

# The Bank of North Dakota:

## Born out of Farm Foreclosures

by Ruth Caplan

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

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

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

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

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

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

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

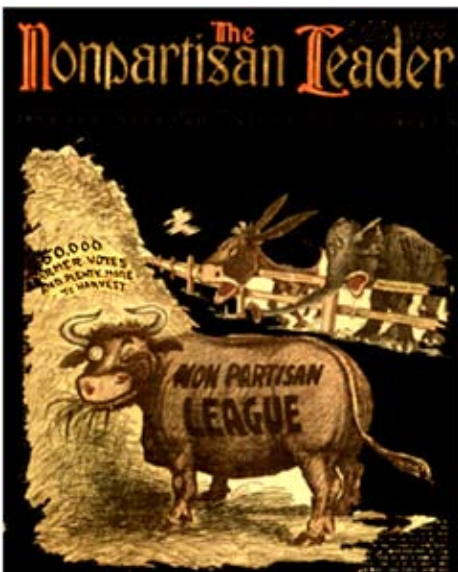
The next years were a roller coaster. In 1921, the Industrial Commission was recalled by a state-wide referendum, but the bank survived. Labor fought back, selling bonds across the country and raising \$6 million to capitalize the bank. The IVA dismantled many of the populist policies, but put the bank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

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

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

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

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



graphic: Nonpartisan Leader