \$3 billion in new financing, agreeing to purchase "auction rate security swaps" combined with some fixed rate debt. (An arrangement similar to deals offered to homeowners at the time to purchase ARM loans, or "floating" rate mortgages in exchange for their standard 30-year fixed rate notes. Who would have thought interest rates might climb?)

All that renewed activity in the bond market cost Jefferson County another \$55 million in fees to get on the gravy train. Next, Jefferson County paid \$120 million in fees—about six times what it should have—to offload its risk of higher interest rates to buy "interest rate swaps" that were structured by JP Morgan. Morgan "earned" the right to create those swaps the old fashioned way, by paying \$3 million in bribes to persuade Goldman Sachs to withdraw from the bidding. It's alleged that additional bribe money went to at least one Jefferson County commissioner. But, all that debt came right back on Jefferson County when the bond auctions failed to draw new investors—forcing rates up again. Later, when the County tried to withdraw from the deal, Morgan filed suit against Jefferson County for \$647 million.

continued on page 4 >>

## DEAR BROTHERS AND SISTERS,

Tired of hearing “I can’t afford to buy Union Made Products” from friends and family?

Here is a list of Union Made products available for a dollar at most stores.



- Crunch N' Munch
- Ajax Dishwashing Liquid
- Quaker Oats Tortillaz
- Purina Dog Chow
- Alpo Canned Dog Food
- Gravy Train Canned Dog Food
- Pedigree Canned Dog Food
- Friskees Canned Cat Food
- Spic N' Span Clean Wipes
- Clorox Disinfecting Wipes
- Palmolive Dishwashing Liquid
- Rinso Laundry Detergent
- Albert VO5 Shampoos and Conditioners
- Palmolive Hand Soap
- Irish Spring Hand Soap
- SoftSoap Liquid Hand Soap
- Colgate Toothpastes
- Ultra-Brite Toothpastes
- Chapstick
- Lysol Liquid Toilet Cleaner
- Swiss Miss Powdered Hot Chocolate
- Rice Krispy Chocolate Treats
- Act II Popcorn
- Corn Nuts
- Cheez-Its White Cheddar
- Tostitos
- Doritos
- Corn Nut Chips
- Pace Picante Sauces
- Munchies Cheese Chips
- Mike & Ike's Candies
- Fiddle Faddle Carmel Popcorn
- Russell Stover Caramels
- Red Vines Licorice
- Tootsie Rolls Variety Packs
- Stay Puffed Marshmallows
- 100 Grand Bars
- Sunkist Fruit Gummies
- Hot Tamales Candies
- Baby Ruth Bars
- Pepsi Cola
- Heinz Cocktail Sauce
- Rosarito Refried Beans
- Gebhardt Refried Beans
- Heinz Home Style Sausage Gravy
- Campbell's Soup
- Campbell's Superior Spaghetti & Meatballs & Spaghetti-O's
- Chef Boyardee Mini-ABCs
- Green Giant Green Beans
- Hormel Soup Cups—Chicken Noodle
- Dinty Moore Beef Stew
- Hamburger Helper Chili Cheese
- Campbell's Chunky Beef & Vegetables
- Wholesome Helper Beef Stroganoff
- Hormel Chili
- Armour Vienna Sausages & Potted Meat
- SPAM Single Classics
- Chips Ahoy!
- Hidden Valley Harvest Dill
- Del Monte Sloppy Joes
- Del Monte Canned Organic Tomatoes
- Del Monte Spaghetti Sauce
- La Victoria Green Chilies & Enchilada Sauce
- Prego Fresh Mushroom Pasta Sauce & Meat Pasta Sauce
- Betty Crocker Pasta Alfredo
- Kraft Pasta Salad
- Betty Crocker Suddenly Salad
- Cracker Jack Original
- Fritos Chili Cheese
- Banquet Chicken Fingers Dinner, Nuggets Dinner & Chicken Pot Pie
- Banquet Meat Loaf Dinner
- Banquet Mexican Style Chicken Enchilada Dinner
- Sunkist Pineapples & Mandarin Orange Cups
- Dannon Activa—Prune, Mango & Peach
- Land O'Lakes Margarine, Buttery Spray, Cheddar Cheese & Colby Jack Cheese
- Pillsbury Golden Homestyle Biscuits
- Yoplait Fiber One Yogurt—Strawberry & Peach
- Snack Pack Pudding—Banana
- Skippy Super Chunk Peanut Butter
- Western Bagel—Blueberry, Onion, & Whole Wheat
- Western Bagel English Muffins
- Hawaiian Punch
- Lays Classic Potato Chips
- Lays Limon Potato Chips
- Doritos Cool Ranch, Nacho Cheese & Spicy Nacho
- Ruffles Cheddar Cheese & Sour Cream
- I Can't Believe It's Not Buttery Spray
- Farmer John's Classic Cooked Ham
- Good Humor Ice Cream Sandwich Bars, Neapolitano Bar, Strawberry Shortcake Bar & Chocolate Crunch Bar
- Dial Hand Soap
- Reynolds Wrap
- Scotch Tape
- 3M Sponges

**CREDIT:** United Auto Workers Local 1005, Parma, OH, Mike Caldwell, Chair, Union Label Committee ([www.uawlocal1005.org](http://www.uawlocal1005.org)). Brother Caldwell notes that the original source of this list is unknown.

## Palo Alto Firefighters Offer \$300 Prize For Members Who Buy American

**F**ire Fighters Local 1319 in Palo Alto, CA, has come up with a 'Buy American' challenge for their members. Any local member who submits a receipt for purchases of American made products will receive one raffle ticket for every \$10 spent. The tickets go for a drawing by the local of a \$300 gift certificate to be used on the Union

Label (unionlabel.com) website. Fire fighter Bary Marchisio said the idea was inspired by Charles Kernaghan who spoke to the recent IAFF Convention.

*For the record the website, www.unionlabel.com is a commercial operation, not affiliated with the Union Label Department. The site features both union-made and made-in-the-USA products.*

## Union Alternatives to Wall Street 'Banksters'



For those who prefer banks with a union label, there are at least three to choose from. Here's a short list:

**Amalgamated of New York**—Union Owned, employees represented by Office and Professional Employees International Union (OPEIU).

**Amalgamated Bank of Chicago**—Several Unions hold significant stock in the bank.

**Ameriserv Financial Bank (Johnstown, PA)**—USW represents Ameriserv employees.

### Union Sponsored Credit Unions

Today, credit unions offer the services that the old community banks used to provide: personal or business loans, savings and checking accounts, financial advice and more. The key difference is that credit unions are owned by the people that they serve. Check with your central labor council or the local yellow pages for a credit union that can serve you.

## Walk In My Shoes

**PAUL O'CONNOR**, Electrician, Portsmouth Naval Shipyard

**A**merica's nuclear submarines are all union-made. When these vessels need repair, the U.S. Navy wants that work done by skilled union workers.

Working on the electrical systems in a nuclear submarine is a bit different from wiring switches in a home. Everything we do is critical to the operation of this complex vessel, especially when it is submerged thousands of feet below the surface. The lives of the sailors on this vessel depend on me. I'm reminded of that responsibility every working day.

I'm also president of the Portsmouth Metal Trades Council—the umbrella organization negotiating for all the unions in this yard. We're federal workers, the very same folks targeted for pay freezes and a possible shutdown.

All the men and women I work with are proud of the work we do keeping America safe, and we're proud to be union members.



*O'Connor accompanies President Obama on a tour of the Portsmouth Shipyard.*

## What's Your Story?

In 150 words or less—accompanied by a picture of you at work...Help us walk in your shoes. We're open to all union members, active, retired, laid off.


The pictures and stories we get will be published in the Label Letter and posted on the Department's website—and perhaps in posters and other promotional materials.

E-mail a walk in your shoes to: [info@unionlabel.org](mailto:info@unionlabel.org); or send by regular mail to: Walk In My Shoes, c/o Union Label & Service Trades Dept. (AFL-CIO), 815 16<sup>th</sup> St. NW, Washington, DC 20006

## Good Deals for Union Members Get 15% Discount on All Union Wireless

**AT&T**—America's only union wireless service—offers a 15% discount to union members and their families. Members of the **Communications Workers (CWA)**, **International Brotherhood of Electrical Workers (IBEW)** and the **International Brotherhood of Teamsters (IBT)** work to provide premier wireless service to AT&T customers.

Go to the Union Plus website, [www.unionplus.org](http://www.unionplus.org), to get more information and your discount code number.




## Label Letter

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# Wallstreet Fraud Siphons Billions from Public Coffers? (continued from page 1)

Once the SEC began investigating this and other deals, Morgan dropped that lawsuit. Nevertheless, in Jefferson County poorer residents are facing the choice of either heat or water service and the County is mulling the possibility of bankruptcy.

At least a dozen executives from CDR, the financial consulting firm that advised Jefferson County, have been indicted and most have already pleaded guilty. The CDR executives were on the receiving end of kickbacks ranging from \$4,500 to \$475,000 from the banks in return for inside information on the bidding process.

According to the Bloomberg report, the conspiracy included more than 200 deals on tens of billions of dollars worth of guaranteed investment contracts (GICs) issued by state or local revenue authorities. CDR is one of several firms that are hired by jurisdictions to solicit competing offers to sell their bonds.

Two other advisory firms—Investment Management Advisory Group Inc., known as Image; and Sound Capital Management—have been raided by FBI agents as part of the investigation.

Investigators say that the key witness is a Bank of America insider who has been cooperating with the government. Bank of America began “cooperating” with the government in 2007 in return for an amnesty agreement. B of A also agreed to pay \$137 million—which its press release carefully noted was not a fine; \$101.8 million of that is for restitution; \$25 million goes to the IRS for abuse of the tax free status of muni bonds; \$4.5 million to reimburse state attorneys general for the costs of investigating the bank’s behavior. Twenty-seven bank employees at 17 banks have also been named as part of the conspiracy, according to the Bloomberg report.

These and other criminal acts are included in a list compiled by the Financial Crisis Inquiry Commission and published at the end of last year. According to that report, the Department of Justice and the Securities and

Exchange Commission have prepared—

- › 500 mortgage fraud related charges and are pursuing 2,700 pending investigations.
- › 664 separate enforcement actions. Wrongdoers—many of them familiar household names, such as Citigroup, JP Morgan Chase, Bank of America, Countrywide, Merrill Lynch, UBS—have been ordered to repay \$2.09 billion.

Additionally, state attorneys general have filed actions against other miscreants—

- › Illinois sued Wells Fargo for deceptive lending practices preying largely on African American and Latino homeowners.
- › Iowa secured a global settlement with Countrywide on behalf 400,000 borrowers.
- › Massachusetts won a settlement against Goldman Sachs, requiring Goldman to provide \$50 million in relief to homeowners and an additional \$10 million to the state.
- › California settled with three affiliates of Wells Fargo in the amount of \$1.4 billion to repay investors, charities and small businesses that purchased securities based on misleading advice.
- › New Jersey recovered \$148 million for banking and finance improprieties including consumer fraud.
- › Ohio sued national ratings agencies—Standard & Poors, Moody’s and Fitch— charging that the firms provided inflated and inaccurate credit ratings on investment agencies.
- › An additional 392 class action lawsuits have been privately filed by investors seeking \$1.4 trillion in damages.

As Charles Ferguson, the producer of *Inside Job*, the documentary on the financial meltdown said when he collected his Oscar: “Not a single financial executive has gone to jail, and that’s wrong.”

## AFSCME Pres. Explodes Myths About Public Worker Pensions

*Gerald McEntee, President of the American Federation of State, County and Municipal Employees (AFSCME) writing in USA Today earlier this year:*

**P**ublic employee pension payments account for less than 4% of the average state’s spending, while the annual pension for AFSCME retirees averages \$19,000. Critics of the pension system conveniently ignore the fact that our members contribute to their pensions with every paycheck, and that more than 85% of their pension benefit is a result of those contributions and investment income.

Current challenges are not a result of excessive benefits. For every story about someone who gamed the system to obtain an unfair payout, there are tens of thousands of workers whose annual pensions are \$10,000 or less.

Let’s be clear: Underfunded pension systems resulted from unprecedented losses of asset values caused by reckless behavior on Wall Street and the refusal of some politicians to make their required payments. As recently as 2007, pension funds had, collectively, 96% of the assets required to meet future expenditures. But Wall Street drove America’s economy and retirement security into a ditch. And now both pension and 401(k) accounts alike must be rebuilt.

Pension funds can be replenished over time at a modest cost. It is projected that states must increase pension spending from about 4% of their budgets to just 5% in the future. Surely, this is manageable.

The “401(k) solution” promises cost-savings that just don’t materialize. A recent study in Nevada concluded that conversion to a 401(k)-style system would cost \$1.2 billion more over the next two fiscal years. 401(k) plans are not less expensive, just less efficient and less secure than traditional pensions.

Most public pension systems have been in existence for 60 years or more. They have persevered during market downturns and enjoyed surpluses when the good times rolled. They predated public employee bargaining rights, and few plans are subject to the bargaining process today. They have traditionally enjoyed broad support as a cost-effective compensation and retirement security policy.

That support deserves to continue.

# Your Governors Can't Pay Teachers Because Wall Street Won't Let Them

**A**mong U.S. governors there is usually a wide range of opinion. Conservatives Scott Walker in Wisconsin and John Kasich in Ohio are at one end; progressives like Andrew Cuomo in New York and Martin O'Malley in Maryland at the other. Yet, virtually every one of them, along with every county executive and every big city mayor will say that keeping their state's bond ratings at the highest possible level is critical to the future of their jurisdiction (and their personal ambition). That is a key (often unmentioned) reason for the nationwide epidemic of reduced public services and pay and benefit cuts afflicting public workers.

Laws governing bonds for state and local government typically require that bond holders are first in line to be repaid before other allocations can be made. It's a budget line item called "debt service" and its large and growing—a total of \$357 billion for the states and \$82 billion for localities.

But, who controls those bond ratings? Why are they important? Why do the needs of taxpayers for basic public services such as education, public safety, health and transportation come only after the bankers and Wall Street are satisfied that cities and states are "good investment risks"? How come some guy in New York City who takes home a seven figure annual paycheck can dictate how much a cop or a teacher in Indiana gets paid, or how big a pension should be for firefighters in Oklahoma?

The answer to those questions is unsettling and it says a lot about who is in charge in America and why a handful of conservative plutocrats like the Koch Brothers wield so much power in U.S. politics today.

Standard & Poor's, probably the most influential of the three major rating agencies, puts it this way: "governments that make the tough choices sustain their ratings." By tough choices, they mean—cutting services and laying off workers when finances get pinched, not raising taxes or going after corporate tax avoiders.

Rating agencies also insist that jurisdictions lay aside "rainy day funds"—the rule of thumb, according to the National Association of State Budget Officers, is 5% of a state's general funds should be held in reserves. Some politicians are afraid to drain those funds when economic storms hit for fear that rating agencies will write down their credit ratings.

*"How come some guy in New York City who takes home a seven figure annual paycheck can dictate how much a cop or a teacher in Indiana gets paid, or how big a pension should be for firefighters in Oklahoma?"*

## The Great Recession Wasn't Your Fault

The conventional wisdom has it that the Great U.S. Recession of 2007 to 2009 was caused by lots of everyday folks taking out mortgage loans that they couldn't repay. Those loans were packaged into bundles and resold by the financial markets. When those loans defaulted, the investors and the companies insuring those investments didn't get paid, and the financial firms that packaged the deals collapsed, so on, and so on.

Yeah. That's part of the story, but only a very small part. On closer scrutiny, it's clear that the banking and finance industry, freed of regulation by changes enacted in the law in 1999, unleashed an unprecedented wave of greed that almost brought down the entire nation. Individual consumers were lured into shaky deals, but the major crimes happened when the bankers then packaged the loans for resale to investors, often with the intention of betting on those loans to fail.

In Texas this year, tea party advocates are threatening politicians who support using the state's \$9 billion-plus rainy day fund to close a \$4 billion budget gap. Republican Gov. Rick Perry had been siding with the tea partiers on that point until recently when he announced that he would use about one-third of the fund to apply to the deficit. And, as you might imagine, Texas gets high marks from Standard and Poor's despite the state's blooming deficit, because Texas politicians have not hesitated to keep taxes low and cut spending on citizen services.

At least once a year, sometimes more often, elected officials from cities, counties and states make a pilgrimage to Wall Street to bow down before the princes of finance and convince them that lending money for bridges and roads, new schools, or even a sports stadium can be a win-win. The people—that's you and me—are going to pay back these loans (with considerable interest), and the high rollers who finance these mega loans are going to make a little extra for their trouble. This is a \$2.8 trillion (that's ten digits) industry.

If issuing General Obligation Bonds or other public investments was just a simple transaction like buying a car or a major appliance on time there wouldn't be much room for mischief, but with totals running well into the billions of dollars, that's not the case. There are middlemen and brokers to be paid and processes to be followed and therein lies lots of opportunity for mischief, corruption and cronyism.

What? You believed it when you were told that these jurisdictions have to balance their books every year. Well, yeah; except they can borrow money for big projects and pay back the funds over time. Those decisions put lots of taxpayer money into play (as in, pay to play). So, a jurisdiction might dabble in Guaranteed Investment Contracts (GICs), or Interest Rate Swaps or other exotic derivatives—buying and selling to maybe get lower repayment rates or a better deal on the interest they're going to have to pay. And, that process puts huge sums of money into the hands of the very same people who drove the U.S. economy into a ditch not so very long ago.

Willie Sutton, an infamous crook in the 1950s, told a judge that he robbed banks because: "that's where the money is." If he was operating today, Willie would be on Wall Street—and he probably would never spend a day in jail either.

# AFL-CIO NATIONAL BOYCOTTS

MAR-APR 2011



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**CAMBRIDGE**, Hyatt Grand  
**CHICAGO**, Congress Plaza; Hyatt Regency Chicago; Hyatt Regency O'Hare; Hyatt, Park Hyatt; Westin Chicago Northwest; Wyndham Suites  
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SINCLAIR BROADCASTING 55 stations in 33 U.S. Markets. Go to [www.unionlabel.org](http://www.unionlabel.org) and click "Boycotts" to find the stations in your area

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VINGENT BACH DIVISION CONN SELMER, INC. Elkhart, Indiana  
Musical Instruments: Trumpets, Trombones, Saxophones

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R.J. REYNOLDS TOBACCO CO.  
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## Costco Agrees to Give Edsal's Union-Made Shelving a Tryout

After an extended labor-management campaign to persuade Costco to stock union-made Edsal steel shelving units, the giant retailer has agreed to give the product a tryout. Edsal began shipping the first lots to Costco in April.

"This is just a tryout, but we're convinced that, given the opportunity, consumers will prefer ours to the Chinese competition," said Edsal Marketing Manager Scott Henry.

Although most of Costco's competitors—including Lowe's, Sears, Menard's and Home Depot—already carry the Edsal brand, Costco was resistant until recently.

Edsal's units are the same size and

holding capacity as the Chinese brand. They are less expensive and more environmentally sound (much of raw material used in the manufacture is recycled). And, because Edsal shelving is U.S. made in Chicago, Edsal products take less time to ship and shorter shipping saves fuel.

Edsal shelving is also union made, by some 500 members of the International Union of Allied, Novelty and Production Workers. The steel used to manufacture the units comes from U.S. mills.

Company owner Mitchell Liss and Union President Mark Spano both played an active role in the campaign to convince Costco, with a barrage letters to corporate executives. They even petitioned the White House for help.

## When One Bank Cons Another

# Scott Walker's Personal Banksters Link M&I Bank to Governor's Office

Ordinary customers of Marshall & Ilsley (M&I) Bank—Wisconsin's largest bank—recently learned that the bank secretly sells personal information about customers to outsiders; that the bank and its top executives were the largest source of political contributions for Wisconsin Gov. Scott Walker's campaign coffers; and that the bank has yet to pay back \$1.7 billion in federal TARP funds. Much of that information might have remained secret if not for an aggressive campaign mounted by the Sheet Metal Workers International Association (SMWIA) in the wake of the dustup in Wisconsin.

Digging into the relationship between Walker and M&I all started in February when International Association of Fire Fighters Local 311 President Joe Conway urged his members to yank their funds from M&I's Madison branch after the connection became public. Within hours, some \$190,000 was withdrawn and the bank closed early that day to slow the flow. That figure soon became \$600,000.

Sheet Metal Workers in Wisconsin, who had been standing shoulder to shoulder with the public workers in the state, picked up immediately on the connection and began

investigating the bank's plans to sell itself to the Canadian Bank of Montreal. Recently, Canadian trade unionists joined an SMWIA organized rally in Vancouver to alert Bank of Montreal stockholders to the pitfalls of the pending merger. SMWIA's Paul Pimentel pointed out that M&I executives, led by CEO Mark Furlong, will get generous golden parachutes if the merger is approved—totaling some \$77 million—paid for by the Bank of Montreal. Bank of Montreal will also be stuck for the \$1.7 billion in federal bailout funds that M&I has never repaid.

M&I bank might treat its ordinary customers with disdain, but if you happen to be the governor of Wisconsin and an M&I political ally, that's a different story. Walker gets a lot more than just free checking or an occasional calendar. How about \$46,000 for his election campaign? Unlike the run of the mill M&I account holder, for Walker there's no need to venture out into the cold streets of Madison (where he's likely run into some of those pesky union demonstrators). Walker gets to use a convenient private tunnel that runs from the governor's office to the bank's Madison branch. Who says banks have lost that personal touch?



## TAKE YOUR MONEY AND RUN TO A UNION BANK!

## Could Others Follow North Dakota With State-Owned Banks?

At least 13 state legislatures have been looking into the possibility of setting up state-owned banks to handle many of the financial tasks that are now performed by Wall Street. Lawmakers, with the support of small business owners and community activists in California, Florida, Hawaii, Idaho, Illinois, Maryland, Massachusetts, Michigan, New Mexico, Oregon, Vermont, Virginia and Washington are looking at the model of North Dakota, with over 90-years of experience operating a state-run bank.

Most states deposit tax receipts, pensions, miscellaneous capital and rainy day funds with Wall Street banks, a function that the Bank of North Dakota handles for the state government.

Some small business owners see a state run bank as key to loosening up credit and promoting economic growth. In Washington, a poll by the Main Street Alliance found that 79 percent of small business owners support the creation of a state community bank like North

Dakota's. An op-ed authored by small business owners Gregg Lanza and Makini Howell and published in February by the Seattle Times, pointed out that the current lending drought is strangling small businesses. "Even though the big banks pledged to increase small business lending in 2009, it has yet to happen. Even when we can get a bank loan, small businesses are getting harsher terms on those loans—higher interest rates, more collateral requirements, shorter payback periods," they wrote.

Established on the crest of the farmer-labor populist movement in 1919, the Bank of North Dakota has been profitable and successful over the years. It helped the state weather the Great Depression and, despite the current Great Recession, the Bank of North Dakota reported assets totaling \$4 billion, a 2009 profit margin of 3.6% on earnings of \$58 million, a \$400 million increase in assets and \$272 million increase in equity. Over the past decade, the bank's \$300 million in profits have

gone directly into North Dakota's treasury.

Serving as a bankers' bank, the Bank of North Dakota is the repository for state pension funds and capital. It also partners with other banks in the state to leverage public funds to assist business and agriculture.

Legislation to create a state owned bank has been introduced this year in three states—Oregon, Washington and Maryland. Similar bills were entertained in Illinois, Virginia, Massachusetts and Hawaii last year.

Private banks have raised opposition to the concept, but a review of the experience of North Dakota would seem to suggest that the presence of a state-owned bank helps stabilize community and home town banks. North Dakota has more community banks per capita than any other states, perhaps because the state bank's policy of risk sharing on commercial loans allows smaller community banks to compete with large multi-state banks.

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TIME VALUE

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# EndNotes

By Rich Kline, *President, UL&STD*



## **Welcome Back Witch Hunts, Farewell Academic Freedom**

William Cronon,  
the President-  
Elect of the Ameri-  
can Historical

Association and the Frederick Jackson Turner and Vilas Research Professor of History, Geography, and Environmental Studies at the University of Wisconsin, ran afoul of the arch-conservatives in Wisconsin. He had called for civility in public discourse, neighborliness despite disputes, and openness with respect to the groups influencing policy makers.

The response from Republican lawmakers was a demand for Prof. Cronon's e-mails. The same thing is going on in Michigan and probably elsewhere. Academic freedom is under assault because right-wingers want to stifle support for public employees. Conservatives fear that calm, rational voices might

awaken the public to the dangers posed by slashing and burning the rights of public workers.

So the right wants to silence those calmer, more rational voices by indiscriminate random threats, such as examining their e-mail. Are phone records next?

Of course, the right-wingers have a dishonorable model for their behavior, the father of all witch hunters, Joe McCarthy. What a field day O' Joe would have had investigating the hundreds of thousands of pro-worker demonstrators who have been supporting public employees in Madison, Wisconsin and in other state capitols around the country.

One cannot avoid remembering Pastor Martin Niemoller's comments on the Nazis. He wrote: First they came for the Socialists, and I did not speak out — Because I was not a Socialist. Then they came for the Trade Unionists, and I did not speak out — Because I was not a Trade Unionist. Then they came for the Jews and I did not speak

out—because I was not a Jew. Then they came for me — and there was no one left to speak for me.

It seems that speaking out still carries with it the possibility of retaliation. E-mail inspection, academic tenure in one setting; harassment and a blotted record in another. The right-wing flacks on cable television are busy calling public employees and their supporters and trade unionists generally communists, thugs and Tony Sopranos. This characterization is clearly preparatory to concerted attacks on labor rights and labor organizations.

Interestingly, these folks never mention the social progress stemming from the Labor Movement. They never note the rise of the American middle class because of the Labor Movement, but why would they? They are too busy destroying the middle class.

It is time to stop the lies, time to speak out just as the demonstrators in Madison and Columbus have done. Because in one way or another, they do plan to come for the rest of us.