

THE OCEAN STATE CURRENT

A State-Run Bank in RI: The Ocean State Shavings and Cronies

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Progressives in Rhode Island, with potential gubernatorial candidate Matt Brown the latest among them, have been floating the idea of a state-run bank for a few years. Cato Institute Fellow Walter Olson expressed some thoughts on the question in a recent *Wall Street Journal* op-ed.

The concerns are manifold. For one thing, government-run banks “succeed, if they do, because of unfair advantages.” (And if they fail, look for them to receive more advantages at others’ expense.) Because they’re fundamentally political in nature, they also tend to allocate their resources with less concern for sound investments than private banks must.

Referring specifically to his state of concern, Olson writes:

A State Bank of New Jersey would be unlikely to content itself with the predictable and repetitive lending that goes on in an agriculture-and-extraction economy like North Dakota’s. It would inevitably turn into a Favor Bank for politicians hoping to lure subsidized jobs from the more vibrant cities of New York and Philadelphia. Once the initial buzz of idealism passed, it would become a tempting honey pot for the corrupt politicians for which New Jersey is famous.

Rhode Island has a similar fame, along with a newly minted reputation for institutional incompetence — along with a not-so-newly-minted history involving organized crime and a banking crisis. Frankly, Rhode Islanders should find it unsettling that anybody of influence could look at the socio-political landscape of the Ocean State — with *Crimetown*, 38 Studios, the UHIP debacle, Deepwater Wind, unfunded pensions, one-party rule, regular investigative reports showing public-sector malfeasance, and all the rest — and conclude that what we really need is another way to shuffle money around.

With the prospect of a state-run savings and loan operation, one suspects insiders are waiting in the wings to do business at the Ocean State Shavings and Cronies, but if the rest of us fall for it, the smart investment would be in local U-Haul operations.