# LOST IN TRANSPOSITION? (A CAUTIONARY TALE): THE BANK OF NORTH DAKOTA AND PROSPECTS FOR REFORM IN AMERICAN BANKING

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## ABSTRACT

*Recent institutional scholarship has discovered new possibilities for change in both the accumulation of incremental transformations and in the skillful action, institutional work, and creative activities of political and institutional entrepreneurs. Lurking behind stability and change lie actors who can act reflexively within and with existing institutions, and who do so on a routine, rather than exceptional basis, redeploying, recombining, and transposing extant systems to solve problems of identity and control. This paper probes the potentials and limits of those possibilities – and the prospects for reform in American banking – via a case study of the Bank of North Dakota and efforts to transpose its hybrid model of state and community logics into other states. The analysis first finds a full range of institutional labors and skillful activities emphasized by recent work as the foundation for transposition. It finds*

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*crisis; the presence of multiple logics; the mobilization of boundary spanning networks; the use of conferences and theorization to sustain independent discourse and collective identities; skillful framing; and substantial editing and recombination to fit the model with receiving states' institutions. It then juxtaposes these conditions with outcomes in the states, developing some implications for actor-centered institutionalisms, current preoccupations with mechanisms, and state-level strategies for financial reform.*

**Keywords:** Institutional logics; institutional complexity; practice; institution; transposition; recombination; mechanisms; diffusion

> [For] Stacy Mitchell, senior researcher for the New Rules Project…the balance sheets of local and Giant banks reveal "two entirely different types of businesses." Local banks are still largely engaged in taking deposits and moving money into the community through the likes of mortgages and small business loans, while Giant banks take deposits and engage in speculative trading that privatizes profits, socializes costs and exacerbates economic inequality…Indeed, there are still about 8,000 credit unions and 7,600 community banks in the nation. The pressing question is: how can we support and grow these institutions, and return to a people-centered banking system that makes credit readily available and invests in our communities? One possible answer is the State Bank movement. ("Banking for the People," February 7, 2011)

> Consider this tale of two cities: Grand Forks, North Dakota, suffered massive flooding that left it economically crippled in April 1997. So did East Grand Forks, just across the river in Minnesota. Three years later, Grand Forks had lost 3 percent of its population, and East Grand Forks had lost 17 percent. (*American Banker*, April 1, 2011)

Under what conditions – and through what mechanisms – can alternative logics diffuse across fields and transform existing institutions? What, more specifically, are the prospects for the survival and resurgence of logics of community-based relational banking geared to local development in a world where logics of securitization, continual innovation, high-volume production, and impersonal, arm's length banking via giant, globe trotting corporations increasingly prevail?

Two parallel developments in institutional analysis highlight intriguing possibilities for transformation. On one side is a now almost canonical appreciation that transformation, even fundamental transformation, need not and typically does not rely on revolutionary or epochal shifts, a wholesale succession of logics, or an all out mobilization of challengers and incumbents around competing visions of order and decisive "resettlements."

To the contrary, transformation typically occurs incrementally, via the cumulation of small changes, often scattered and isolated experiments, the reconversion of existing systems to new purposes, and the layering or weaving into existing systems of new forms, logics, or elements from nearby fields (Campbell, 2004; Schneiberg, 2007; Streeck & Thelen, 2005).

On the other side is a resurgence of "actor-centered" institutionalisms—and a general preoccupation with mechanisms as the centerpiece of social science explanations—with their renewed appreciation for the centrality of institutional entrepreneurship, institutional work, skillful action, and the generative or creative capacities of actors (Battilana, Leca, & Boxenbaum, 2009; Berk & Galvin, 2009; Elster, 1989; Fligstein & McAdam, 2012; Hedstrom & Ylikoski, 2010; Lawrence & Suddaby, 2006). Lurking behind both apparent structural stability and change lie actors who are capable of acting reflexively within and with existing institutions, and who do so on a routine, rather than exceptional basis, engaging in interpretive work to manage ambiguity and contradiction, exploiting interstices, and acting as bricoleurs by decomposing, reassembling, and transposing elements of extant systems to solve problems of identity or control (see also Hwang & Colyvas, 2011; Kaghan & Lounsbury, 2011 for an overview and assessment). These practices, for recent accounts, are the critical motors and mechanisms of institutional transformation.

This paper uses a case study of the Bank of North Dakota and institutional work to establish its banking model more broadly to probe the utility of these two theoretical imageries, presenting a cautionary tale for actor-centric accounts of institutional change, and providing guideposts for the development of the institutional logics perspective (Thornton, Ocasio, & Lounbury, 2012). This is a case study of multiple logics, successful resistance to logics of banking associated with financialization in the late 20$^{th}$ and early 21$^{st}$ centuries, and ongoing efforts to transpose the Bank and its logics of banking to other states. The first section provides an overview of the Bank of North Dakota as the basis for a thriving and resilient alternative system of banking in the United States—a hybrid of state and community logics that anchors decentralization in a world of globalization and an ecology of community banks and relational banking in the service of local development. The second section overviews 21 attempts to establish some version of this bank in 11 other states and then examines those efforts in detail. It finds in those efforts precisely the kinds of accomplishments, mechanisms and activities that incrementalist and actor-centric accounts propose as the foundations for successfully transposing new institutional elements and logics into new settings. And it juxtaposes those events, accomplishments, and activities with outcomes in the states. I conclude with some implications for current trends in institutional theorizing.

The analysis presented here poses a dilemma for incrementalist and actor-centered institutionalism. It suggests that advocates' capacities to transpose the logic of the Bank of North Dakota model rest as much, if not more, on macro- or meso-factors including the configuration of power-dependence relations in banking, the potency of societal logics, and polity-centered gridlock than the creativity, recombinatorial activities, and institutional labors of even the most skilled institutional entrepreneurs. It suggests as well that little is likely to happen on a whole class of fronts, even incrementally, in the absence of broad-based anticorporate or producerist movements that could authoritatively contest master logics and disrupt and reconfigure power relations. But invoking such forces risks shifting the explanatory focus back toward broader, more structuralist arguments, political institutional claims, and cultural determinisms that recent emphases on agency, border-crossing recombinant entrepreneurs, and micro-mechanisms hope to escape. At minimum, resolving such a dilemma without reverting to an actorless structuralism will compel us to retheorize relations between structural context and institutional work, re-embed actors in their contexts, and reengage inter- and multilevel institutional structures and processes along the lines of the institutional logics perspective (Thornton et al., 2012) and parallel work on emergence and fields (Campbell & Pederson 2014; Fligstein & McAdam, 2012; Padgett & Powell, 2012). And the results here suggest that we might most productively rework those theoretical edges by moving beyond standard methodological repertoires to study ''limiting cases'' of wholesale failures to diffuse, transpose, recombine, or otherwise succeed in changing institutions.

## RESISTANCE AND MULTIPLE LOGICS IN AMERICAN BANKING: THE BANK OF NORTH DAKOTA

In its origins and operation, the Bank of North Dakota (BND) is a case of successful resistance to transactional, purely market-based logics of banking in American finance (Hein, Kock, & MacDonald, 2005; Marquis & Lounsbury, 2007; Thornton et al., 2012). It is a state-owned and operated bank, currently the only one in the United States. It is the bank for the state of North Dakota, serving as the depository for all taxes and fees collected by the state and its public subdivisions as well as working funds for state institutions (except pension funds and other state-managed trusts). And it uses those resources to fund development, agriculture, and small businesses in the state, mainly by working through the state's community banks (Center for State Innovarion (CSI), 2010; Judd & McGhee, 2011a). The BND is the heart of a state/community bank hybrid – a case of *public ownership* in banking organized to foster economic development, small businesses, as well as *localism and relational banking* via *community* banks and credit unions. It thus stands as a regionally based alternative to the purely market oriented, increasingly global and centralized system of private, for-profit finance grounded in securitization, high-volume production, and transactional banking via giant money center banks, hedge funds, and the like that came to dominate American capitalism (Fligstein & Goldstein, 2010; Schneiberg & Bartley, 2010). Table 1 summarizes key differences.

The BND emerged in 1919 from political struggles between local farmers, state officials, and corporate interests over the control of the state's grain

***Table 1.*** Bank of North Dakota Public Ownership/Community Hybrid versus Market Logics of Private For-Profit Banking.

| | The BND Model: State/ Community Logics of Relational Banking | Market-Based Logics of Transactional Banking |
|---|---|---|
| Form of ownership | Public ownership anchoring local, private, and cooperative forms | Private ownership, for-profit provision |
| Geographical loci | Regional and circuits of capital and local financial markets: decentralization and localism | National and global financial markets: centralization and globalization |
| Core banking practice | Relational banking: "originate and hold," and loan customization via local knowledge and ongoing ties with borrowers | Transactional banking: "originate and distribute" and high-volume production via arm's length relations mediated by credit and risk rating |
| Core banking goals | Local economic and small business development, financial profits via lending | Financial profits from development and trading in financial instruments |
| Banking organizations | Small community banks and credit unions | Giant money center banks, global hedge funds, mortgage companies and brokerage networks |

trade and its financing, which had been increasingly concentrated in the hands of railroad syndicates, grain exchanges, brokerage houses, and out-of-state banks in the Twin Cities and New York (Junker, 1989; Tostlebe, 1924). It was a product of the same populist and progressive era anticorporate mobilizations that had fueled antitrust laws and cooperatives, and was the creation of the Nonpartisan league, which captured all three branches of government in 1918. It was also a centerpiece of the League's program of using regulation and public ownership of economic infrastructure to reduce farmer's dependence on out-of-state corporations, a program which included state-financed hail insurance and state-owned flour mills, terminal elevators, cold storage plants, and packing houses. Not surprisingly, the Bank was fiercely contested by the banking, grain, and railroad trusts in Minneapolis and points east. They sought to block the initial legislation by financing an opposition party. They introduced legislation to limit the Bank's powers, sued in state courts to block state bond sales for its initial capitalization, and later, with their Chicago and Wall Street allies, boycotted those bond issues in national financial markets, delaying its capitalization until 1921.

Since then, the BND has used the funds deposited with it in three basic ways (BND, 1975, 1981; Fisher, 1981; Judd & McGhee, 2011a; Junker, 1989). It has provided low cost short term and bond financing for local and state government infrastructure projects in North Dakota. It has done some direct lending to private borrowers in the state, playing a major role in financing farms and grain sales in the first half of the 20$^{th}$ century, and currently lends directly for student loans and agricultural start-ups. But the BND has no retail branches, has not been and is not a retail bank, and has not otherwise provided loans, checking services, or credit cards to individuals or business. Rather, it mainly serves as a wholesale bank for the state's community banks and credit unions. It participates in loans originated by local banks (by expanding the size of the loan, providing loan guarantees, or buying interest rates down); purchases loans from local bank portfolios (including active participation in the secondary market for Small Business Administration, FHA, and student loans); and purchases and lends community bank stock. It also provides other banking services to local banks, including clearing checks, operating as their depository for reserves, and providing federal funds lines.

The BND and its activities create what amounts to an alternative, decentralized, and regionally based circuit of capital for North Dakota's small business, farmers, local governments, and Main Street institutions, retying banking and the financial sector to the local economy and small business development. With the Bank, state tax revenues and funds collected by other public subdivisions are kept within the state. They are deposited in the Bank, channeled through the state's community banks into lending, and used to support economic development there, rather than being deposited with out-of-state banks, whisked away into national or global financial markets, invested in derivatives, and devoted to financial profits as is virtually universal practice elsewhere.

The BND's activities also anchor a robust small-bank sector of community-based financial institutions within the state, bucking broader trends in which small-scale local banking has steadily lost ground to consolidation, money center banks, and transactional banking (Keeton, Harvey, & Willis, 2003, p. 19; Kodrzychi & Elmatad, 2011, p. 16). Central here have been the Bank's participation loans. Small community banks often need partners when clients approach them for loans that exceed their capital or lending limits. In most states, the originating community banks turn to large commercial banks like Wells Fargo, CITI, or Chase to participate in those loans, partners who charge them fees, and use their participation to gather information on borrowers and then poach clients away from the originating bank. This has put pressure on small banks to withhold information and pursue growth and consolidation to stay in the business. But the BND does not lend directly in commercial and industrial markets – it only works through the state's community banks – so its participations are never used to poach or cut out originating banks. This allows state's community banks to participate in larger loans without growing or consolidating, and thus stay both small and in the game. Moreover, the BND charges partners lower fees and rebate expenses, which helps originators' cost structures and permits lower cost loans to small business.

Through these and other means, the BND has supported a thriving ecology of community banks and relational banking networks in North Dakota that stands apart from dominant trends in American finance. North Dakota's banking sector has far more branch offices per capita, is far less concentrated than in the United States overall or in comparator states of South Dakota, Wyoming, and Montana, and has steadily declined in concentration since 1995 (CSI, 2010, pp. 3–6). It was nearly 50% less concentrated than Montana's in 2009, and an order of magnitude less concentrated than South Dakota's, which was recently captured by Wells Fargo (Kodrzychi & Elmatad, 2011, p. 13). Small and local community banks accounted for more bank branches in North Dakota (78% in 2002) than in any other state, and more deposits (59%) than in all but Kansas and

Iowa (Keeton et al., 2003, p. 22); money center banks account for far fewer deposits in North Dakota than in any other state (under 20% in 2009) (Hoenig, 2010). And with small, local community banks come an emphasis on relational over transactional banking – a reliance on ongoing personal ties with clients, in-depth and idiosyncratic knowledge of their operations and local business conditions, and tailoring of financial services, rather than arm's length relations, standardized products, credit scoring or customer profitability models, and volume production of fees via originating and securitizing loans (Berger & Udell, 2003; Hein et al., 2005; Keeton et al., 2003; Rona-Tas & Hiss, 2010). The BND purchased some mortgage backed securities. But it did no subprime lending, avoided credit default swaps and derivatives markets, and substantially decreased its focus on investing in securities in favor of expanding its lending activities between 1990 and 2005, working against the main trends in transactional banking toward securitization (BND, 2008, p. 1; Harkinson, 2009; Kodrzychi & Elmatad, 2011, p. 8).

Finally, in meeting regularly with most of the state's 94 banks, the BND has fostered a network of working relations with and among the state's community banks, laying foundations for policy discussions and coordinated action in response to crises (Garver, 2011; Junker, 1989, pp. 146–148). As such, the BND anchors a hybrid of state and community banking logics, a thriving ecology of small-scale local banking and relational banking networks not just between borrowers and lenders, but also among lenders and between private banks and the state. Here, too, it is an alternative to transactional, purely market logics of banking grounded in private ownership, securitization, impersonal, arm-length banking, and the relentless pursuit of innovation and profits in global derivatives markets via giant money center banks.

## A MODEL FOR OTHER STATES? TRANSPOSITION AND REFORM EFFORTS IN AMERICAN BANKING

Perhaps not surprisingly, the Bank of North Dakota has become a reference point for policy entrepreneurs and public interest organizations seeking means to respond to the financial crisis that bypass political gridlock in Washington, that go beyond reviving New Deal regulation, and that speak more directly to local economic development. The crisis has sparked interest in taking the Bank of North Dakota as a model for other states, and transposing the ideas, organizational elements, and logics associated with this model more broadly. Since 2009, 19 bills have been introduced in 14 states to commission studies of the feasibility of adopting the BND model locally. Twenty-one bills and an initiative have been introduced in 12 states providing for the creation of some version of the North Dakota state bank model. As Fig. 1 shows, these efforts have been concentrated in the northeast and western states, but include highly urbanized places like New York, California, and Massachusetts, ''mixed economy'' states of Oregon, Washington, and Colorado, and smaller, less densely populated states Maine, Montana, and Vermont (see appendix for sources).

Furthermore, we can document in these efforts precisely the kinds of activities, events, and accomplishments that incrementalist and actor-centric accounts propose as the foundations for the successful transposition of new forms, institutional elements, and logics into new settings. The following

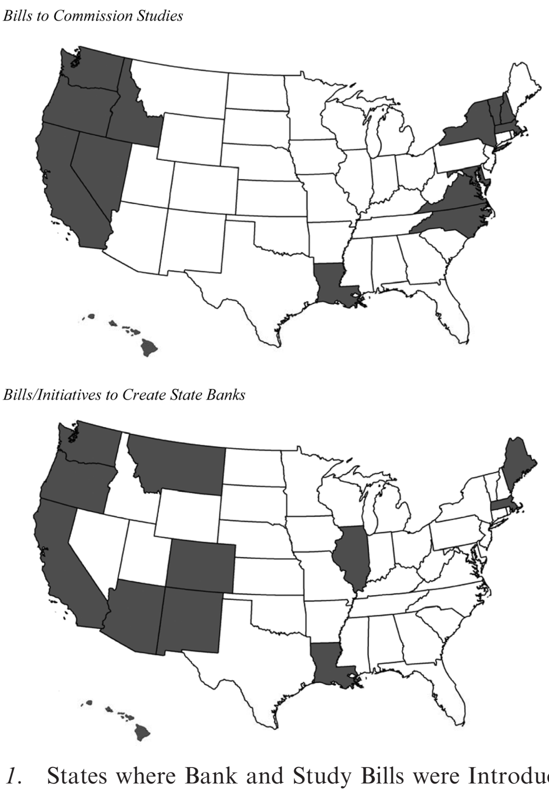


*Fig. 1.* States where Bank and Study Bills were Introduced.

traces the presence of six such foundations, and then links them with outcomes in the states.

### *Crisis*

Certainly nothing has figured more centrally in accounts of institutional change than crisis events involving dramatic failures and disruptions of existing institutions. Crises or shocks leave existing institutions and their elites vulnerable to critique, providing challengers or institutional entrepreneurs with an opening for reframing extant institutions, calling their legitimacy and rationality into question, and introducing or transposing new elements and logics into the setting (e.g., Battilana et al., 2009; Djelic, 1998; Fligstein & McAdam, 2012). And certainly nothing better characterizes financial and economic developments since 2007 than crisis, with the sudden collapse of the financial system, the failure of financial titans, dramatic losses in asset values, wholesale foreclosures, and a breakdown of the real economy, producing fiscal crises around the world and the most significant declines in growth and employment since the Great Depression (Lounsbury & Hirsch, 2010).

Of pivotal relevance here was the collapse of liquidity and lending, not just in mortgage markets, but also in commercial and industrial loans. The resulting credit crunch profoundly affected small businesses across the United States, leaving them scrambling for funds for hiring, expansion, or simply weathering the storm, and forcing them to credit cards at up to twice the rate charged for average small business loans (Judd & McGhee, 2011a, p. 6). Between 2007 and 2010, the four largest banks curtailed small business (SBA 7(a)) loans by 53%, with Citigroup reducing the number of such loans by 64%, and Bank of America reducing its loans from between 90% and 100% in Oregon, Washington, Maryland, and Massachusetts (Judd & McGhee, 2011b, 2011c, 2011d, 2011e, p. 1). Moreover, with these and other disruptions came controversy, critique, and the introdcuction of new elements and regulatory reforms, ranging from new conceptions of risk and the Basel III global accords through the creation under Dodd-Frank in the United States of the Financial Stability Oversight Council and the Bureau of Consumer Financial Protection, to grassroots movements to Move Your Money from big banks to Main Street institutions. Crisis and widespread disruption, commonly advanced as foundations for institutional change and successful transpositions of logics across settings, are clearly present in this case.

### *Proven Alternatives/Multiple Orders*

Likewise figuring centrally in accounts of successful transposition and change, and likewise present in the case, is the presence of multiple institutional orders and an established and readily available alternative with a track record of demonstrated success (Battilana et al., 2009; Clemens, 1997; Schneiberg, 2007). Proven alternatives stand both as potent models for emulation and transfer and as material-organizational foundations for claims making, framing, and asserting new logics (Djelic, 1998; Schneiberg, 2005). And in this role, the BND stands out as a case of "socialism in a red state" with a record of good economic performance along multiple dimensions.

First, the BND has been run by bankers, first, foremost, and as a for-profit bank, and has shown a profit for each year since 1971, the earliest year for which performance data are available. It has generated returns on assets that were higher, and as much as two or three times higher, than similarly sized private banks in the United States between 1995 and 2010, and has enjoyed increases in net income in every year since 2003 (Garver, 2011, p. 3; Kodrzychi & Elmatad, 2011, pp. 8–9).

The BND has also consistently contributed to state revenues, mainly by transferring profits to the state, but also via bridge loans to agencies waiting for Federal money and by reduced interest rates and rate volatility for local government borrowing. Since the mid-1970s, the BND has transferred to the state an average of $30 million per year, or about two-thirds of its annual profits, for a total of $350 million over the last decade (Judd & McGhee, 2011, pp. 7–8; Kodrzychi & Elmatad, 2011, pp. 9–10). This included a $25 million contribution toward a $43 million shortfall in the 2001–2003 state budget, which reduced pressure on the state to cut spending or increase taxes during a recession.

Furthermore, the BND has served as a shock absorber, buffering the state's banking, small farm and small business sector from economic crises, financial collapse, and natural disaster. During the Depression, the BND held farm mortgages, and like banks everywhere, ended up holding the farms themselves as their owners were unable to pay (Junker, 1989; PPB, 2005). But unlike banks elsewhere, which foreclosed and dispossessed farm families, fueling mass migrations, the BND pursued loan moratoriums and forgiveness programs that slowed down foreclosures. It let farmers who were still working their farms stay on foreclosed farms via low or no cost rent back schemes, and it sold farms back to previous owners or their offspring when agriculture recovered in the 1940s. During the 2007–2008 financial crisis, the Bank increased its lending, unlike virtually every other bank, helping mitigate credit crunches in the state's commercial and industrial loan markets, and providing financial support for small businesses to weather the storm. From 2005 through 2011, the BND more than doubled its funding of industrial and small business, steadily increasing its commercial and industrial loan portfolio from $431 million to $1.064 billion in 2008, with only small dips in 2009 and 2010, and a new height of $1.068 billion in 2011 (BND, 2009, p. 3; BND, 2011, p. 5; Judd & McGhee, 2011a, p. 2; Nichols, 2010). During the massive flooding that crippled Grand Forks in April 1997, the BND and state agencies worked with banks across the state to coordinate a relief effort that saved the city, unlike its sister city across the river in Minnesota, which lost nearly a fifth of its population after the floods (Garver, 2011).

Indeed, the BND has successfully preserved the state's financial system itself from crisis and fostered a thriving small-bank sector, whether by participating in loans, lending directly to North Dakota residents to finance their purchases of local bank stock, creating secondary markets within the state for SBA, mortgage and student loans, or by using its federal funds market access to purchase loans from smaller North Dakota banks during the current crisis (ILSR, 2011; Junker, 1989, pp. 148–149; Kodrzychi & Elmatad, 2011, p. 10). Such policies have created a "crowding in" effect (Judd & McGhee 2011, p. 7) for local banks and private funding, checking tendencies toward concentration, and keeping money, credit and capital local. They have also helped the state's banks to stay liquid, stay focused on lending, and weather the recent storm (CSI, 2010, pp. 3–6; Judd & McGhee, 2011, p. 1). There were *no* bank failures in North Dakota during the financial crisis, which indicates in perhaps the most dramatic way the presence of second key condition for successful transposition and institutional change. As a proven alternative to money center banks and purely "market" based systems of intermediation, the BND hybridization of public ownership and private community banking provides a viable model for emulation and experimentation and a tangible foundation for introducing, advocating, and defending new logics and reforms in other settings.

To be sure, crises and the presence of multiple orders or viable alternatives do not themselves yield change. To the contrary, exploiting those foundation for transposition and reform requires work, skillful action, and institutional entrepreneurship (Battilana et al., 2009; Lawrence & Suddaby, 2006). It requires as recent scholarship emphasizes:

1. the creation and mobilization of boundary or field spanning networks (Boxenbaum & Battilana, 2005; Djelic, 1998; Padgett & Powell, 2012);

2. the organization of conferences and other face-to-face fora for making meaning, sustaining independent discourse, and forging collective identity (Phillips, Lawrence, & Hardy, 2004; Zilber, 2007, 2008);
3. the effective framing of alternatives and new logics (Fligstein & McAdam, 2012; Lounsbury, Ventresca, & Hirsch, 2003; Suddaby & Greenwood, 2005); and
4. the editing, recombination, and articulation of new logics and elements with local institutions (Berk & Galvin, 2009; Boxenbaum & Battilana, 2005; Campbell, 2004; Czarniawska & Joerges, 1996; Padgett & Powell, 2012; Sahlin-Andersson, 1996; Sahlin & Wedlin, 2008).

All four processes or forms of institutional work were present in the case.

### *Boundary Spanning Networking*

First, supporters of the public bank model have forged a nationwide network of policy entrepreneurs, public interest organizations and advocacy nonprofits that spans regions, levels, and fields. Demos, a public policy and research organization based in New York and affiliated with *The American Prospect*, and the Center for State Innovation (CSI) based in the University of Wisconsin—Madison seem to be central nodes in the advocacy network. They have worked closely together and with veterans of the Service Employees International Union's banking campaign to promote public banking, but have also connected with: the Institute for Local Self Reliance and its New Rules Project, a nonprofit advocacy group based in Minneapolis and Washington devoted to local community development in banking, energy, locally owned small business and other areas; the Public Banking Institute, a think tank and educational organization formed in 2011 to promote state and local publicly-owned banking; and other progressive groups, like the Center for Working Families. Since 2009, Demos and CSI have been active in conducting and coordinating research on the BND, developing policy briefs for state officials and legislators based on econometric analyses of the potential benefits of public banking in each state, and bringing state officials, regulators and policy advocates together with Bank of North Dakota officials. They have likewise been active in providing legislatures with model laws, working directly with treasurers and legislators to introduce bills in their states, testifying at hearings, as well as tracking bills' progress and operating a clearinghouse for information about legislation across states.

CSI, Demos, and PBI have also forged connections with a fairly extensive collection of state-level policy groups and nonpartisan advocacy organization in order to tap into existing coalitions and mobilize politically within the states to support specific legislation. These include Opportunity Maine, Pennsylvanians for a Public Bank, Illinois Citizens for Public Banking, the Main Street Alliance in Washington and other states, and Oregonians for a State Bank, many of which are themselves local, boundary spanning networks. Washington's Main Street Alliance, for example, is both a chapter of a national federation and a network of small business owners, local business associations, and attorneys. Oregonians for a State Bank is a coalition of small business owners, farmers, faith groups, community bankers, and community organizations, embracing among others the Working Families Party, the Rural Organizing Project and Jobs with Justice. And as a key part of its strategy, Demos and CSI have forged ties with both sympathetic community bank owners to help them become active in state bank coalitions (and to bring them to conferences, see below), and with Bank of North Dakota officials and former officers, building bridges not just across sectors and levels, but also across domains populated by different logics.

### *Conferences: Making Meaning and Collective Identity*

In addition, public banking advocates have actively created fora for assemblies and face-to-face meetings in which activists and experts theorize possibilities, engage in dialog, develop independent discourses, and sustain a sense of common purpose and collective identity within the network core. Demos has regularly organized small conferences and plenary sessions challenging market logics and corporate dominance in banking and more generally. These include public events around the country like "Taking on Wall Street" and "Wall Street's Game, Main Street's Pain: the All Important Battle for Real Financial Reform" (http://www.demos.org/events), as well as "Banking on America: A Conversation about State Partnership Banks," a small conference cosponsored with CSI that assembled advocates, former BND officials, and legal scholars to consider design features of a public banking model and prospects for legislation. Similarly, the Public Banking Institute has convened a series of both public debates (http://www.publicbankinginstitute.org/debates.htm), and annual two-day conferences (http://www.publicbankinginamerica.org/conference-2012.htm) on public alternatives to private banking. As venues for meaning making, theorization and sustaining independent discourses and collective identities, conferences like these can figure centrally in supporting institutional projects, especially when the relevant collectives or fields experience hard times or challenges (Zilber, 2007, 2008). Indeed, they may be uniquely important in a world where advocates of financialization, securitization and money center banking have ideologically captured the state, virtually monopolizing the means of intellectual production in finance, and exercising enormous influence over the ideas and discursive context in which the Federal Reserve, federal agencies, professionals and policy makers operate (Johnson & Kwak, 2010).

Consider how its organizers and participants of PBI's first annual conference in Philadelphia place themselves in the world, articulating and projecting possibilities and identities (see also Brown, 2011). The program boldly declares its agenda, "Public Banking in America: Democratizing Money, Restoring Prosperity," across the bottom third of the program cover. A picture of Ben Franklin appears in the upper left corner, laid over an image of the Constitution with "We the people…." announcing the mission – self-governance – of the assembled presenters and participants. A crossroad sign on the right locates the audience in socio-political space, "Wall St. 1500 miles, Main St. Three blocks," identifying the direction in which they shall move.

Inside, the program proudly announces the collective proceeding's moral provenance, grounding its efforts and identity in long standing roots, colonial America and the founding of the nation:

> The first US public bank was founded by the Quakers in Philadelphia. We are honored to be meeting in their hall, where we will observe a moment of silence in the Quaker tradition, in order to tune into their vision for a sustainable, democratic Commonwealth.

Yet, as the titles of presentations listed in Table 2 suggest, the proceedings mainly look to the present and forward, declaring at the outset and reaffirming throughout the pressing moral agendas, imperatives – and exciting possibilities – of public banking – an "America Beyond Corporate Dominated Capitalism," a "Resilient Financial System," a move "From Austerity to Prosperity." They project promise and hope in the world, declaring a new pragmatism ("Dropping Ideology and Doing What Works") and proclaiming new approaches, a "New Paradigm in Change in Finance," and ways of thinking that escape exhausted antimonies and hold out new prospects for reform, moving "Beyond Left and Right" and "Working the 'Edges' Between the Public and Private Sectors." They draw inspiration from, celebrate and scrutinize already existing possibilities and

*Table 2.* Presentations and Keynotes.

| Friday | Saturday |
|---|---|
| Is there an America beyond corporate dominated capitalism? | Bankrolling the green transition |
| The Bank of North Dakota: Political struggle and economic realities | Beyond left and right: Dropping ideology and doing what works |
| From austerity to prosperity with publicly-owned banks | University central banking: Financing the Great American Renaissance |
| Toward a resilient finance system: Working the "edges" | A new paradigm in change and finance: The end of financial crisis |
| The Bank of Canada: The People's Bank? | Redesigning America's money system |
| Foreclosures, eminent domain and public banking | The surest way to overturn the existing basis of society |
| The promise of public banking | Public banking: The foundation for free and fair markets |
| State legislative update | Defending monetary reform |
| | Interest-free loans for spreading the real economy to every person |

*Source*: From PBI Conference on "Public Banking in America: Democratizing Money, Restoring Prosperity."

established working models – drawing, of course, on "The Bank of North Dakota" but also ranging far and wide to "The Bank of Canada, A People's Bank?," "University Central Banking" and even the environmental sciences in their efforts to theorize, reimagine and redesign "America's Money Systems." And they invert or break the hold of neoliberalism on the imagination, whether by retheorizing the relation between market and state, finding new potentials and purpose in working the edges, making the short trip to Main Street, or in reinvigorating the public sphere, with public banking figuring prominently as the "The Foundation for Free and Fair Markets," access to low cost capital, and an escape from austerity programs.

### *Framing and Framing Contests*

Equally important, advocates have also looked outward toward the states in their politicocultural work, using framing strategies in position papers, media releases, policy reports, legislative preambles, public meeting, and hearings in order to support public banking proposals and mobilize legislators, local communities and business groups to the cause. In this work, promoters of the BND model have drawn deeply on broad cultural codes to: (a) provide diagnoses of problems that resonate with target audiences' core concerns; (b) cast public banking measures both as credible solutions to those problems and consistent with highly salient identities and value commitments; and (c) respond directly to counter-frames in framing contests.

State bank advocates faced two counter-frames that functioned almost as default options in public debates. These comprised a *market liberal* frame that invokes broadly resonant values and antimonies (market vs. state, freedom vs. oppression) to delegitimate public banking generally, and a *comparative inapplicability/irrelevance* frame that undermines transposition by focusing on particulars and isolating North Dakota as unique. Participants projected market liberalism quite bluntly. Karl Marx "would be proud of Bernero," the Michigan GOP declared in response to a state-banking proposal by gubernatorial candidate Virg Bernero and senate Democrats, denouncing a party "agenda to take over every aspect of our private lives" (Gomsytn, 2010). An Independent Community Bankers of America official mobilized the same rhetoric three years later.

> A state-owned bank? Why don't we just re-label the state capitols the Kremlin?…It's a socialistic idea. If you get a state-owned bank that is allocating credit, it can slide very quickly into a situation where those in favor get credit and those not in favor don't get credit. (cited in Hall, 2013)

As did economic experts like the Boston Federal Reserve's New England Public Policy Center, which combined market liberal frames with inapplicability/irrelevance arguments that sharply distinguished potential adopters from state-banking exemplars. Its 2011 report, "The Bank of North Dakota: A model for Massachusetts and other states?," established "the context for considering a state-owned bank" by using charts and a discussion of the distribution across countries of 'liberal' (free of government control) and 'repressed' (government controlled) banking systems," and by linking that binary to the "large divide" between developed and developing nations where "repressed" systems were more common (Kodrzychi & Elmatad, 2011, pp. 5–6). The report then posed the matter as one of "extrapolating North Dakota's experiences in the early twentieth century to the circumstances facing Massachusetts and other states today." And it devoted 7 of 20 pages to establishing differences in order of magnitude between the cases. It highlighted how Massachusetts "is about 11 times the size of the North Dakota economy"; how North Dakota depends far more on agriculture and energy than other states; how the two states' banking sectors "occupy opposite ends of the spectrum in the US," reflecting idiosyncratic and "inherent economic and geographical characteristics" like North Dakota's being a "sparsely populated rural state with numerous small relatively isolated banks"; and, finally, how institutions already exist in Massachusetts to fulfill functions advocates assert for a BND model. Such contrasts placed North Dakota in an entirely different category than other states, rendering its institutions irrelevant as a model for potential adopters. Its "experience turns out to be less helpful than some commentators have suggested," the report concludes, it is "an unlikely state from which to draw policy lessons for Massachusetts" (Kodrzychi & Elmatad, 2011, p. 4).

For their part, CSI, Demos, and other state bank advocates mobilized three potent frames to support the BND and subvert rhetorical dismissals of the public bank model. They drew first on value commitments to Jeffersonian republicanism and a *populist producerist localism* that valorized state banking by juxtaposing Main Street middle class communities, economic self-sufficiency, local and small business development, and banking for investment in productive activities, on the one hand, against Wall Street institutions, concentration and economic dependence, predatory policies of giant, out-of-state banks, and banking for speculative profit-making, on the other (see also Brown, 2010a, 2011). "High finance has failed local economies," "big banks stop betting on Main Street," "big out-of-state banks are failing Oregon small business," 'Massachusetts small business' and small business elsewhere, Demos and its local partners repeatedly declared in policy reports and position papers, as "Washington bets on big banks," bailouts, "consolidation and implicit subsidization of the 'Too Big to Fail' Wall Street bank business model" that swept up deposits and then abandoned local economies. "Now more than ever, the future of Washington's [Oregon's, Vermont's…] middle class depends on the health of our small business," briefs explained to state legislators.

> Yet the engine of a thriving small business economy – affordable credit – has stalled in our state since the financial industry set off the Great Recession in 2008. While [our state] has lost…jobs…and family farmland, the largest banks have returned to profitability after taxpayer bailouts. Many of these same banks have refused to restore lending for credit worthy business to pre-crisis levels. (Judd & McGhee, 2011e)

Such a frame lets advocates diagnose the problem and ground state bank proposals in immediate concerns about lack of credit, while appealing to increasingly salient republican-populist sentiments, and linking both to a proven solution. The financial and economic crisis, Demos and CSI stressed in their "Banking on America" report,

> have exposed how little control communities have over the local economies. When economic disaster hit, policy makers had few tools at their disposal to stop the flight money out of their local economies. States had no reliable way to keep money flowing to local banks, local businesses and local governments. All except one: North Dakota. (Judd & McGhee, 2011a, p. 2)

BND type banks, the report continued, "help small business [and] fulfill their local economy mandate by supporting the private community banks that our national banking policy has largely left behind" (Judd & McGhee, 2011a, p. 6). "States demand more local economic control," and can use state banks for "putting Maine money to work for Maine," Vermont money for Vermont, Maryland money for Maryland – "to keep public money home, where it will create new jobs … generate new revenue … strengthen local banks … and make public funds count" (Judd & McGhee, 2011a, 2011b, 2011c, 2011d, 2011e, 2011f, 2011g).

> Washington [State] can put deposits of state tax revenues to use in ways that tilt the economic playing field back toward Main Street businesses and our community banks, local infrastructure investments, and long-term job growth. A Washington Investment Trust – like the successful Bank of North Dakota – will generate new revenue for Washington, save local governments money, and make our business less dependent on the Wall Street banks that have cut back on lending to small businesses and consumers. (Judd & McGhee, 2011c, p. 1)

Populist republican themes of local self-governance and economic independence clearly resonated in the states, with locals and public officials amplifying and linking those frames to local contexts to support a BND model. They resonated on the left, who saw in the BND an "independent method of funding," a lever against the "State/Capital cabal," and a foundation for "sensible banking based on loans for productive enterprises, not derivative speculation" (Hall, 2013). They also struck chords on the opposite end of the political spectrum, including a Republican candidate for the Idaho state senate.

> An important part of sovereignty is the monetary authority. Currently, banks are allowed to multiply many times over the tax receipts deposited in their institutions. This special privilege is responsible for the "sucking sounds" in our local economies, as regional banks send their assets to central banks that are playing the derivative markets of the world. A state bank would restore this privilege to the people in a public trust and would give us the opportunity to back our deposits with the wealth of our public land. (cited in Brown, 2010b)

Oregon officials likewise framed the crisis and way out. These included Treasurer Ted Wheeler, who posed the problem as "how to get capital flowing again" for small businesses in a "recovery that posts record profits for Wall Street, but [is] leaving Main Street behind" (Wheeler, 2011b), and gubernatorial candidate Bill Bradley, who saw the state bank as the means to both "put Oregonians back to work" and "declare economic sovereignty from multi-national banks that in large part are responsible for much of our current economic crisis" (cited in Brown, 2010b). So did drafters of legislation, whose preambles framed measures in populist, local developmental and producerist terms. For California legislators, a state bank was a solution to "bankruptcies among small businesses and individuals," tight credit, and the limited resources of "local communities … to address their economic and community development challenges" (AB2500, February 24, 2012, Chapter 1). For Washington's, it was a solution to how "the lack of accessible capital" has deepened hardships of "working families and business," and provided legislators with the means to "best direct economic developmental policy initiatives, build a strong and resilient economy, and use the people's collective resources for their own benefit" (Washington SB 5238: 1). And for New Mexico's, it was the way to both promote "a balanced and productive economy" and "encourage the flow of private capital for investment in productive enterprises" (HB290: 2)

Second, advocates mobilized a *partnership banking frame* which distinguished the BND model from statism, defining a third option that escaped market liberal antinomies, and highlighting how BND programs are joint private/public ventures that support rather than displace community and private banking. Policy reports and position briefs increasingly cast proposals and the BND model as "partnership banks" or "Main Street partnership banks" in order to clarify its core role, dispel anxieties about socialism, and link the proposal to voluntary, private action. Demos and CSI took great pain to thus frame matters to the states. In an FAQ brief, they emphasize that the Partnership Bank works with community banks to "help increase a private bank's lending power and small business's job creating power" (Judd & McGhee, 2011h). They then consider the boundary between public and private action, "Q: Does a Partnership Bank Compete with community banks?"

> A: No. In fact, as "participation lenders," Partnership Banks are designed to complement community banks, not compete with them. Partnership Banks are primarily banker's banks and do not have branches. They generally do not originate business loans, take in deposits from businesses or individuals, or offer consumer banking products ….

> **Not competing over loans**
>
> A partnership Bank has no interest in competing for the origination or refinance of private loans, so private banks need not fear that allowing participation will lead to a loss of customers.
>
> **Not competing for deposits**
>
> A Partnership Bank can be prohibited from taking private deposits, as well as local government deposits….
>
> **Overall competitiveness of the banking market**
>
> Due in part to BND's supportive role…North Dakota has more community banks that Hawaii, Maine and New Hampshire combined…
>
> The North Dakota Bankers Association and its member banks strongly support the Bank of North Dakota. (emphases in original; Judd & McGhee, 2011h).

"We were designed and set up to partner with [private sector banks]," BND president Eric Hardmeyer explained in an interview with Mother Jones, "not to compete with them. So most of the lending we do is participatory in nature" (Harkinson, 2009).

Drafters of legislation also took pains to frame measures in these terms. "Rather than competing with private banks," a Hawaii measure's preamble emphasized, "the Bank of North Dakota has created partnerships with over one hundred other North Dakota financial institutions to assist them in meeting the needs of the citizens of North Dakota" (Hawaii HB 853: HD1). In its first lines, Maine's bill for a Main Street Development Bank stressed its roles of "increasing access to capital…in partnership with local financial institutions" and providing financial stability, "but not to compete with state-chartered community banks, credit unions or other financial institutions" (Maine HP 1066: 1). And to avoid "the mistake of hir[ing] new public employees to compete against Oregon's network of community banks and credit unions," Treasurer Ted Wheeler cast his state's proposal in the Oregonian as a "'virtual state bank" that would "unlock additional lending capacity in partnership with existing institutions," arguing that "we don't need a new bricks and mortar institution in your town – or anywhere else in Oregon" (Wheeler, 2011a).

Finally, advocates mobilized economic *pragmatism/fiscal conservatism* frames that emphasized facts, experience and rational assessment over ideology and that cast the BND as a practical solution to credit problems which can also help states balance budgets and raise revenues without raising taxes. The BND is "A Solution from the Heartland," declared CSI and Demos in their materials for the states, a characterization that moved the BND from the periphery to the center, drew analogies between exemplar and potential adopters audience, and invited listeners to join a peer group of sober, rational folks with solid heartland sensibilities. ‘‘We're a fairly conservative lot up here in the upper Midwest,'' BND's president Eric Hardmeyer emphasized his interview,

> And we didn't do any subprime lending and we have the ability to get into the derivative markets and put on swaps and callers and caps and credit default swaps and just chose not to do it, really chose a Warren Buffet mentality – if we don't understand it, we're not going to jump into it. (Harkinson, 2009)

Furthermore, in presenting the BND model to the states, CSI, Demos and their local partners both appealed to facts and experience and deepened analogies and relevance in two ways. They used econometric analyses to determine the benefits that adopting a BND model would yield for each particular state, providing estimates of the number of added jobs, growth in lending and new revenues for the state. And they picked up on a BND practice of using stories of small businesses helped by the Bank to ground the institution in experience, juxtaposing those with hardship cases for small businesses in Maryland, Massachusetts, New Hampshire and elsewhere, and redefining the relevant comparisons as practical, sober folk in places where small business, independent farmers and local communities still matter.

### *Editing and Recombination*

Last, but not least, advocates and public officials working to transpose the Bank of North Dakota/state bank model edited the original model, and recombined its elements in various ways to fit the innovation with receiving states and the local lingua franca. Editing involved decomposing and trimming the BND model's elements in response to local concerns and condition, producing a new stand-alone institution with most or some of the BND's key features. Recombination involved decomposing the model to fit, fold, and integrate key elements into already existing state development or lending programs. Oregon Treasurer Ted Wheeler expressed the logic of this strategy in his ‘‘virtual'' bank proposal.

> [S]ome say we should follow the footsteps of North Dakota. After all, its model has worked very well for the state. But I'm urging our state's leaders to craft an Oregon solution. There are elements of North Dakota's approach that are not workable here [including] a new brick and mortar institution [or hiring] new public employees. (Wheeler, 2011a)

Such elements may even include deposit taking as a funding basis. And as a political matter, trimming, reconfiguring and integrating elements with existing programs is one way to ease opposition and make innovations palatable, facilitating transposition.

Table 3 maps the key elements of the institution proposed in each of the 21 bills introduced in the 12 states where bill were introduced between 2009 and 2013 to create a state, public or development bank. Multiple bills were introduced in four states. The table codes the proposed institutions for how they would obtain funds (the first group of features), whether and how they can loan or use funds (the second group), and whether they would serve as a banker's bank (the last line). An "X" in the table denotes the grant to the institution of a power or specific authority; no "X" indicates the absence of a specific authorization or power or the imposition of a ban or restriction on the proposed bank's powers or scope. The 12 bills on the left create deposit-taking institutions; those on the right create institutions funded from other sources. Moving from left to right represents a progressive trimming of the BND model. The set on the right reflect an effort to decompose and recombine elements of the BND model into existing programs.

A number of states sought to create full-fledged or even slightly expanded versions of the BND, as seen most dramatically with the five bills on the left hand side. All propose new stand-alone deposit-taking institutions, authorize them to take deposits from state institutions and require state agencies to deposit their funds the bank. Two authorize taking deposits from private individuals and institutions. All five also grant the institutions a full range of lending powers, explicitly authorizing loans to public institutions, participation loans, loans to various private parties or all types of lending, with no restriction on the types of loans it can make. And all authorize banker's bank functions.

Yet some proposals trimmed elements to help fit the model to local contexts. The Massachusetts partnership bank proposal, Hawaii's SB194, the Colorado initiative and the California measure left the core of the BND model intact, creating stand-alone banks with mandated public deposits, authorization to make participation loans via community banks, as well as loans to private borrowers and/or public agencies. But the Massachusetts measure trimmed away bankers' bank functions (but added bonding authority); the Hawaii measure trimmed banker's bank functions and was less generous in explicitly authorizing direct lending to private and public borrowers; and the Colorado and California measures, while either keeping banker's bank functions and/or authorizing direct lending to public

***Table 3.*** Editing and Recombination of State Bank Proposals in the States.

| | WA | WA | AZ | IL | IL | MA | HI | CO | CA | MT | OR | WA | ME | OR | OR | OR* | OR | OR | NM | LA | WA | HI |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Deposit | X | X | X | X | X | X | X | X | X | X | X | X | X | | | | | | | | | |
| Public authorized | X | X | X | X | X | X | X | X | X | X | X | X | X | | | | | | | | | |
| Public required | X | X | X | X | X | X | X | X | X | | | | | | | | | | | | | |
| Private authorized | X | X | | | | X | X | | | X | X | X | | | | | | | | | | |
| Private not banned | X | X | X | X | X | X | X | | | X | X | X | | | | | | | | | | |
| Bonds | | | | | | X | | | | X | | | | | | | | | | X | | |
| State funds | | | | | | | | | | | | | X | X | X | X | X | X | X | X | X | X |
| Public loans | X | X | X | X | X | X | | X | X | X | X | X | X | | | | | | | X | X | |
| Participation | X | X | X | X | X | X | X | X | X | X | X | X | X | X | X | X | | | X | X | X | |
| Private authorized | X | X | X | X | X | X | | X | | X | | X | | X | X | X | | | | X | | |
| Private not banned | X | X | X | X | X | X | X | X | X | X | X | X | | X | X | X | | | | X | X | X |
| General purpose | X | X | X | X | X | X | X | X | X | X | X | | X | X | X | X | C | C | X | | | |
| Bankers bank | X | X | X | X | X | | | | X | X | X | X | X | | | | | | | | | |

KEY:
Deposit: bill authorizes deposit taking of any sort (X = Yes)
Public authorized/Public required: bill authorizes accepting deposits from state agencies/requires states to deposit funds (X = Yes)
Private auth'd/Private not banned: authorizes deposits from private parties (X = Yes)/does not ban private deposits (X = no ban, no X = ban)
Bonds/State funds: bill grants bonding authority/access to specific state funds (X = Yes)
Public loans/Participation: bill authorizes lend to public agencies/participation loans via community banks (X = Yes)
Private authorized: bill explicitly authorizes direct lending to private borrowers or lending to all borrower types (X = Yes)
Private not banned: bill does not ban lending to private parties (X = No ban, no X = ban)
General purpose: bill allows lending for any purposes (X = Yes, no X = loans only for special purposes)
Banker's bank functions: bill authorizes reserve deposits, check clearing and other banker bank services (X = Yes)
"C" indicates coordinating or advisory body without explicit lending authority
* measure passed

agencies, expressly banned taking private deposits (removing one potential source of competition for private banks). Measures in Montana, Oregon (HB2972) and Washington (HB2434) did more drastic surgery and cut more to the core, lifting the requirement that state agencies deposit their funds with the bank, and in the Washington bill, also restricting lending to new and existing public infrastructure. And in Maine, legislators probably went as far as possible while staying with a stand-alone bank, proposing one that could not take private deposits, that could accept, but not require public deposits, and that could lend though commercial banks, to public agencies, but not directly to private parties.

The other group of eight measures more radically decomposed the BND model and abandoned its deposit-taking features entirely in favor of "banks" or coordinating bodies funded from existing state funds or specialized lending programs dedicated to specific purposes. All of these proposals involved isolating, combining or folding the directed lending elements of the BND into already established economic and development agencies. Lawmakers in Oregon, for example, began with the bill noted above for a somewhat edited stand-alone bank funded from public and private deposits. But they worked to dispel opposition and further harmonize innovation with existing institutions with bills that simply created instead a Board or Financing Authority within the state to consolidate and more efficiently direct some existing lending programs (HB3452, SB889, HB4040) or simply to coordinate with relevant agencies as to their use (SB889A; HB2519). "This bill has been labeled the 'State Bank Bill'," Treasurer Wheeler once again explained, but "does not set up a capitalized financial institution. The result is going to be a 'bank' in the sense that a 'bank' can be a repository and coordinator of resources – like a 'seed bank' or a 'blood bank'" (Wheeler, 2011b).

### *The Outcomes of these Efforts have been Striking*

Crisis. Proven alternatives. And deep and sustained institutional work, including the mobilization of advocacy networks across sectors and states, conferences for supporting meaning making, dialog, independent discourse and collective identity, framing and rhetorical activities that struck deep chords on the left and right, and sustained editing and recombination of innovation to support transposition. The odds from the perspective of recent institutional theorizing seemed stacked. And the outcomes of all that institutional work are striking.

Of the 17 bills introduced in 12 states to commission studies on the feasibility of adopting and implementing the BND model, one and only one passed, in Massachusetts. Whether or not that was a broader success is debatable, as that was the study gave the Federal Reserve Bank of Boston an opportunity to contest and reframe the Bank model as irrelevant and inapplicable.

Of the 21 bill introduced in 11 states providing for the creation of some version of the North Dakota state bank model, efforts went furthest in Oregon and Washington. But even in combination, the activities, accomplishments and events that prior work associates with successful transposition bore remarkably little fruit, leaving the logics of localism, public ownership and state-supported community banking associated with the BND effectively sealed off in North Dakota. One and only one measure passed, Oregon's HB4040 (starred in Table 3), a measure which created not a new stand-alone deposit-taking institutions, but simply a Growth Board that consolidated existing funds and programs mainly for venture capital loans to seed start-ups. "*This is most decidedly not a state bank*," CSI partner Oregon Working Families complained, highlighting what was lost in transposition.

> [In] many instances the community banks don't even know of the existence of these funds…[The bill] leans heavily toward venture capital investments (and grants) rather than participations with community banks and credit unions … The State's $10 billion plus in the Short Term Fund will still go to Wall Street banks, with the resultant investment and profits leaving the State. The [Fund] will not be run by bankers and will have as a principle purpose the stability of our local banking sector. (Oregon Working Families Party 2012, emphasis in original)

## CONCLUSIONS/IMPLICATIONS

What, then, accounts for what looks like a consistent failure to transpose the core of the North Dakota state bank model into other states? In tackling that question, the case poses a cautionary tale and an analytical dilemma both for 1) actor-centered institutionalisms that emphasize the potency of generative, reflexive action, and 2) emphases on the explanatory power of mechanisms that neglect the structural conditions under which mechanisms become efficacious.

Two potential answers to the question are that institutional entrepreneurs involved were insufficiently skillful and that change takes time, due partly and simply to inertia. Absent arguments that specify precisely what skills are needed, how one might empirically determine their presence (or absence), and how long one should wait, such claims remain unacceptably post hoc. That said, there is some evidence from interviews and the bills themselves that some proposals and supporting rationales were sometimes too hastily crafted to be effective, raising concerns among local advocacy groups and banking law experts that safeguards against moral hazards including the political use of bank funds were not fully worked out. Moreover, time frames and failure rates typically associated with legislative proposals that eventually pass in the American states may exceed two years and 1 out of 21 by an order of magnitude.

Other, more intriguing possibilities, involve: (1) the prevalence of societal level ''meta'' logics or ideologies of anti-statism, neoliberalism and the market that make defending and transposing any kind state bank an impossibly steep rhetorical or discursive uphill battle, (2) the broader balance or configuration of political forces and coalitions surrounding banking and finance in the states, and (3) state structural forces rooted in political gridlock in legislatures. Each of these arguments are quite plausible and gain some traction in the evidence. BND President Hardmeyer is an ''unabashed champion of his bank's success,'' the *American Banker* reported in its interview, but ''he is also ''brutally honest'' and points directly to such meta-logics. ''In the age of Tea Parties and 'government is the problem' rhetorics, he says, the possibility of starting a state-owned bank now seems wildly optimistic'' (Garver, 2011). Indeed, the Fed's intervention and report one month later directly mobilized those meta-logics, highlighting the possibility that some actors and bricoleurs are a priori more potent discursively and better equipped to dominate framing contests than others, whether due to their alignment with broader societal logics, their place in power structures, or both.

Moreover, real politics proved decisive at key junctures, as in first round efforts in Hawaii, where a full feature state bank pit national and local advocacy groups, organizations representing distressed homeowners and Hawaii nonprofits against the unified opposition of the state's banking association, its credit unions, bank regulators and the department of finance. Perhaps less relevant here or in other states like Oregon were direct interventions or political organizing by money center banks than more structural forms of power, community bank fears of competition, and their worries over transition costs, including the potential of disrupting or disturbing their depository arrangements with local municipalities and relations with bigger banks on whom they depend (Garver, 2011; Jacklet, 2011; Kodrzychi & Elmatad, 2011, p. 19; Matthews, 2013; Van den Heuvel, 2011). Those key coalition partners balked, at least initially. And while repeated trials, editorial and recombinatorial work, reframing, and extended networking in Hawaii, Washington, Oregon and elsewhere made serious headway in uniting conservatives with Democrats and in getting local banks on board with small business suffering from a credit squeeze (Moberg, 2011; Swearington, 2013), a political standoff between the two parties killed Oregon bill HB2519, leaving it to die in session.

Fully nailing down which factors mattered awaits systematic comparative and sequential analyses of the legislative histories of the bank bills. But the observations just considered raise the prospect that even the most skilled advocacy group/nonpartisan policy organization centered effort is not quite up to the task of transposing state banking and its core elements across states, no matter how effectively it builds boundary spanning networks, retheorizes possibilities, sustains independent discourses, frames a BND model, or creatively edits and recombines its elements. They suggest instead that little is likely to happen in the states, even incrementally, absent a more broadly-based producerist or anticorporate movement that could authoritatively contest neoliberal frames, overcome gridlock either by threatening or replacing recalcitrant political incumbents, and produce or credibly threaten either enough support or enough disruption to overcome community banker concerns.

In the final analysis, power-politics, dominant societal logics of neoliberalism, the power of some players to frame debates, and polity-centered dynamics of gridlock may explain the failure of institutional entrepreneurs to transpose the logic and core forms of the Bank of North Dakota outside that state. But invoking those kinds of forces poses a troubling dilemma for incrementalist and actor-centered approaches. It risks shifting the explanatory terrain back toward broader, more structuralist claims about isomorphism, constraint, political dominance, and macro-cultural determinisms that recent emphases on action, the creative capacities of border-crossing recombinant entrepreneurs, and meso- or micro-level mechanisms hoped to escape. Can we imagine any accumulation of small victories, any crises more potent than the recent debacle, any amount of institutional work or reflexive action, or any set of entrepreneurs with sufficient skills that could successfully transpose a state-owned and operated bank into other states in the US in this era of financialization? Or are constraints in this case so overwhelming that they render such efforts moot?

Such a dilemma will force analysts to rethink more carefully the relationship between structural factors and institutional work, to re-embed actors and mechanisms in their contexts, and return, but hopefully with new lenses, to the structuralisms and increasingly multilevel institutional systems that had been set aside. In fact, this is the very imagery put forward in the institutional logics perspective (Thornton et al., 2012) and work on fields and emergence (Campbell & Pederson 2014; Fligstein & McAdam, 2012; Padgett & Powell, 2012) that emphasize the need to focus on cross-level dynamics and embed actors within their wider institutional and interinstitutional milieu.

Such a dilemma will also push researchers to consider new ways for how empirical research might proceed in that effort. The Bank of North Dakota case highlights the central methodological importance of studying failures– cases of wholesale (or near wholesale) failures to diffuse or transpose. The idea that studying success cases and that finding recombination and other forms of institutional work creates potentials for premature inference is well understood, prompting analyses of cases with both successes and failures. But even this strategy might fall prey to "selective sampling of empirical settings" (Denrell & Kovács, 2008) insofar as it still selects for partial successes, leaving aside – and begging questions about – cases in which no amount or combination of framing, recombination, meaning making or boundary spanning activity will yield diffusion, transposition or change. Actor-centered institutionalism rightly asserts the leverage of cases of change where structural conditions seemed to preclude transformation, but the converse methodological claim also holds.

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# APPENDIX: A NOTE ON SOURCES

Fig. 1 and the analyses in Table 3 relied on a compilation and coding of legislative bills to commission studies or create state banks since 2009. I identified and compiled legislative proposals in a multistep process. I began with the listings of bills maintained by the Public Banking Institute (http://publicbankinginstitute.org/state-info-htm) and the Center for State Innovation (http://www.stateinnovation.org/statebanks.aspx). I followed up each lead through web searches of newspaper article, magazine, or blog mentions of the bills, by searching the web site of local advocacy partners, and by searching the web sites of each of the state legislatures. Together, these yielded detailed legislative histories and copies of the bills or initiatives as they were introduced, amended, reintroduced, decided upon or allowed to die in committees.

The bills charted in Fig. 1 and tabled in Table 3 reading from the left are: Washington HB1320 and SB5238, Arizona HB214, Illinois HB 2064 and HB5476, Massachusetts HO1192, Hawaii SB194, Colorado #95, California AB2500, Montana HB643, Oregon HB2972, Washington HB2434, Maine HP1066, Oregon HB3452, SB889, HB4040, SB889A and HB2519, New Mexico HB290, Louisiana SB233, Washington HB2040, and Hawaii HB2103. Authorities for making special purpose loans were created by WA HB2434 (public infrastructure and student loan guarantees), LA SB233 (transportation projects), WA HB2040 (mainly public works), HI HB 2103 (to acquire distressed homes).