SCOMM

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293.630 Date for closing accounts by persons who must make annual accounts. All officers and persons required to render annual accounts to the Secretary of State or State Treasurer shall close these accounts on June 30 of each year.
[Formerly 291.568]

293.635[Formerly 291.570; repealed by 1967 c.454 s.119]

293.640 Period covered by biennial reports. The biennial report of any state officer or agency required to be submitted to the Legislative Assembly or the Governor shall cover the biennial period closing on June 30 next preceding the regular session of the Legislative Assembly.
[Formerly 291.572; 1967 c.454 s.77]

293.644[1967 c.454 s.74; repealed by 1975 c.605 s.33]

293.645[Formerly 291.574; repealed by 1967 c.454 s.119]

293.648 [1967 c.454 s.75; repealed by 1975 c.605 s.33]

293.650[Formerly 291.575; 1967 c.335 s.31; repealed by 1967 c.454 s.119]

293.652[1967 c.454 s.76; 1971 c.267 s.3; repealed by 1975 c.605 s.33]

293.655 Filing and making public, information concerning current and anticipated financial condition of state. Twenty days prior to any election at which any legislative or constitutional measure involving the raising or expenditure of funds by the state is to be submitted to the people of the state by initiative or referendum, and in any event, 20 days prior to each regular general biennial election, there shall be filed in the office of the Secretary of State and made public, a condensed, understandable and impartial statement showing the anticipated state General Fund requirements, revenues and balances under existing laws for the whole of the fiscal biennium then current. There shall be attached to any such statement an exhibit containing a brief, understandable and impartial written explanation of:

(1) The statement for the biennium then current.

(2) The fiscal changes anticipated for the following biennium.

(3) Other matters deemed desirable to advise the public of the current and anticipated condition of the finances of the state. Each statement and exhibit shall be prepared and certified by the Executive Department and the Department of Revenue and approved by the Governor.
[Formerly 291.576]

293.660 Determining date of filing or receipt of reports, claims, tax returns or remittances. Any report, tax return, remittance to cover a payment or claim for credit or refund required by law to be filed with or made to the state or to a state agency, which is:

(1) Transmitted through the United States mail, shall be deemed filed or received on the date shown by the post-office cancellation mark stamped upon the envelope containing it, or on the date it was mailed if proof satisfactory to the state or state agency establishes that the actual mailing occurred on an earlier date.

(2) Lost in transmission through the United States mail, shall be deemed filed and received on the date it was mailed if the sender:

(a) Can establish by competent evidence satisfactory to the state or state agency that the report, tax return, remittance or claim for credit or refund was deposited on the date due for filing in the United States mail and addressed correctly to the state or state agency; and

(b) Files with the state or state agency a duplicate of the lost report, return, remittance or claim within 30 days after written notification is given by the state or state agency of its failure to receive such document or remittance.
[Formerly 291.578]

INVESTING STATE FUNDS

293.701 Definitions for ORS 293.701 to 293.776. As used in ORS 293.701 to 293.776, unless the context requires otherwise:

(1) "Council" means the Oregon Investment Council.

(2) "Investment funds" means:

(a) Public Employes' Retirement Fund referred to in ORS 237.271;

(b) Industrial Accident Fund referred to in ORS 656.632;

(c) Administrative Fund referred to in ORS 656.612;

(d) Civil Defense Injury Fund referred to in ORS 401.865;

(e) Special Injury Fund referred to in ORS 655.445;

(f) Inmate Injury Fund referred to in ORS 655.540;

(g) Employment Division Special Administrative Fund referred to in ORS 657.822;

(h) Restoration Fund referred to in ORS 278.040;

(i) Funds under the control and administration of the Division of State Lands;

(j) Common School Fund Guaranty Fund referred to in ORS 327.482;

(k) State Scholarship Commission Fund referred to in ORS 348.570;

(L) Moneys made available to the Commission for the Blind under ORS 346.270 and 346.540 or rules adopted thereunder;

(m) Forest rehabilitation bonds sinking fund referred to in ORS 530.280;

(n) Oregon War Veterans' Fund referred to in ORS 407.160;

(o) Oregon War Veterans' Bond Sinking Fund referred to in ORS 407.170;

(p) World War II Veterans' Compensation Fund referred to in ORS 407.370;

(q) World War II Veterans' Bond Sinking Fund referred to in ORS 407.380;

(r) Savings and loan association funds in the hands of the Corporation Commissioner;

(s) Funds in the hands of the State Treasurer that are not required to meet current demands;

(t) State funds that are not subject to the control and administration of officers or bodies specifically designated by law;

(u) Funds derived from the sale of state bonds;

(v) Social Security Revolving Account referred to in ORS 237.490; and

(w) Investment funds of the State Board of Higher Education lawfully available for investment or reinvestment.

(3) "Investment officer" means the State Treasurer in his capacity as investment officer for the council.

[1967 c.335 s.1; 1967 c.399 s.5; 1971 c.408 s.1; 1975 c.363 s.1a; 1975 c.471 s.1a]

293.705[Formerly 291.604; 1965 c.285 s.63; 1967 c.399 s.1; repealed by 1967 c.335 s.60 and 1967 c.399 s.4]

293.706 Oregon Investment Council; appointment; term; vacancies. (1) There is created the Oregon Investment Council, consisting of five members.

(2) Two members of the council shall be appointed by the Public Employes' Retirement Board, and either or both may be members of the board. Two members, who shall be qualified by training and experience in the field of investment or finance and who may not hold any other public office or employment, shall be appointed by the Governor. One member shall be the State Treasurer.

(3) The term of office of each appointed member of the council is four years, but each appointed member serves at the pleasure of the appointing authority. A vacancy in the appointed membership occurring other than by expiration of term shall be filled in the same manner as the original appointment, but for the unexpired term only.

(4) Notwithstanding the term of office specified in subsection (3) of this section:

(a) Of the members of the council first appointed by the Public Employes' Retirement Board, one shall serve for a term of two years and one shall serve for a term of four years.

(b) Of the members of the council first appointed by the Governor, one shall serve for a term of two years and one shall serve for a term of four years.

[1967 c.335 s.2]

293.707[1965 c.359 s.9; repealed by 1967 c.335 s.60]

293.710[Formerly 291.606; repealed by 1967 c.335 s.60]

293.711 Compensation and expenses of council members; chairman. (1) A member of the council is entitled to compensation and expenses as provided in ORS 292.495.

(2) The council shall select one of its members as chairman, for a term and with powers and duties necessary for the performance of the functions of the office as the council shall determine.

[1967 c.335 ss.3, 4; 1969 c.314 s.19]

293.715[Formerly 291.607; repealed by 1967 c.335 s.60]

293.716 State Treasurer is investment officer for council; subordinate personnel; bonds. (1) The State Treasurer is the investment officer for the council, and shall perform functions in that capacity as authorized or required by law and, consistent with law, by the council.

(2) The bond of the State Treasurer required from him by law shall be deemed to extend to the faithful performance of all functions of the office of investment officer.

(3) The investment officer may:

(a) Subject to any applicable provision of the State Merit System Law, employ, prescribe the functions and fix the compensation of personnel necessary to facilitate and assist in carrying out the functions of the council and investment officer.

(b) Require a fidelity bond of any person employed by him who has charge of, handles or has access to any investment funds, state money or property. The amounts of the

bonds shall be fixed by the investment officer, except as otherwise provided by law, and the sureties shall be approved by him. The premiums on the bonds shall be an expense of the State Treasurer.
[1967 c.335 s.5]

293.718 Reimbursement of expenses of State Treasurer. As reimbursement for his expenses incurred as investment officer, the State Treasurer may deduct three-tenths of one percent of the amount of income received by each of the investment funds from such earnings. Amounts so deducted shall be deposited in the miscellaneous receipts account established in the General Fund for the State Treasurer, and are appropriated for payment of the expenses of the office of State Treasurer, incurred as investment officer.
[1969 c.466 s.2]

293.720[Formerly 291.608; repealed by 1967 c.335 s.60]

293.721 General objective of investments. Moneys in the investment funds shall be invested and reinvested to achieve the investment objective of the investment funds, which is to make the moneys as productive as possible, subject to the standard set forth in ORS 293.726.
[1967 c.335 s.6]

293.726 Standard of judgment and care in investments; investment in corporate stock limited. (1) In investing and reinvesting moneys in the investment funds and in acquiring, retaining, managing and disposing of investments of the investment funds there shall be exercised the judgment and care under the circumstances then prevailing, which men of prudence, discretion and intelligence exercise in the management of their own affairs, not in regard to speculation but in regard to the permanent disposition of their funds, considering the probable income as well as the probable safety of their capital. Within the limitations of the foregoing standard and subject to subsection (2) of this section, there may be acquired, retained, managed and disposed of as investments of the investment funds every kind of investment which men of prudence, discretion and intelligence acquire, retain, manage and dispose of for their own account.

(2) Notwithstanding subsection (1) of this section, only moneys in the Public Employes' Retirement Fund and Industrial Accident Fund may be invested in the stock of any company, association or corporation, and not more than 35 percent of the moneys in each of those funds may be invested in common stock.
[1967 c.335 s.7; 1971 c.53 s.1; 1973 c.385 s.1]

293.731 Council to formulate and review investment policies. Subject to the objective set forth in ORS 293.721 and the standards set forth in ORS 293.726, the council shall formulate policies for the investment and reinvestment of moneys in the investment funds and the acquisition, retention, management and disposition of investments of the investment funds. The council, from time to time, shall review those policies and make changes therein as it considers necessary or desirable. The council may formulate separate policies for any fund included in the investment funds.
[1967 c.335 s.8]

293.735[Formerly 291.610; repealed by 1967 c.335 s.60]

293.736 Duties of investment officer; not to invest in common stock. (1) Except as provided in subsection (2) of this section and in ORS 293.741, in amounts available for investment purposes and subject to the policies formulated by the council, the investment officer shall invest and reinvest moneys in the investment funds and acquire, retain, manage, including exercise of any voting rights, and dispose of investments of the investment funds.

(2) The investment officer may not perform functions specified in subsection (1) of this section with respect to investment in common stock of moneys in the Public Employes' Retirement Fund or Industrial Accident Fund. Those functions with respect to that investment may be performed only by persons contracted with by the council as provided in ORS 293.741.
[1967 c.335 s.9]

293.740[Formerly 291.611; repealed by 1967 c.335 s.60]

293.741 Council may contract with others to perform investment officer functions; compensation; bond. The council may enter into contracts with one or more persons whom the council determines to be qualified, whereby the persons undertake, in lieu of the investment officer, to perform the functions specified in ORS 293.736 to the extent provided in the contract. Performance of functions under contract so entered into shall be paid for out of the gross interest or other income of the investments with respect to which the func-

tions are performed, and the net interest or other income of the investments after that payment shall be considered income of the investment funds. The council may require a person contracted with to give to the state a fidelity bond in a penal sum as may be fixed by law or, if not so fixed, as may be fixed by the council, with corporate surety authorized to do business in this state. Contracts so entered into and functions performed thereunder are not subject to the State Merit System Law or ORS 279.710 to 279.746.
[1967 c.335 s.10]

293.745[Formerly 291.612; repealed by 1967 c.335 s.60]

293.746 Opinion of bond attorney or Attorney General; investment counseling and mortgage services. (1) In the acquisition or disposition of bonds with which approving legal opinions ordinarily are furnished, the investment officer may require an original or certified copy of the written opinion of a reputable bond attorney or attorneys, or the written opinion of the Attorney General, certifying to the legality of the bonds.

(2) The council may arrange for the furnishing to the investment officer of investment counseling services. The furnishing and acquisition of those services are not subject to the State Merit System Law or ORS 279.710 to 279.746.

(3) The investment officer, with the approval of the council, may arrange for services with respect to mortgages in which moneys in the investment funds are invested. Those services shall be paid for out of the gross interest of the mortgages with respect to which the services are furnished, and the net interest of the mortgages after that payment shall be considered income of the investment funds. The furnishing and acquisition of those services are not subject to the State Merit System Law or ORS 279.710 to 279.746.
[1967 c.335 s.11]

293.750[Formerly 291.613; repealed by 1967 c.335 s.60]

293.751 Custody of title instruments; collection and disposition of principal and interest from investments; default proceedings. (1) Except as provided in ORS 293.741 and this subsection, all instruments of title of all investments of the investment funds shall remain in the custody of the investment officer. The investment officer may deposit with the fiscal agency in the City and State of New York or with one or more banks in Portland, Oregon, or both, with the consent of the agency or banks, those instruments of title he considers advisable, to be held in safekeeping by the agency or banks for collection of the principal and interest or other income, or of the proceeds of sale.

(2) Except as provided in ORS 293.741 and subsection (3) of ORS 293.746 and subsections (1) and (3) of this section, the investment officer shall collect the principal and interest or other income of investments of the investment funds, instruments of title of which are in his custody, when due and payable, and shall pay the principal and interest or other income, when so collected, into the appropriate fund. Interest or other income of investments of funds in the hands of the State Treasurer that are not required to meet current demands shall be paid into the General Fund to be available for the payment of general governmental expenses.

(3) In the event of default in the payment of principal or interest or other income of any investment of the investment funds, the investment officer, with the approval of the council, may:

(a) Institute the proper proceedings to collect the matured principal or interest or other income.

(b) Accept for exchange purposes refunding bonds or other evidences of indebtedness at interest rates to be agreed upon by the investment officer and obligor.

(c) Make compromises, adjustments or disposition of the matured principal or interest or other income as the investment officer considers advisable for the purpose of protecting the moneys invested.

(d) Make compromises or adjustments as to future payments of principal or interest or other income as the investment officer considers advisable for the purposes of protecting the moneys invested.
[1967 c.335 s.12]

293.755[Formerly 291.614; repealed by 1967 c.335 s.60]

293.756 Separate accounting for funds. The investment officer shall keep, for each fund included in the investment funds for which investments are made, a separate account, which shall record the individual amounts and the totals of all investments of moneys in the fund.
[1967 c.335 s.13]

293.760[Formerly 291.616; repealed by 1967 c.335 s.60]

293.761 Monthly reports by investment officer with respect to funds. The investment officer shall report monthly to the officer or body having control and administration of each fund included in the investment funds the changes in investments made during the preceding month for the fund. If requested by the officer or body, the investment officer shall furnish to the officer or body the details on the investment transactions for any fund.
[1967 c.335 s.14]

293.765[Formerly 291.618; repealed by 1967 c.335 s.60]

293.766 Monthly reports by investment officer to council. Not later than 15 days after the last day of each month, the investment officer shall submit to the council a report of the investments made during the preceding month. The report shall include a detailed summary of investment, reinvestment, purchase, sale and exchange transactions, setting forth, among other matters, the investments bought, sold and exchanged, the dates thereof, the prices paid and obtained, the names of the dealers involved and a statement of the accounts referred to in ORS 293.756. The investment officer may send copies of the report to investment bankers and brokers recommended by the council.
[1967 c.335 s.15]

293.770[Formerly 291.620; repealed by 1967 c.335 s.60]

293.771 Reports by council to Governor and Legislative Assembly. The council shall report to the Governor and Legislative Assembly on the investment funds investment program at each regular session of the Legislative Assembly and at other times as the council considers in the public interest.
[1967 c.335 s.16]

293.775[1963 c.520 s.3; repealed by 1967 c.335 s.60]

293.776 Examination and audit of investment program; report. The council shall provide for an examination and audit of the investment funds investment program, and for submission to the council of a report based on the examination and audit, at least once every four years and at other times as the council may require. The examination and audit, and the report based thereon, shall include an evaluation of current investment funds investment policies and practices and of specific investments of the investment funds in relation to the objective set forth in ORS 293.721, the standard set forth in ORS 293.726 and other criteria as may be appropriate, and recommendations relating to the investment funds investment policies and practices and to specific investments of the investment funds as are considered necessary or desirable. The council shall make copies of the report or a summary thereof available for distribution to interested persons.
[1967 c.335 s.17]

293.780 Group annuity contracts with insurers on behalf of Public Employes' Retirement System and Board. The Oregon Investment Council, for and on behalf of the Public Employes' Retirement System and Public Employes' Retirement Board, may enter into group annuity contracts with one or more insurance companies authorized to do business in this state. In lieu of any investment of moneys in the Public Employes' Retirement Fund as provided in ORS 293.701 to 293.776, the council may pay, from time to time under contracts so entered into, any moneys in that fund available for investment purposes. Contracts so entered into are not subject to ORS 279.710 to 279.746.
[1967 c.335 s.18]

293.790 Holding, investing and disposing of corporate stock. (1) Under authority of section 6, Article XI of the Oregon Constitution, the state, subject to subsection (2) of this section, may hold and dispose of the stock of any company, association or corporation, including stock already received, that is donated or bequeathed and the state, acting by and through the State Board of Higher Education, subject to subsection (2) of this section, may invest and reinvest in the stock of any company, association or corporation, any funds or moneys of the State Board of Higher Education that:

(a) Are or have been donated or bequeathed for higher education purposes; or

(b) Are the proceeds from the disposition of stock that is donated or bequeathed for higher education purposes, including stock already received; or

(c) Are dividends paid with respect to stock that is donated or bequeathed for higher education purposes, including stock already received.

(2) The state, including any of its agencies having control of, or authority to invest and reinvest in, any stock described in subsection (1) of this section, in holding, disposing of or investing and reinvesting in such stock, shall be governed by ORS 128.020 to 128.050, notwithstanding the date

of acquisition of such stock. Moneys received from the disposition of such stock, including dividends, hereby are appropriated continuously for the purposes of the donation or bequest and of the investments and reinvestments authorized by subsection (1) of this section and by ORS 351.130. Except as specifically authorized by law, the state or any of its agencies may not purchase stock.

(3) This section does not apply to investment and reinvestment of moneys in the Public Employes' Retirement Fund and Industrial Accident Fund or to acquisition, retention, management and disposition of investments of those funds as provided in ORS 293.701 to 293.776.

[Formerly 291.630; 1967 c.335 s.32; 1971 c.339 s.1]

293.805 [1971 c.339 s.2; repealed by 1975 c.363 s.2]

PENALTIES

293.990 Penalties. (1) Any person, official or state agent violating ORS 293.265 to 293.280 or failing to comply with any of the requirements of those sections within the time provided shall be liable on his official bond and shall, upon conviction thereof, be punished by a fine not exceeding $1,000 or by imprisonment in the county jail for a period not exceeding one year, or both.

(2) In addition to civil liability, violation of ORS 293.620 is punishable, upon conviction, by a fine of not less than $25 nor more than $500 and the costs of the prosecution in accordance with ORS 161.665.

[Formerly 291.990 (2), (3); 1971 c.743 s.353]

CERTIFICATE OF LEGISLATIVE COUNSEL

Pursuant to ORS 173.170, I, Thomas G. Clifford, Legislative Counsel, do hereby certify that I have compared each section printed in this chapter with the original section in the enrolled bill, and that the sections in this chapter are correct copies of the enrolled sections, with the exception of the changes in form permitted by ORS 173.160 and other changes specifically authorized by law.

Done at Salem, Oregon,
October 1, 1975.

Thomas G. Clifford
Legislative Counsel

TREASURY DEPARTMENT
SALEM, OREGON

James A. Redden
STATE TREASURER

ROUGH DRAFT OF "CODE OF ETHICS STATEMENT" FOR OREGON INVESTMENT COUNCIL. (For consideration at Approved July 18, 1974 meeting)

The Oregon Investment Council hereby adopts the following guidelines to avoid individual conflicts of interest, or any appearance thereof:

1. "Conflict of interest" means the conflict of a private, pecuniary interest of a member with the official obligation or duty of that member, as a member of the Oregon Investment Council.

2. "Business entity" means a business or commercial establishment.

3. "Financial support" means a loan or guarantee thereof to a business entity, commonly known as a private placement.

4. Members of the Oregon Investment Council have and shall continue to avoid a conflict of interest or appearance thereof and recognize that a divergence of opinion exists as to what constitutes a conflict of interest. In the event a situation arises, or might arise, which in the opinion of a member would constitute a conflict of interest or an appearance thereof, the member will notify the Council at a regular meeting and the Council shall decide and rule thereon. Discussion and resolution shall be recorded in the minutes of the meeting.

5. On certain specific matters, members agree that a conflict of interest or the appearance thereof does exist and, hence, agree that in the future no member shall:

a. Personally invest in a business entity to which the State of Oregon, by and through the Oregon Investment Council, has provided financial support.

b. No member shall suggest or vote upon providing financial support to a business entity in which that member has a financial interest.

c. No member shall become a member of the Board of Directors of any business entity to which the State of Oregon, by and through the Oregon Investment Council, has provided financial support.

Any current member of the Oregon Investment Council, who with prior approval of said Council has acquired a financial interest in a business entity to which financial support has been given, shall not be required to divest himself of such interest, nor shall any member of the Board of Directors of such an entity be required to resign from such directorship.

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A costly land scheme Page 7

John: Brian wants to see this article re: State bank.

San Francisco Examiner

☆☆ 777-2424 SUNDAY, FEBRUARY 27, 1977 Sunday 50c PREVIEW EDITION

Drafting a state bank

By Nancy Dooley and Carl Irving

A new state senate select committee will prepare plans for a powerful state bank, which would use surplus funds to create jobs and economically boost sagging segments of the population.

The committee also will investigate investments totaling $18 billion by the University of California and state, county and city retirement systems, seeking to encourage proxy votes against corporate holdings in "the white-supremacist regime in South Africa."

Plans for a state bank have special significance at this time, with an $890 million surplus expected in the state general fund in the fiscal year ending June 30.

The state expects an additional $1.4 billion surplus next fiscal year.

The new State Senate Select Committee on Investment Priorities and Objectives was formed last week in a 3-2 vote by the Senate Rules Committee. The three Democrats who voted for the committee named Sen. John Dunlap, D-Napa, chairman.

Those voting for the committee were Sens. James Mills of San Diego, Jerry Smith of San Jose and Nicholas Petris of Oakland, all Democrats. Opposing the committee were Sens. John Stull of Escondido and William Campbell of Hacienda Heights, Republicans.

North Dakota's public bank: The only one around

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Dunlap, in a statement prepared for the Examiner, said a state bank "could utilize surplus state funds to finance highly desirable private enterprise, housing and community development loans."

It could produce "labor intensive industry and more adequate housing" and aid both small business and "the small farmer, who in this time of drought may be threatened with extinction . . . "

Gov. Brown has proposed holding nearly two-thirds of next year's anticipated surplus in "reserve" for possible property tax relief, education funding, building additional prison facilities or other contingencies.

The Dunlap proposal is modeled after the nation's sole state bank, the 55-year-old Bank of North Dakota. Herbert Thorndal, its president, said in a phone interview that balances last week totaled $520 million, a considerable sum for a state with a population of only 640,000.

Thorndal said inquiries had been received from California, Oregon, Washington, Vermont and New York.

The North Dakota bank has received bipartisan support and is 11th nationally among banks in dollar volume.

"Every bank in the state voluntarily maintains an account with us," Thorndal said. "That's 169 banks. We're rapidly becoming the central depository.

He said the state bank was heavily involved in student loans and has become the sixth largest lender nationally in that field.

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Social issues as a factor in investment

—From Page 1

The bank — located in Bismarck, the state capital — also has been active in housing loans. But Thorndal said proposals to allow the bank to make emergency loans to farmers caught in drought and price squeezes failed in legislative committee.

Dunlap suggested that a state bank here could lend or invest from a fund created from surplus money or through an excess profits tax.

"Such funds could be targeted to create jobs in particularly depressed geographic areas or even to create the type of job needed to fit the type of skill of people in need of employment," Dunlap said.

The senator said he intended to develop "a responsible investment process" involving endowment and retirement funds at UC and pension funds held for state employes and teachers and county and city employes.

Dunlap said he had become concerned when reading a report prepared by an aide, John Harrington, entitled "The State of California and Southern African Racism." Harrington will become his chief committee staff member.

"It made me realize that state government, which had . on countless occasions adopted policies of equality of opportunity regardless of race, creed or color, was not acting consistently in its investment policies.

"Both the University of California and the state public employes and teachers retirement systems have heavily invested in corporations that not only have holdings in, but give aid and support to, the white-supremacist regime in South Africa."

The senator is a graduate of UC-Berkeley and Hastings College of the Law, which is affiliated with the UC system. He has long been critical of UC investment policies.

The UC regents are responsible for $1.7 billion in retirement and endowment funds (including $762 million in common stocks.) They have steadfastly refused even to pay a $4,000 annual fee for research into corporation policies.

Last year the regents' investment committee voted with corporate management on all 37 social issues involving UC stocks. These included requests for information from MCA, American Cyanamid, Ford and General Electric about their policies toward the Arab boycott of Israel and from Goodyear and IBM about business done in South Africa.

Six of UC's seven chief common stock holdings in its endowment portfolio, according to the most recent public report, have holdings in South Africa. The six are Caterpillar Tractor, IBM, Eastman Kodak, Dow Chemical, Bank of America and General Electric.

Reaction to the new select committee was subdued. UC President David Saxon had little to say: "As far as investments are concerned, I have no special knowledge. I do attend investment meetings, but non-regularly."

Charles Field, a UC regent who is an investment committee member, explained that the board goal is to bring in the highest yield.

"Voting in a way that would impair the market value or the value of a company in terms of economics would create a very difficult legal position for members of the committee." If the regents could not support management, Field said, they would be more likely to sell the stock rather than "vote a proxy that would impair the value of the stock."

Field said he doubted that the legislature would use its control over UC purse strings to force the regents to vote proxies in a socially responsible way. "I'm sure they'll bring some pressure to bear, but I doubt they would attempt to punish us for a dispute over a proxy."

Last May the regents voted down a proposal to change its investment policies and refused to set up an advisory committee.

UC Treasurer Owsley Hammond asked the regents last year, "Who is to decide what is the socially responsive way to vote? . . . Clearly, it is impossible to vote in such a manner as to satisfy all viewpoints. The regents, by virtue of their qualifications and position, are best equipped to take a balanced position relative to all attitudes."

Carl Blechinger, executive officer of the State Public Employes Retirement System, which has 570,000 members, said he felt the directors "would have a problem with mandatory voting requirements because of the thrust of their responsibility."

"They have the responsibility," he said, "to earn the maximum amount of return on their investments. The board feels very strongly that if they have this responsibility and are being held accountable for this investment policy, they should have maximum freedom."

Blechinger said it's proper for a legislative committee to look at the system's investment practices. Its portfolio totals $8.2 billion, of which $1.9 billion is in stock.

Michael Thome, chief executive officer of the State Teachers Retirement System, said, "It is the attitude of the board to invest funds to produce the highest yield possible, consistent with safety."

Thome added, "It is not the purpose of the board to determine international issues." His organization's portfolio totals $4.3 billion, with $193 million in stock.

Mel Petersen, chief of investments for both systems, said they subscribe to Investors Responsibility Research Center, which provides background on social issues. The regents refused to join last year.

"We are interested in our companies being socially responsible, but we have disagreements with some proponents of proxy issues," Petersen said. "Some want to force U. S. companies to withdraw from South Africa. We don't want to be put in a position where we're asked to inflict economic chaos on a foreign country."

This contrasted with Dunlap's view that, "as corporate owners, we at the very least should participate in stockholder elections in a responsible manner. We can also invest in business enterprises that carry on the most desirable socially and environmentally advantageous activities.

"Today most business decisions are made on the basis of a combination of profit motive and customer convenience. Government enters into the picture only in a negative capacity, through 'no no' regulations. It's time to look to positive forces."

State bank

Creation of state-owned banks may be a first step toward coping with urban fiscal needs

Public Control of Public Money

JAMES ROWEN

George Starr, a pleasant, gray-haired retired railroad conductor from Portland, has thoroughly spooked Dow Jones & Company's respected financial weekly, *Barron's*. Why would this financial Goliath be troubled by such an unlikely David? The reason is that George Starr is also an Oregon state legislator who has introduced a bill to create the State Public Bank of Oregon, with the aim of "promoting agriculture, commerce, or socially desirable projects."

George Starr's bill, and similar initiatives in eight states and the District of Columbia, are among the most substantive proposals in a growing movement of local, state, and Federal activists to place more control of capital in public financial enterprises and thus give the public more power to direct urban development. Such a fundamental change in the way America would conduct its business signals a belief that a new banking system is needed to finance a new social order.

Barron's, spotting the public capital movement on its early-warning radar, printed a two-part series last August, alerting its readers to these machinations of the "New Left," real or imagined. The series identified the Washington-based Institute for Policy Studies as the sinister force behind the movement, and nervously pointed to many former antiwar activists who are "going respectable" and targeting the country's banking and financing system for a substantial overhaul. "This change in strategy, however," David Kelley wrote in *Barron's*, "tends to obscure an underlying continuity in purpose, which is still to bring about a socialist society, with community ownership and control of all resources. It also obscures the kind of power which the Left can now deploy inside the system, to achieve its goal."

Barron's, despite its somewhat paranoid tone, is definitely on to something real, and so is George Starr. So is Sam Brown, the former antiwar activist who is now state treasurer of Colorado, and Beldon Daniels, head of the new Commonwealth of Massachusetts Community Development Finance Corporation. So are a host of local organizers who are establishing community development corporations and pushing for more detailed bank financial disclosure, and progressive state and Federal bank regulators who are trying to require neighborhood reinvestment plans as a condition of a bank's operating charter. The basic goal of these activists, who themselves have begun to organize an informal network for communication and mutual assistance, is to allocate money, credit, and technical assistance to cash-starved American cities and to such businesses as co-ops, minority enterprises, small businesses, worker-controlled companies, and other projects which the private banking sector has refused to support.

The *Barron's* writer, running up the warning flag for its banking and financial readership, correctly analyzed the heart of public capital movement: "Of these approaches, the most important for the long run is public allocation of capital, which has become a key objective of the New Left. The focus is understandable. Despite a myriad of government regulations, the driving forces of the economy are still private decisions on the investment of privately owned capital."

The world of private banking is a vast landscape of historical and purposeful mystification. Its image as a restricted, complex, secretive, and specialized profession, capable of management and understanding by only a few self-selected financiers, dates back four centuries to the days of the Medici. In the system of private enterprise which has evolved since, banking is *the most* private enterprise, and it resorts to powerful imagery to protect its own position as the dominant force in the U.S. economy.

The Main Street bank in a medium-sized, movie-set Midwestern Republican town, for example, stands for stability and security, while today's towering glass-and-

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James Rowen, administrative assistant to the mayor of Madison, Wisconsin, has written for The Progressive, The Nation, and other publications.

poured-concrete monoliths, rising like space-age totems out of the urban skyline, starkly illustrate the power of modern banks. With more than 14,000 Federally chartered banks, and another 7,000 savings and loan associations, the banking system itself is so large and complex that it seems to defy understanding, let alone challenge. So any organized movement to change the control and activities of American banking is extraordinarily ambitious, and certainly deserves study.

Proposals for state-owned banks are under official review in Oregon, Florida, Massachusetts, California, Washington, the District of Columbia, Colorado, New Jersey, and New York. For the most part, they have been proposed as pragmatic first steps toward solving the urban fiscal crisis, which has left many municipalities perilously short of cash and inner-city communities short of developmental capital. Since nearly all cities and states routinely deposit their funds in private banks, public capital proponents propose to take those funds and use them to start and operate a public bank. With guaranteed deposits from public treasuries, such public banks could make a beginning in the rebuilding of U.S. cities and make developmental capital available to non-traditional customers. Many of the state bank proposals have been modeled after the one existing public bank in the United States, the Bank of North Dakota.

North Dakota's public bank has become something of a media celebrity. It has been the subject of recent articles in *The Washington Post*, *Barron's*, *Forbes* ("Living with Sin and Liking It"), *The New York Times*, *The Wall Street Journal*, and other publications. Its financial success and political survival led *Parade* magazine writer Derek Norcross to wonder whether "the modest Bank of North Dakota, which has been good to the rock-ribbed Republican farmers of Middle America, may become a model for its big city cousins."

And this is precisely what is happening. The Bank of North Dakota is becoming known as a useful and profitable anomaly — profitable to the North Dakota State Treasury, useful to its citizens, and beneficial to students of public capital who seek an American public capital model to emulate. Since its formulation in 1919 as a device to rescue North Dakota farmers from usurious out-of-state bankers, the bank has returned $91 million in profits to the state, while helping thousands of North Dakota farmers and students. It has become not only the biggest bank in the state, with 1976 resources of $400 million, but is bigger than any bank between Minneapolis and Spokane. "Even the most optimistic booster of the idea of a state-owned bank would be surprised by the magnitude of its success today," said its president, H. L. Thorndal, in remarks at the second annual National Conference on Alternative State and Local Public Policies in Austin, Texas, last June.

The bank relies on the deposit of all state money for most of its resources. It also accepts private accounts, which now number more than 4,000. The bank is prohibited from making traditional commercial or personal loans, since it was designed, from the start, to cooperate with, not replace, private banks. But it does lend millions of dollars to farmers, students (making more student loans than any other bank in the country), and VA and FHA mortgage customers whose loans are guaranteed by the Federal Government. A three-member board of elected officials — the Governor, Attorney General, and Commissioner of Agriculture — runs the bank.

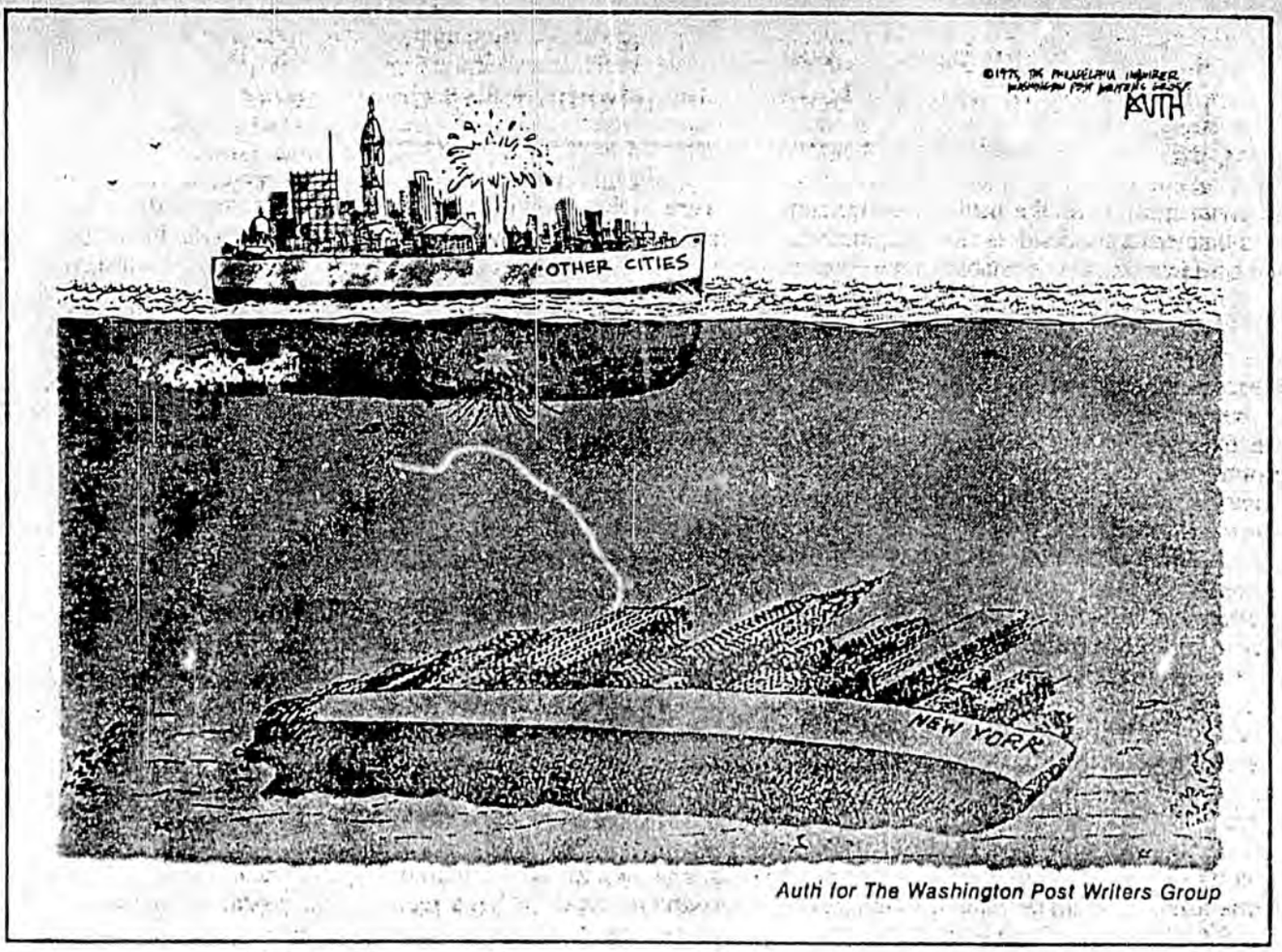
This administrative holdover from the progressive movement which swept North Dakota and much of the Great Plains in the 1920s guarantees the bank a unique degree of public control. Thorndal, the Bank's president, believes in that democratic process: "In order to make sure the bank responds to public needs, it should be controlled by elected officials."

Such democratic control makes the state Bank of North Dakota a tantalizing model to activists around the country who are looking for financial and political means to implement new fiscal policies. New York State Assembly Speaker Stanley Steingut, who has proposed a New York public bank, emphasizes that "the state bank concept originated in a discussion of how to link state deposits to public needs — how to make public money work for the public good." George Starr's Oregon bill declares that the bank "be a government agency established for the public benefit." Similar "public-money-for-public-needs" definitions are repeated in all the pending public bank proposals.

The New York proposal, spurred by the recession and the calamitous financial condition of New York City, passed the Assembly in the spring of 1975, but was killed in the Senate by strong-arm opposition from the state's banking lobby. The private bankers clearly feared the transfer of the state's $6 billion in deposits to the new public bank, creating immediate competition from a bank which would have instantly become one of the largest in the country. Steingut plans to re-introduce his proposal, which was endorsed by Ralph Nader, economist Eliot Janeway, and Bank of North Dakota President Thorndal, and its chance of passage is linked to the level of seriousness of the city and state's financial condition. It thus appears to have the best chance of becoming the country's second public state bank.

"A bank owned, operated by, and for the people of a state will not be a panacea for all of a state's economic and social problems," warns North Dakota's Thorndal. "However, it can be a great help in alleviating many of these problems and can give leadership and financial input in isolated and special areas. I believe a state-owned bank would be a good asset for any state, and particularly, to the smaller states."

Another approach attracting as much attention as public banking is the creation of public development funds such as the Massachusetts Community Development Finance Corporation (CDFC). With initial seed money of $10 million approved by the voters last October, the CDFC will now begin to provide equity and venture capital to create new jobs in Massachusetts businesses. The money,



Auth for The Washington Post Writers Group

raised from the sale of bonds, is to be transferred to and invested by community development corporations (CDCs) in locally controlled enterprises.

Another proposed state agency will provide technical aid, as a supplement to the CDFC's investments. This process will create employment, assist new management, stabilize neighborhoods, strengthen local CDCs, and, it is hoped, provide a continuing boost to a depressed statewide economy. Areas of high joblessness have the highest priority for allocation of CDFC funds. The CDFC program will operate, therefore, as a state development bank, and is thus more comprehensive and far-reaching than such traditional government programs as tax incentives, land write-downs, or one-shot grants.

The Massachusetts CDFC is a new agency that will be watched for strengths and weaknesses as closely as the Bank of North Dakota. And other specialized public financial programs are in operation in several states which put public money into job development schemes, and thus provide working models for study. Kansas, for instance, has a Development Credit Corporation which lends public money and resells Small Business Administration (SBA) loans to other institutions, thus extending the SBA's lending capacity, all to create industry in Kansas.

Pennsylvania has an Industrial Development Authority which is also designed to create jobs. The state participates in loans for business development in areas of high unemployment. It raises its share of the loan from the sale of tax-exempt, low-cost bonds. To date, the Pennsylvania program has lent more than $325 million to businesses in the state.

Connecticut has an innovative public job development tool, the Connecticut Product Development Corporation, funded by $10 million from public bond sales. It makes loans to in-state companies that are working on new products or concepts which, if successfully implemented, will provide jobs for state residents. If the state-supported research pays off with actual production, Connecticut receives a royalty on the company's sales.

The state development bank concept, of course, has some limitations which must be recognized by public capital advocates. Public development banks are not a cure-all for the urban fiscal crisis. They will probably be capitalized with only modest sums, and thus will probably never challenge directly the power of the large established private banks.

Furthermore, public banks can slip into ineffectuality, or become co-opted, unless their grass-roots supporters, and the alternative institutions through which they work,

'How many bankers will look to their cities' deteriorated housing and become born-again neighborhood developers?'

continually monitor the banks' management, structure, and financial activities. It is also clear that whatever political battles are fought to establish state development banks or funds in the face of traditional private sector resistance will also have to be fought over and over again to prevent the public entity from being hamstrung or terminated once operations have begun.

Public banks of any kind should be promoted as one developmental approach to meeting some specific economic conditions in depressed urban areas, and as a method of assuring democratic control over a limited degree of financial resources. If the application of public funds proves to be a productive experience, then that experience can be used as a base upon which to make more far-reaching proposals for greater credit allocation and public control over capital.

While most public capital programs operate directly at the local and state levels, where urban decay is the daily reality, a number of additional proposals with similar goals are being pushed at the Federal level, too. The recent emergency meeting of the U.S. Conference of Mayors in Chicago, called to put an urban agenda before the incoming Carter Administration, made its major recommendation the creation of a national "Urban Development Bank" to lend Federal funds to local governments and private businesses. Another proposal along similar lines came from a November meeting of the governors of seven Northeastern states, who called for initial Federal funding of $16 billion as a first step in a public capital solution to the region's financial problems. "We either restore the economies of the Northeast, Mid-Atlantic, and Upper Midwest States," declared Pennsylvania Governor Milton Shapp, "or the cancer of Appalachia will spread from Maine to Minnesota and south to the nation's capital."

These mayors and governors, primarily from the industrial northeastern-Great Lakes corridor, are giving the public development bank concept a degree of legitimacy that would have been unthinkable five or ten years ago. A confidential report prepared for the mayors' Chicago meeting outlined the stark realities of the major eastern states' financial crisis. According to the report, not only New York City but Buffalo, Newark, Detroit, Boston, St. Louis, Cleveland, and Philadelphia are approaching fiscal collapse. The states of the West, Southwest, and South, meanwhile, absorb billions in capital "exported" from the states whose major cities are in peril, because private bankers with non-public priorities see a greater guaranteed profit in the Sunbelt.

The Federal Government is a party to this intra-American exercise in neo-colonialism. Federal tax incentives which encourage runaway plants and overseas investment, plus a record level of private bank loans to foreign nations, exacerbate the depressed northern corridor's plight. When the Shah of Iran becomes a more favored customer for U.S. bankers' credit than the mayor of New York City, radical changes in the system of capital allocation become imperative.

Private organizations, too, are now urging the use of Federal development funds or public banks to meet critical urban needs. The recent convention of the National Association of Housing and Redevelopment Officials passed a resolution urging Congress to set up a "national development bank" to provide funds for housing and urban reinvestment. Predictably, the proposal was condemned by *Business Week*, which voiced the private banks' major fear — credit allocation. "Plans such as the bank proposed by the housing officials are, at the bottom, either disguised subsidies or a disguised form of credit allocation, with yet another special agency competing for the limited volume of savings," the magazine editorialized.

Proposals for local, state, and Federal banks are, as the private sector's publications have correctly noted, efforts to achieve publicly directed credit allocation or, more properly, credit re-allocation. Credit allocation is already controlled by private financiers. "We already have credit allocation," remarked Beldon Daniels of the Massachusetts CDFC at a recent public capital conference in Colorado. "It gives all the advantages to the *Fortune* 500, and everyone else is at the bottom." Daniels's observation is borne out by a recent report from economist Henry Kaufman of Salomon Brothers, who determined that of $25 billion in straight public bonds sold by industrial corporations in 1974, 96 per cent went to companies on the *Fortune* list of the 500 largest corporations. So a more objection debate would focus not on whether there should be credit allocation, but on what kind of credit allocation the nation should have, for what purposes, and under whose control — the banking industry's or the public's.

Several other related developments at the Federal and state levels indicate the nation may be close to fundamental changes which ultimately will get the public into the banking business. One such development was Congressional passage in 1975 of the Home Mortgage Disclosure Act, which gives citizens information they can use to combat "redlining" in their communities. Redlining is the practice of lending institutions — savings and loan associations and banks — which marks off certain neighborhoods in their service areas as ineligible for home mortgages, small business loans, and other investments. This arbitrary disinvestment by lenders in older urban areas is a death sentence for many neighborhoods.

The new Federal law requires lending institutions with assets of more than $10 million to make available an accounting of where their home mortgage money is going. Those institutions shown to be engaging in redlining can then be put under pressure to follow more neighborhood-

oriented loan policies. Furthermore, t[illegible]isclosed information can create a political climate in which anti-redlining legislation can be adopted locally, and in which such alternative lending institutions as CDCs, credit unions, or public banks can flourish.

A week after the Federal Disclosure Act went into effect, *The Washington Post* featured on its front page a city-wide review of lending patterns. The paper found that the total amount of conventional mortgages for the District of Columbia had increased in 1975, but that more than 50 per cent of the total had gone to predominantly white and wealthy northwest neighborhoods. The dissemination of such data is of great value to activists in D.C. central city areas and on the City Council who are promoting the creation of a public bank which would equitably distribute home mortgage money.

Anti-redlining laws have been passed as a result of local pressure in communities which have suffered from private sector disinvestment in certain neighborhoods. In Cleveland, Mayor Ralph Perk signed a city ordinance last May which would make any Cleveland lending institution practicing redlining ineligible to receive city deposits. Cleveland currently places $300 million of public funds in five local banks, and the law's chief sponsor predicted that some Cleveland banks would have to increase their local mortages by 40 per cent to qualify for those city deposits. This is one method of *coercing* credit allocation at the local level.

In June 1976, the Los Angeles Board of County Supervisors passed a similar measure, prohibiting county deposits in institutions which practiced redlining. And last April California Governor Jerry Brown signed into law a bill requiring the state's eighty-eight state-chartered savings and loan institutions to disclose loan approval data, implement affirmative action loan-making practices, and answer to public boards of inquiry when applications are denied. The State Savings and Loan Commission can deny branch applications and mergers to offending savings and loan associations and, in extreme cases, revoke an institution's operating charter. Brown called the new rules the strictest anti-redlining measures in the country, and the legislature is drafting a second set of similar rules which would apply to state-chartered banks.

Other public capital proposals have been introduced in Congress. A "National Consumer Cooperative Bank" proposed by Senator Thomas McIntyre, New Hampshire Democrat, has more than 100 co-sponsors on Senate and House versions. The bank would lend Federal money to existing or proposed cooperatives which provide community-controlled services in the areas of housing, health, food, preschool education, and other businesses. It would also pay for technical assistance to these ventures. The proposal is patterned on the highly successful, decades-old Cooperative Farm Credit System.

The anti-redlining policies in California and Ohio provide an example of the use of "carrots and sticks" to bring about socially desired goals through credit allocation. Other incentives can put public funds to work according to publicly defined criteria. Illinois has for some years had a policy of "linked deposits," created by then-State Treasurer Adlai Stevenson III, which provides for the deposit of state funds in Illinois banks according to a formula which includes the interest rate paid to the state, plus the levels of loans for small businesses, housing renovations, minority enterprises, and the like.

Colorado State Treasurer Sam Brown has instituted a similar program for the placement of state time deposits in Colorado banks and, more recently, savings and loan associations. Brown was elected in November 1974 on a platform which included using the deposit of state funds as a lever to bring about constructive social change, and demystifying monetary policy by bringing the public into the state's financial decision making.

After taking office, Brown appointed a thirty-five member advisory board which drew up a new set of rules and procedures for banks seeking to acquire state deposits. For the first time, banks would, by region, competitively bid for the funds. The interest rate to be paid to the state accounted for about 60 per cent of the weighting of the bids, and the intent to meet [illegible] criteria by making traditionally low-priority lo[illegible]ounted for 40 per cent of the bid weight. These categories included loans for women and minorities, small businesses, students, farmers, and low and moderate-income housing. The more "socially responsible" banks therefore had the best chance of submitting winning bids.

In the first round of bid awards announced in December 1975, $128,000,000 of state funds was allocated to 170 banks in time deposits of 90 to 360 days. Thirty-five other banks which bid were not awarded any deposits. The bid procedure is repeated every ninety days, and Brown's office reports that more and more state money is being deposited according to the new competitive formula. As of November 1976, a total of $159,765,000 was placed, with more than $9,000,000 of the total going to savings and loan associations. With the program now a year old, the results are being computerized to determine precisely what effect the system is having on economic development in the state.

Brown, however, can point to some clear initial success. In the first round of bidding, he reported, "the state will earn $345,000 more on an annualized basis" than under the old method, whereby all banks paid a set percentage of interest rates established in the New York money markets. "Those funds which are placed at lower rates," he said, "are in banks which loan more of their deposits in their community and state.... Consequently, the state will earn additional revenue through taxes on the economic activity generated by these loans."

This is yet another route to credit allocation — the "good-guy" bankers get public deposits; the "bad guys" lose the deposits and the profits they earn. The state gets a favorable interest rate and the knowledge that public funds are being spread around to non-traditional borrowers.

The carrot-and-stick approach has also been endorsed by one of the nation's more innovative private bankers,

Ronald Grzywinski, the young chairman of the South Shore National Bank of Chicago, which is experimenting with the idea of operating a neighborhood bank like an economic development corporation. "Because the South Shore National Bank is owned by a group of investors willing to defer their return on equity capital as the bank pursues its development goals," Grzywinski explained in testimony before the U.S. Senate Banking Committee, "and because we are able to attract deposits from outside the neighborhood, we expect to succeed without relying on new legislation."

But how many bankers will embark upon neighborhood development voluntarily? How many bankers will look toward their cities' burned out ghettos, deteriorated housing, and fledgling economic development corporations and suddenly become born-again neighborhood developers? Grzywinski believes a meaningful effort to utilize existing private banks, and especially bank holding company-owned CDCs, as vehicles for neighborhood reinvestment will be made only if legislative changes at the Federal level require private banks to perform such developmental activities. The steps he outlined to the Senate Banking Committee would include:

¶ A Federal Congressional declaration that the primary function of the nation's banks is to promote "balanced domestic development."

¶ A uniform system "to measure and examine periodically the extent" to which the banks are applying their resources to neighborhood renewal. A social-performance audit, therefore, would be applied to bank activity. Rewards and punishments could then be applied to the banks by the Government.

¶ Carrots, in the forms of Federally approved increases in interest rates on savings accounts, and other incentives, to those banks meeting the established social goals.

¶ Sticks, such as the power of the Federal Government to break up banks or their holding companies if they fail or obstruct the social criteria, and the taking of a portion of the "deposits, loans, and personnel from the non-conforming" banks to "create new, privately owned institutions which would be dedicated to neighborhood preservation."

¶ Federal grants to banks to help offset "the initial costs of development projects and to train personnel in neighborhood development skills."

¶ Finally, a program to allow states and cities to sell tax-exempt bonds, the proceeds to be lent at lower-than-market rates to commercial banks, which would in turn lend the money at lower-than-market rates to neighborhood customers.

Grzywinski's experience has shown that at least one neighborhood-based bank can put together a pragmatic, privately managed development program. Whether or not the major banks will follow South Shore National's lead is open to question, especially when it is more profitable to build office buildings in Houston, condominiums in Miami, and industrial parks in OPEC countries.

Some staff members of the House and Senate banking committees are trying, nonetheless, to rewrite bank charter laws and operating rules to implement the sort of program Grzywinski has put into practice on the South Side of Chicago. One Senate aide recently referred to a bank's operating charter as "the handle to require accountability." Since the charter restricts competition within a bank's service area, he reasoned, "the charter should require a quid pro quo." Among the charter-requirement possibilities he mentioned were Federally defined standards which would require loans to economic development corporations, small businesses, neighborhood job-creating projects, and other socially desirable programs which currently sit at the bottom of a typical private banker's list of priorities.

Last October, Colorado State Treasurer Brown invited about sixty of the nation's most involved capital activists to Estes Park for a two-day working conference to examine the various strands of the public capital movement. Most of the existing and proposed programs were discussed in detail. Bank of North Dakota President Thorndal described the state bank's performance and structure; Beldon Daniels outlined the Massachusetts CDFC program; and other state bank ideas, redlining fights, specialized fund creation, the National Co-op Bank, and political strategies were all reviewed.

What emerged from the Estes Park meeting was not a cosmic master plan, but an organizational beginning for a long, difficult political struggle. The activists will stay in touch with each other, through the National Conference on Alternative State and Local Public Policies, which co-sponsored the Colorado meeting. Some of the conferees more involved with national activities developed a strategy to apply traditional political pressure on the Carter Administration. It was generally agreed that Carter's election would at least create an atmosphere in which innovative legislative and regulatory proposals might be reviewed by the White House without the certain, immediate rejection which characterized the Nixon-Ford years.

The entire banking system will continue to undergo intense analysis by some seasoned and sophisticated activists who view it not as a vehicle for private profit but as a potential system of meeting public needs, just as they view municipalities and state governments not as mere providers of basic safety and welfare services, but as the ultimate public development corporations.

With the urban crisis forcing mayors and governors to endorse national banks; with local organizers pushing for publicly controlled development corporations; and with the overwhelming problems posed by bankrupt cities, housing shortages, systemic unemployment, spiraling energy costs, and general urban decay, the movement toward greater public control over the vast wealth and development potential in American banks will inevitably progress. So long as that movement remains committed to public control and accountability, the push for public control of capital holds out genuine hope that we may gradually make our urban centers not merely habitable once again, but perhaps even transform them into desirable places for people to live. □