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The Onlooker: November 21, 1975

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The Onlooker

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Hello There, Reader:

ONLOOKER 14 pleases me even more than its predecessor.

The scope of issues considered here is broad. We present articles about the Bank of North Dakota, the State Water Conservation Commission, the Western Governors' Regional Energy Policy Office. We offer some political news, some environmental news, some news from the coal industry, some news from agriculture.

In this issue you'll find several new features: Name dropping, which chronicles the activities of the well known and the relatively obscure; So they say, a collection of inspiring and mundane quotations; Briefly noted, a news column which delivers information without consuming time.

The editorial column, Matters at Hand, is here again, but Marvin Gardens is missing. Don't worry, though. Our irascible and inimitable columnist will be back next week.

This issue introduces a cartoonist, Paul Dugin-ski, whom we hope will become a regular; and an illustrator, Lee Hulteng, of whom we hope the same. Kari Armstrong's drawings will appear in future issues, as well.

All this, plus **THE ONLOOKER'S** continuing coverage of politics and resource issues, makes this news magazine a very good buy at \$10 American per year. Subscribe today--and support a free enterprise.

Thank you.

Mike

A moratorium on future water permits

The North Dakota Water Conservation Commission has placed a moratorium of sorts on issuance of permits for coal conversion facilities.

At its meeting in Beulah Nov. 19, the commission voted unanimously not to take final action on any applications for water made after that date until July 1, 1977. The commission will continue to process applications and public hearings on applications made after the moratorium begins are possible, but no final action on any application will be taken.

The moratorium does not apply to permit applications made before Nov. 19, 1975, and thus does not affect three applications currently pending.

The water commission's action came after 10 days of intense political pressure on Gov. Arthur A. Link who had been criticized for not taking a more definitive stand against massive coal development in the state. Link appoints the members of the water commission and acts as its chairman. He suggested the moratorium.

(Link's troubles with environmentalists and politicians are considered in "Angry reaction to Link's vacillation" s. which follows this article.)

Pending permit applications which are not affected by the moratorium include requests for four gasification plants and two large electrical generating stations.

The water commission is considering whether to grant People's Gas Company's request for 70,000 acre feet of water

to supply four coal gasification plants. Applications for 22,500 acre feet for Montana Dakota Utilities Company and three other electrical generators and 19,000 acre feet for Basin Electric Power Cooperative are also pending. The utilities would take water from Lake Sakakawea. MDU anticipates two 440 megawatt generating units. Basin hopes to install 800 megawatts of generating capacity.

The meeting at Beulah was to hear testimony about the MDU application but, as is usual for these hearings, the company's officers and their hired consultants took the entire day to deliver their testimony. Tough questions from commission members--including Arlene Wilhelm who was attending her first meeting as a commission member--occupied more time. Much of the public had gone home for supper before their comments were solicited from the commission. The meeting began at 10 a.m.

Companies involved with MDU in the so-called Coyote Creek project are Minnkota Electric Power Cooperative of Grand Forks, N.D., Northwestern Public Service Company of Huron, S.D., and Otter Tail Power Company of Fergus Falls, Minn.

The water commission's staff has begun drafting conditions for a permit to People's which is seeking water through its wholly owned subsidiary, Natural Gas Pipe Line Company of America. That permit could be issued before the end of 1975--thus complying with a time table Natural's President R.W. Lindgren gave the commission at a meeting in May.

No date has been set for a public hearing on Basin's application.

The commission next meets December 4 in Minot. That meeting is during the North Dakota Water Users Association's annual convention.

No date has been set for a public hearing on Basin Electric's application for water. The commission will probably set a hearing date when it meets at Minot. Likely, that hearing process will begin in early 1976.

Basin's application is to build an 800 megawatt generating station adjacent to a gasification plant planned by Michigan Wisconsin Pipe Line Company, a wholly owned subsidiary of American Natural Gas Company. Mich-Wis has a water permit for one 250 million cubic foot per day plant, but the company has encountered financing problems. Energy observers believe Mich-Wis may have to postpone--or perhaps entirely abandon, its plan.

ANG's president Arthur Seder of Detroit, Mich., has said the company will need federal loan guarantees to finance the plant. A bill providing such guarantees is pending in the U.S. Congress.

In other coal related hearings in November:

Utility companies told the North Dakota Public Service Commission that many of its criteria for siting electrical transmission lines and coal conversion plants are "unduly restrictive". The words are those of David Heskitt, who is president of Montana

Dakota Utilities Company.

Heskitt objected particularly to a requirement that generating plants be located at least six miles from communities of less than 5,000 people and a dozen miles from communities of more than 5,000 people. MDU's proposed plant at Coyote Creek is within four miles of Beulah.

Utility spokesmen have objected to other "avoidance" criteria, as well. The industry dislikes provisions of the criteria requiring routing transmission lines away from farm homes, and irrigable fields, wildlife refuges, historic sites and scenic areas.

The North Dakota Health Department expressed surprise and disappointment that less than two dozen people appeared to offer testimony on its proposed revisions on an implementation plan for air pollution control in North Dakota. The Department issued the draft--which occupies more than 100 pages, Oct. 17. About 600 copies of the proposed regulations were distributed--at \$6 a piece. A hearing was held Nov. 17.

The effect of the regulations is to place the entire state of North Dakota in a quality control area whose air can be degraded to national secondary standards. These are the same standards set for many metropolitan areas, including Denver and Washington, D.C., and will permit degradation of the purity of the state's air.

Angry reaction to Link's vacillation

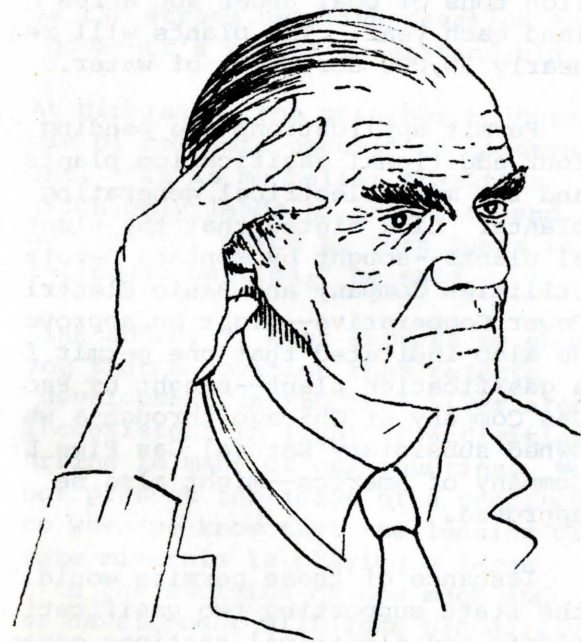
Gov. Arthur A. Link went to Dickinson Nov. 8 to defend his administration's cooperation with federal agencies planning fuel developments in western North Dakota. To his speech, the governor added an endorsement of the West River Diversion Study and several swipes at landowners and environmentalists. As a consequence, he was greeted with anger, disappointment and dismay -- as well as political problems.

The governor's speech was given at the annual meeting of the United Plainsmen Association, a landowner and environmentalist group opposed to full-scale industrialization of the state. Within moments of its delivery, Link faced an angry crowd of Plainsmen.

Rick Maixner, UP's executive director told newsmen, "I am more angered and disappointed by this speech than anything any politician in North Dakota has said in the time I've been here." The Plainsmen executive is a member of a prominent North Dakota Democratic family.

Joe Vogel, a Mandan attorney who ran for attorney general on Link's ticket in 1972, said he was "disgusted" with the governor's presentation.

Jim Jungroth, a former chairman of the Democratic Party in North Dakota, a former state water commission member and an independent candidate for the U.S. Senate in 1974 called Link's speech a "direct challenge to the Democratic Party to provide an alternative choice for governor or to the



Arthur A. Link

people of North Dakota to create a third party to represent their interests." Jungroth, whose campaign in 1974 is credited with costing Democrat William L. Guy a seat in the Senate, didn't say he'd be available for a challenge to Link -- but much of the media has assumed he will be. The Grand Forks Herald said Jungroth's "blast" at the governor "may hint another spoiler campaign by the Jamestown lawyer. At least it has the appearance of a trial balloon."

In an interview with The Onlooker, Link admitted he is worried about political opposition in the 1976 Democratic convention or in the primary or general elections. But he denied that he's considering leaving office at the end of his term. "Let's assume I'm going to be a candidate for re-election," he said.

Link said he was surprised by the tenor of reaction to his Dickinson speech, but he stood by it defending the address as an attempt to outline a planning mechanism and to explain his thinking regarding federal development pressure. "In a way," Link said, "the speech has served a good purpose. It excited people."

The governor said his speech didn't represent any "backpedaling" on development issues. "I continue to favor measured, reasonable development," he said, "My God, I'm no more in favor of rapid industrialization than I ever was. We can't tolerate that kind of uncontrolled development."

But Link refused to say how many more permits he believed the state would have to issue to fuel companies. "I hope not very many more," he said. That's the same phrase the governor used to answer a similar question at Dickinson.

Already, North Dakota resource agencies, especially the State Water Commission, have issued permits for a coal gasification plant which will require 10.5 million tons of coal (and the strip mining of 600 acres of land) and 17,000 acre feet of water each year. Permits for three large electrical generating plants have also been issued. One plant is scheduled to begin operations before Christmas, the others are under construction. Together, these plants will produce 2,100 megawatts of electricity by consuming about 15 million tons of coal under 900 acres of land each year. The plants will require nearly 30,000 acre feet of water.

Permit applications are pending for four additional gasification plants and two more electrical generating plants. Link hinted that the electrical plants--sought by Montana Dakota Utilities Company and Basic Electric Power Cooperative--might be approved. He also indicated that one permit for a gasification plant--sought by People's Gas Company of Chicago through a wholly owned subsidiary Natural Gas Pipe Line Company of America--might also be approved.

Issuance of those permits would find the state supporting two gasification plants and electrical stations generating 4,000 megawatts of electricity.

That would require mining of about 50,000 tons of coal per year, roughly seven times the 1974 output.

Such a level is considerably greater than that espoused by Link in an Onlooker interview in February. At that time, the governor said he'd recommend a development moratorium when the state's coal production reached five times 1974 levels. That would be between 35 and 40 million tons per year.

Capitol sources indicate that Link has decided to go ahead with permits to the 50 million ton per year level. That figure has been repeated by state officials from press agents to department heads.

This, coupled with anti-environmentalist tone of Link's Dickinson speech, makes the strong negative reaction to the governor's speech understandable.

At Dickinson, the governor rejected a role of complete opposition to development. "It is my belief that this position only leads to arguments and disagreements, which in turn leads to full-fledged battles," he said.

Link added, "I must express to each of you that a position that rejects any development in the West River area is inconsistent in light of activities occurring in many of our counties. We cannot present the image of a unanimous voice when we know that the leasing of private minerals is playing a large part in the decision of how much and where development will take place... It is clear that private ownership has

made its commitment for development and that we cannot chastise the federal government for pressuring North Dakota into an unwanted position. . . . Once again there is growing evidence that proves that private ownership has made a commitment for development. Before we decide that we know the position of the people of our state and that that position is anti-development, we must carefully examine the actions our neighbors have taken, not only in the early days of leasing, but to a large extent in the last three to five years. Maybe the reality of the situation is that the issue at hand is not whether or not we want any development, but more realistically what is the level of development that we have already committed ourselves to."

Landowners--some of whom have brought legal action to break coal leases--were especially angered by Link's remarks because many feel coal leases were obtained fraudulently and that landowners weren't given enough information to allow them to make a decision about leasing. "We found out what development would bring long after we signed the leases," one Dunn County rancher said. "We were told we'd never see coal mining on our land."

As governor, Link has not publicly warned landowners of the consequences of signing coal leases nor has any state agencies suggested avenues leasers who feel agrieved by their leases might take to break them.

Link told The Onlooker that his ability to objectively judge development plans would be jeopardized if he advised landowners about lease problems. The governor owns land in a coal area

of McKenzie County near Alexander. He has not leased.

Link's endorsement of the West River Diversion study, which the Plainsmen had successfully opposed during the 1975 Legislative session also flabbergasted his Dickinson audience. Environmentalists had considered the demise of legislation to fund the study their only major victory in the session.

The governor said of the study, "It may have been the greatest opportunity to influence, alter and to mold to our own desires a product which was solely North Dakota's."

Link sees the study as a "planning mechanism" while Plainsmen believe it is a blueprint for industrialization of the 14 county West River area. The plan says that the minimum feasible industrial development would bring 14 gasification plants and facilities generating 8,800 megawatts of electricity. No lower industrial level would provide for diversion of water for maximum irrigation--of about 300,000 acres--in the state's southwest quarter.

While controversy about Link's endorsement of the West River Study intensified, news media virtually ignored the guts of his speech--a defence of cooperative planning with federal agencies. "Without these agreements we are under constant pressure from the federal government in the area of coal development. Without these cooperative relationships we are forced to react in a hasty fashion, often without adequate preparation. With these agreements of understanding we are a part of the

decision making process and are able to gain the necessary time to allow North Dakota to produce its own development criteria."

Link noted, "The nation, through our increased energy needs, has dictated that increased coal development in North Dakota will take place. By constant surveillance and rapid action, we have impressed upon Congress and the administration that this development must take place only under conditions acceptable to our state." Signing of various memoranda of understanding and increased communications with federal agencies "has allowed us more consistent input into programs being developed at the federal level," Link said.

The governor said he couldn't subscribe to an adversarial position nor a full scale development position. "This leaves us with the third direction or position, that of working with the problem, realizing we have done our share to cause the problem. In my view aggressively meeting, discussing and cooperating to find a solution is more compatible with our Christian and human ethic."

The governor's position is a difficult one to communicate. It requires outlining a series of complicated federal programs and justification of decisions made by consulting federal planning agents. It is a position which the governor will have to work hard to explain.

And his experience at Dickinson indicates that the position won't be easy to defend.

For six months, William L. Guy, who was governor of North Dakota for 12 years, has been directing the Western Governors Regional Energy Policy Office. His administration, though brief, has not been without controversy.

Environmentalists have alleged that Guy hasn't adequately defended the interests of the 10 states he represents as director of REPO. They are especially miffed at his response to an important lawsuit which has effectively stalled coal development in areas of the Northern Plains.

William Guy

Guy has also been criticized for attempting to manipulate the governors through clandestinely arranging discussion about the lawsuit with leaders of rural electric cooperatives.

These later charges first appeared in the Straight Creek Journal, a weekly newspaper published in Denver, Colo.. We are reprinting the Journal's copyrighted article with their permission.

First, some background, then the charges, then Guy's response.

The lawsuit is cited as Sierra Club versus Morton. The Sierra Club, a national conservation group, and the National Wildlife Federation filed suit in federal court seeking to block leasing of federal coal pending completion of an impact statement assessing environmental affects of coal development in the Powder River Basin. The Department of Interior, named as respondent in the suit, argued that no such statement was necessary, that individual statements on a project by project basis fulfilled the requirements of the Environmental Policy Act of 1969.

— at the
center
of controversy

Although a lower court agreed with the Interior Department, an appeals court did not, and all federal leasing of coal was enjoined. The Sierra Club offered to negotiate the case and to seek an out of court settlement. The Interior Department, headed by North Dakotan Thomas Kleppe refused. Likely, the matter will be appealed to the Supreme Court which, with the resignation of conservationist William O. Douglas, the court's leading liberal, is now evenly split between Republican and Democratic appointees.

All of this is important to an article about Bill Guy because federal coal is critical to a number of developments in Wyoming, Montana and North Dakota. An old Guy friend, Basin Electric Power Cooperative, was especially adversely affected by the court decision. Basin's development at Wheatland, Wyo., depends on federally owned coal and Basin's leasing front, Western Fuels, can't get it while the moratorium is on. So Basin and Western Fuels are fighting the Sierra Club suit in the press and in the courts. Basin filed an amicus brief for the Interior Department in the appeals court.

Kenneth Holum, who is president of Western Fuels, and the godfather of Basin Electric, is an old line South Dakota Democrat. In 1960, he ran for the U.S. House of Representatives, was beaten and ended up as Under Secretary of Interior in John F. Kennedy's cabinet. From that position, he was instrumental in organizing Basin Electric to market electricity from the Corps of Engineers hydroelectric plant at Garrison Dam. Later, he helped Basin get the funding needed to

build North Dakota's first large coal fired electrical generating plant. In that venture, he had the enthusiastic support of Bill Guy, who was then governor of North Dakota. In turn, Bill Guy had Basin's support.

Lloyd Ernst, who is Western Fuels vice president, is another Guy crony. He served as assistant to the manager of Basin and, while for the decade that he lived in Bismarck was active in local and state wide Democratic Party politics. He has moved to Wheatland, Wyo., to oversee Basin's project there. Wyoming environmentalists welcomed him with a ton of coal dumped on his lawn.

Another Basin functionary is Robert Valeu, who ran as a Democrat for the state legislature in 1974. More importantly, he managed Art Link's gubernatorial campaign in 1972 and was involved in several of Bill Guy's political contests.

Another North Dakotan involved in the rural electric cooperative's assault on Sierra versus Morton is Fred Simonton who now lives in Denver and works as executive director of the Midwest Electric Consumers Association, a Basin brainstorm. For several years in the early 1960s, he edited the North Dakota Union Farmer, which is published by the Farmers Union, and produced NDFU's weekly Focus on the News, a Saturday night television program.

Each of these men is known to have influence with Guy.

Guy, a farmer, is known to be sympathetic to the Rural Electrics. Speculation is that these men-- perhaps not all of them and perhaps some others--

approached him to argue that the Sierra Club suit was interfering in their efforts to get coal. "Look, Bill," they may have said. "We ought to be allowed to get at this coal. If we can't get it, the big energy conglomerates are going to and we're going to be left out. Instead, we ought to get the first slice of the pie". No doubt they added a standard REC argument: "This federal coal will put us in a position to compete with the big boys. We'll keep them honest. Besides, we'll be feeding the profit back to the people." Then, Basin's representatives must have noted, "Our Wheatland project is stalled. That's costing money. Help us out. Go to the Western Governors. Get them to back Interior in this hassle."

And that, say the critics, is exactly what Bill Guy did, by manipulating the agenda for REPO's meeting in Albuquerque late in October.

Guy denied the Journal's charges in a telephone interview with The Onlooker. "Here and there, it contained grains of truth but it was distorted. That article was very erroneous". The former governor did not say which grains of the story are true. He charged, however, "This article really was very depressing. It seems to have been written in order to raise problems for our staff. We really didn't deserve to have these problems raised."

Gov. Arthur A. Link, who succeeded Bill Guy in North Dakota's governor's chair, denied that he had ever been critical of Guy's handling of the Western Governor's, his job with REPO. "I'm not ready in any way, shape or form to lend credence to any criticism

of Gov. Guy," Link said. "His conduct has been of a highly professional nature."

An aide to Montana's Governor Thomas Judge said Guy has "done an admirable job." He added that the former governor "did get into some difficulty" in Albuquerque but he denied that any action "has been taken or contemplated" to ask for Guy's resignation.

The office of Colorado Gov. Richard Lamm, who was the most critical of the 10 governors of Guy's initial appointment--made in April--refused comment. Instead, Lamm's aides insisted on questions in writing--which The Onlooker has submitted. Answers did not arrive in time for this issue, however.

Lamm's insistence on written questions--an unusual step, his aide insisted--indicates the sensitivity of the issue and lends credence to the Journal's article.



William Guy

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The 10-state Western Governor's Regional Energy Policy Office struggled through its fall session in Albuquerque last week, showing all the signs that the coalition is at best uneasy. The group, formed last spring, is the brainchild of Colorado Gov. Richard Lamm.

Two principal bones of contention emerged at the session. First, the conference was scheduled around another event being staged for the political prestige of REPO chairman New Mexico Governor Jerry Apodaca. The event was sold to the REPO governors as an energy conference principally with federal government officials but it turned out to be embarrassingly overloaded with representatives from the oil and banking industries.

The second, and certainly more serious problem, centers around an environmental lawsuit involving federal government coal-leasing policies. More specifically, this gripe involves the handling of the issue by REPO director William Guy. At a planning session with a group of representatives of the various governors, two weeks earlier, Guy had been told in no uncertain terms that no one wanted the suit -- known simply as Sierra vs Morton -- to appear on the Albuquerque agenda. But Guy, apparently through some subterfuge, got it on anyway causing many of the Governors to start thinking about Guy's scalp.

REPO was fresh off an impressive show of solidarity with its stands on the Scoop Jackson amendment calling

for \$6 billion in federally guaranteed loans for synthetic-fuel development. The REPO governors managed to unanimously pass with little debate a resolution on the subject of Sierra vs Morton temporarily handling the issue, but it is now on the table. And it is politically volatile enough to start an organization-wrecking scrap among the governors at any time.

Last week's meeting was the second in two weeks held by the group. The group had also met in Denver on October 16th to map out a stance on the Jackson Amendment. That position was subsequently presented to Congressional hearings by Lamm. Even though that meeting could have covered any other pressing business, it was decided to go ahead with last week's Albuquerque session which had been on the calendar since last July, out of deference to Apodaca.

Image building

Apodaca is the chairman of REPO and so when Apodaca let it be known that he was in need of some political image building, the other governors were happy to oblige. Under the New Mexico constitution, governors currently may not succeed themselves. Apodaca succeeded in getting his legislature to approve a constitutional referendum to change that. That election is to be next year.

Apodaca wants to be the first to take advantage of the succession amendment; so when independent polls showed he and his amendment were weak-

est in the white business community, Apodaca seized upon a REPO meeting with all the fanfare of the nine other governors arriving as one way to help him out.

Apodaca also set out to set up a sort of piggy-back conference to attract more officialdom. He selected as co-chairmen of this affair Jack Campbell, a former New Mexico governor and R.O. Anderson, New Mexico resident and chairman of the board of Atlantic Richfield.

This conference was billed as a meeting to bring the federal government to New Mexico. President Ford was to have attended, but cancelled at the last minute. The story is that Ford saw the New Mexico visit as an opportunity to be seen talking to some Indians, but that plan became hopelessly messed up when it came time to decide which Indians Ford should talk to. When the Indians began fighting among themselves, Ford took the line of least resistance and went back to campaign in California instead.

Without the President, the piggy-back conference took on the shape of being an industry pow-wow. It was given the title of National Conference on Financial Requirements of Energy Development in the Western State Region. Ford was represented by FEA head Frank Zarb and Interior Secretary Thomas Kleppe. As for the rest of the conference attendance list, it included the likes of representatives from Exxon, Peabody Coal, Chase Manhattan, Bank of America, the First National of Dallas, the National Iranian Oil Co., and Mitsubishi of Japan, to name a few.

Lamm and other visiting governors were suspicious of the direction the plans for the conference were taking. Lamm staffers prodded hard to influence the agenda with little effect. They concede having second thoughts about attending, but nevertheless decided not to cancel because they hoped to win Apodaca's vote on other issues within REPO.

As it turned out, that wasn't the only reason against cancelling, for had Lamm and a couple of the others failed to show up, Guy might have been able to snooker the group into supporting the Department of Interior's position in Sierra vs Morton. That would have put them all on record as anti-environmentalist and for immediate and relatively uncontrolled development of the West's coal resources -- a position absolutely inconsistent with previous REPO policies.

Lawsuit

Sierra vs Morton is the popular title for an involved suit brought by the Sierra Club, several conservation groups and others against the Department of the Interior (under then Secretary Rogers Morton). The suit alleges that Interior has failed to fulfill the terms of the National Environmental Policy Act when it put out for lease the huge coal deposits of the Northern Great Plains.

According to the Sierra Club the act requires that before there is any development, the Interior Department must analyze the impacts of the development on the environment. The

area in question includes parts of Montana, Wyoming, and North and South Dakota.

Studies indicate the impact will be tremendous. The Interior Department's own Northern Great Plains Resources Program predicts the development will bring 870,000 new residents to operate 25 power-plant complexes, 41 coal-gasification plants and the mines. Coal production will be nearly a billion tons per year as opposed to the current production rate of about 50 million tons.

In February 1974, a U.S. District Court in Washington ruled against the Sierra Club saying such an impact statement for the whole region was unnecessary. The Sierra Club appealed. In June 1975 an Appeals Court overturned that decision and sent the case back to the district court for further study. Currently the Interior Department has an appeal filed with the Supreme Court seeking a reversal of the Appeals Court ruling.

As the battle continues in the courts, tremendous political pressures are building. Power-plant construction and coal mining operations have been delayed, definitely pending the outcome of the legal battle. Those with direct interests -- like Atlantic Richfield, Shell Oil, Amax, Peabody who have leases as well as dozens of public and private power companies -- are mounting a tough political campaign to discredit the Sierra Club effort and get the organization to moderate its position.

One of those to feel the pressure has been REPO director Guy. Guy has made it clear to the governors he feels strongly REPO should support the Interior Department position. He fought hard to engineer the passage of a resolution at the Albuquerque meeting calling for REPO to file with the Supreme Court an amicus brief on the Department of Interior's side.

Lamm staffers charge that Guy's tactics were devious and underhanded. There are dark murmurings that the energy-industry boys have gotten to him. The tracks would seem to point in other directions.

The rural electric cooperatives

In the late summer, Guy wrote a letter to Ken Hollum, a Washington lobbyist for a group of Northern Great Plains rural electric cooperatives, expressing concern over the implications of the Sierra vs Morton decision. Guy's roots with the REC's are deep. As governor of North Dakota for 12 years, he has a long standing relationship with Hollum and the RECs.

The RECs of the area are up in arms about Sierra vs Morton. Many have already joined together to file an amicus brief with the Supreme Court in support of the Interior Department. "Unless Sierra vs Morton is overturned, it is certain that our rural electric members and municipal electric systems will face power curtailments and brownouts," says Fred Simonton, executive director of the Midwest Electric Consumers Association, a consortium of

REC's in and around the Northern Great Plains Region.

The REC's in those areas make up a profound part of rural liberal political support. A Democratic governor in any of those states turns his back on them at his peril. The one thing all REPO governors have in common is that they are Democrats.

One of the largest REC's in the area is the Nebraska Public Power District which serves virtually all of rural Nebraska as well as some not so rural areas. The suit has delayed for one year putting on line a new 650 megawatt coal-burning power plant. The coal for the plant is to come from Wyoming where Nebraska Public Power contracted to buy it from Atlantic Richfield.

Nebraska Governor James Exon at the last minute changed his plans and didn't go to the Albuquerque meeting. There was no explanation. But a fight over Sierra vs Morton was undoubtedly a good thing to miss.

Guy during his years as governor of North Dakota also developed a close relationship with the Department of Interior. During that period, Interior embarked upon the huge Garrison Diversion project which traverses North Dakota. Ironically it was his support of that project that unhinged Guy's U.S. Senate bid last year. Environmentalists rallied behind a third-party candidate James Jungroth in sufficient numbers to allow incumbent Milt Young to squeak by.

In early October, Hollum and other REC officials met with Guy to talk about REPO support against the Sierra Club suit. "We thought we had a commitment from him that REPO would undertake to do a study, an exhaustive study, of what the suit was doing to the area," said one REC man.

Curiously Guy hasn't raised the issue of the study with the governors. Instead he embarked upon his campaign to join the REC's in their support of the Interior Department position. On Oct. 16, during the meeting of the Rocky Mountain Federation, Guy met with a group of so-called governors' alternates. Alternates are governors' staff people appointed to represent the chief executives at REPO functions in their absence. The purpose of the meeting was to hammer out an agenda for the Albuquerque meeting.

Working with Bill Guy

Guy raised the question of Sierra vs Morton. Unanimously the alternates said to leave it off. The next day Guy is reported to have told his staff he wanted the item on the agenda. When reminded that the alternates had voted unanimously to leave it off, Guy is reported to have said that the alternates don't speak for the governors.

But when Guy issued an agenda several days before the Albuquerque meeting, the controversial issue was not on it. There was a general discussion topic on the end that was broad enough so that Sierra vs Morton

could have been raised, but that was all.

Lamm went to Albuquerque suspicious that the issue would be raised, and prepared to argue for its immediate tabling. When he got there the morning of the meeting, however, he found the whole agenda had been changed. Aides charge Guy had passed out a phony agenda before the meeting to deliberately mislead Lamm and other governors who could be expected to oppose any move to join the Interior Department position.

Not only was Sierra vs Morton on the new agenda, but so were a series of other items that Lamm and other governors knew nothing about. Wyoming Governor Ed Herschler happened to be in possession of a resolution which appeared to head off any effort to jump in bed with the Interior Department. His resolution was adopted virtually in tact the next day by the surprised governors who seemed only too happy to get off the explosive subject as quickly as possible.

The Herschler resolution drew praise from Robert Anderson who departed from his prepared keynote text calling, predictably enough, for the decontrol of oil to label it a step in the right direction. It also drew praise from Sierra Club attorney Anthony Ruckle who hoped it would facilitate discussions toward settlement of the suit. Drawing praise from such opposite poles would indicate the resolution must be one of those documents of verbal pablum ambiguous enough to be good news for everybody.

What the resolution does say is that the court battle is likely to go on ad nauseum without reaching any conclusion for years; therefore those involved in the suit ought to attempt to negotiate a settlement among themselves. It goes on to say that the settlement should include the Interior Department's developing a regional development plan as the suit demands, and that the injunction should be honored until the plan is developed. There is a loophole which says that in limited areas where, by mutual consent of those in the lawsuit, development would be allowed subject to approval by the governor of the state involved.

Negotiations

Lamm's aide on environmental matters, Jim Monaghan, hotly denies that the resolution represents any substantive change or sell out of the environmentalists. "The Sierra Club has wanted to negotiate all along," Monaghan told Straight Creek. "The Interior Department has been unwilling to negotiate. I don't see how you can call the resolution a cop-out when we were looking to the Sierra Club for guidance."

Monaghan said the Interior Department has been so intransigent that it has indicated it might just disobey the Supreme Court if the Sierra Club ultimately wins the case.

It is not clear why the Interior Department is being so hard-nosed. Much of the preparation of the impact statement for which the Sierra Club is

suings has already been done. The Northern Great Plains Resource Program has already developed much of the data. Assuming the data collected is accurate, then it should be a simple matter of assembling it in the proper form.

Some have suggested that the Ford Administration may be gearing up to make political hay out of the issue pointing to the environmentalist tactics as a cause for cold houses, brown outs and high fuel prices. If that is the case, then the Herschler resolution may have neatly parried him.

In that context it is worth noting that Herschler is a member of Sen. Scoop Jackson's presidential campaign executive committee, and he may have been acting on behalf of Jackson when he fortuitously happened to produce the compromise resolution.

Guy's tactics spell continuing trouble for him. At a breakfast meeting the next morning the governors hammered out some specific REPO policy guidelines and clarifications. In attendance were all the alternates. Governors Lamm, Apodaca, Tom Judge of Montana and Arthur Link of North Dakota. The group, among other things, made it clear that alternates speak for their bosses and that Guy will have to accept that. Agendas will be worked out and approved in advance of each meeting by the alternates with no more shenanigans like Guy's Albuquerque maneuver. These and other rules were given to REPO chairman Apodaca to enforce.

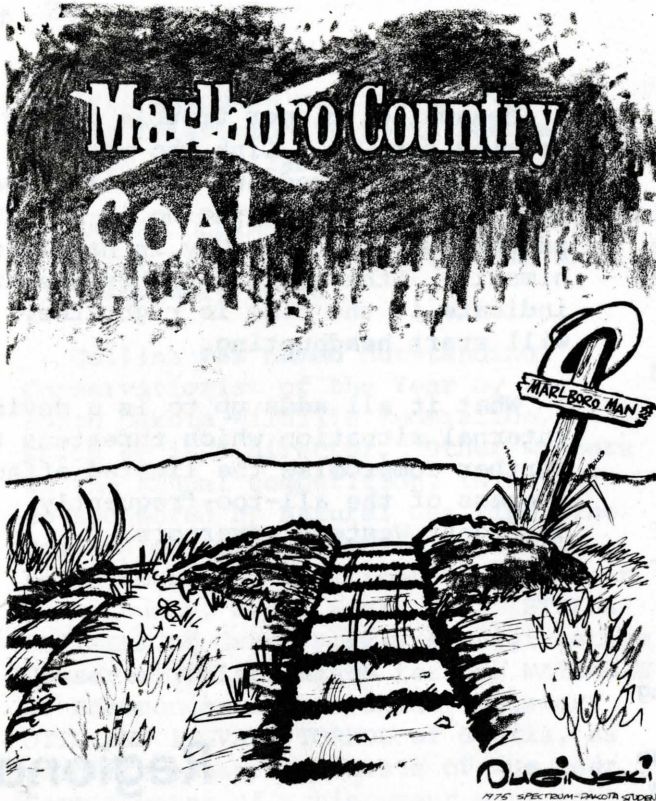
Meanwhile, bigger trouble may be brewing for Guy. Link who was the man who engineered Guy's getting the job is quoted as saying he is disillusioned with the way Guy is handling himself. Others are more hostile and indicate if the time is right they will start headhunting.

What it all adds up to is a devious internal situation which threatens to further compromise the limited effectiveness of the all-too-frequently divergent Western governors.

Regional Energy Policy

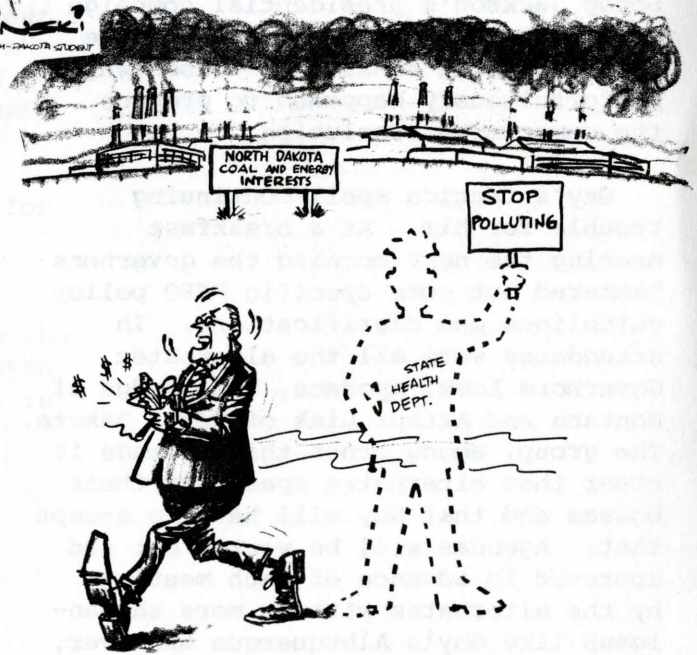
Office:

An uneasy coalition



These cartoons are by Paul Duginski, a student at Moorhead, Minn., State College. They first appeared in The Dakota Student at the University of North Dakota and The Spectrum at North Dakota State University.

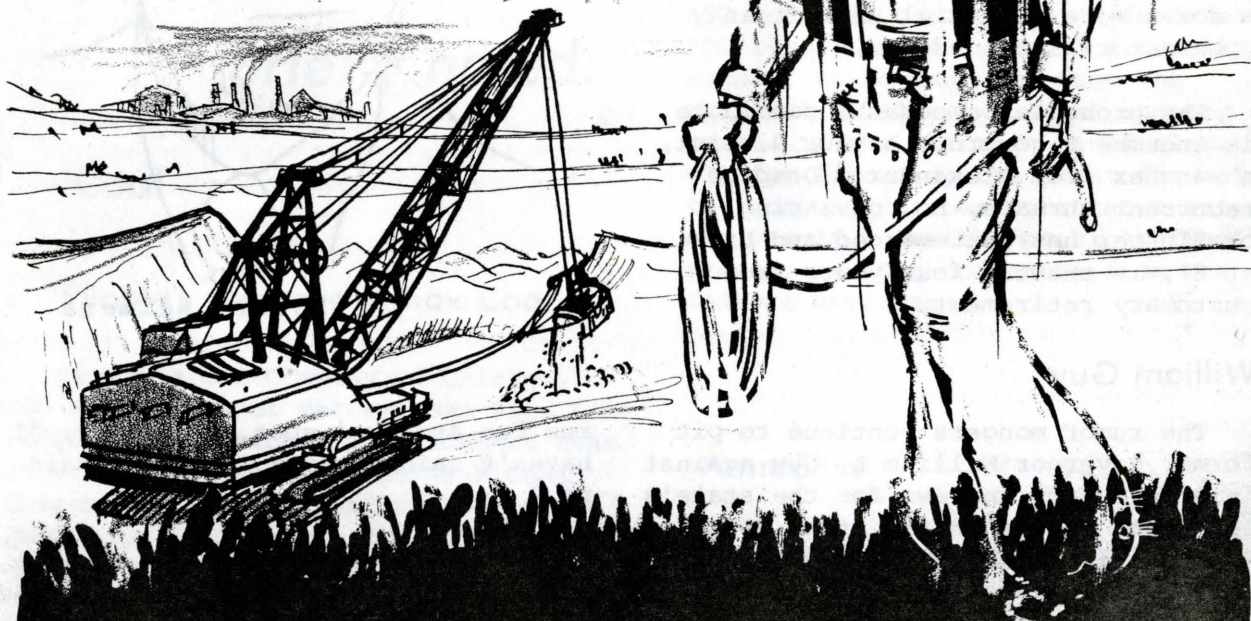
Duginski's work will appear regularly in THE ONLOOKER.



"AND WHO'S GONNA -(GIGGLE!)- STOP US ?"

Duginski
1976 SPECTRUM-DAKOTA STUDENT

Come to where
the flavor was.



Marlboro Country

DUGINSKI
1977 SPECTRUM - DAKOTA STUDENT

Robert Reimers

Robert Reimers of Melville has become the first announced candidate for governor. A millionaire farmer, Republican Reimers has earned a reputation for tight-fistedness with the state's money in seven sessions of the legislature. In 1975, he served as speaker of the House of Representatives. Reimers is a certified seed grower with extensive land holdings in central North Dakota and in Texas.

Political pundits identify at least a dozen more potential Republican gubernatorial candidates.

The probable Democratic candidate is incumbent governor Arthur A. Link, a rancher from Alexander. Despite recurrent threats, no convincing challenger has yet emerged and Link, at 61, is exactly four years from customary retirement.

William Guy

The rumor mongers continue to pit former governor William L. Guy against incumbent Mark Andrews for the state's lone seat in the United State House of Representatives. Guy does nothing to discount the rumors. He told The Onlooker, "I don't know what the future holds in politics. I wouldn't be willing to make any projections."

Guy is currently executive director of the Western Governors Regional Energy Policy Office. He's reportedly been approached by leading Democrats, including National Committeeman Gorman King of Valley City and State Party Chairman Richard Ista of Wahpeton to

Politics



Robert Reimers

run for Andrews' spot. Said Guy, "I haven't said yes and I haven't said no."

Guy's political ambitions may be partially responsible for his troubles with his current employers, governors of 10 western states. You can read about that squabble--or non-squabble depending on your point of view--in this issue of The Onlooker.

The possibility of Guy's announcement for his seat reportedly worries Andrews who has lost only one election in his life. That was in 1962, when he tried to unseat Gov. William L. Guy

Quentin Burdick

Another political giant stands for election in November 1976. He is Sen. Quentin Burdick, bearer of a grand North Dakota political name and a rather liberal Congressional voting record--which he leavens with conservatism every sixth year. No Republican has yet dared to announce against Burdick but State Party Chairman Allan Young of Devils Lake has indicated he believes National Committee woman Geridee Wheeler of Bismarck should play David to Burdick's Goliath.

Briefly noted:

Coal

People's Gas and Amax Coal

People's Gas Company of Chicago, the sole owner of Natural Gas Pipe Line Company of America, has announced that it's negotiating with the Amax Coal Company on a joint venture to mine Dunn County Lignite. The coal would supply People's gasification complex, which could total up to four plants each producing 250 million cubic feet of synthetic pipe line quality gas every day. People's is seeking 70,000 acre feet of water from Lake Sakakawea to supply the project. The permit application is pending before the North Dakota Water Conservation Commission. Amax is a multi-national diversified minerals company and the nation's seventh largest holder and fourth largest producer of coal.

Stephen Byrnes, who is Michigan Wisconsin Pipe Line Company's representative in North Dakota, says his bosses will decide early in 1976 whether to go ahead with a synthetic coal gas plant in Mercer County. Michigan Wisconsin, which is the child of American Natural Gas Company of Detroit, Mich., has run into financial problems. The \$1.2 billion needed to build the plant just isn't there. In January, the Federal Power Commission is expected to rule on several ANG petitions including one guaranteeing investors safety against all risks by surcharging the cost of the North Dakota development against ANG consumer gas bills. A favorable FPC report on that issue and on ANG's request to be exempted from the national utilities holding company act, passed in the Thirties would clear the way for financing the plant for which the company has been granted a water use permit. Another possible funding avenue: A loan guarantee from the federal government.

Ammonia

Scientists at North Dakota State University report an 82 per cent increase in the amount of anhydrous ammonia used as fertilizer in North Dakota in the past three years. Anhydrous is a by-product of the coal gasification process and be manufactured directly from lignite coals. Plans to develop coal-based fertilizer plants have been announced by the Burlington Northern Railroad and have been investigated by Michigan Wisconsin Pipe Line Company.

Potash

The government of Saskatchewan is going ahead with plans to acquire a majority ownership in that Canadian province's potash industry. According to the Canadian Broadcasting Company, potash producers in the province have reacted by threatening closure of some operations. Such an action could prompt new interest in potash reserves in North Dakota. The North Dakota deposits are an extension of Saskatchewan's potassium salt reserves. Already, private companies have leased several thousand acres of potential potash bearing lands in Burke County northwest of Bowbells. The state government, has been approached about leasing potash under lands which it owns in northwestern North Dakota, as well. Saskatchewan is currently the major world producer of potash, a fertilizer.

Environment

Garrison Diversion

Construction of the Garrison Diversion Unit continues despite growing criticism in both the United States and Canada. Congressman William Morehead of Pennsylvania, who chairs a subcommittee investigating the project,

said Nov. 19 that he believes the Garrison Project has enough momentum so that it can't be stopped entirely. But he indicated he would continue to push for an alternative to the Souris Loop irrigation area of 143,000 acres. The Canadian government objects to that portion of the 250,000 acre project because it fears increased salinity levels in the Souris River which it shares with the United States.

A representative of the U.S. State Department told an International Joint Commission task force looking into the Canadian fears that the project would definitely result in a violation of the Boundary Waters Treaty of 1909. He suggested the project be stopped pending perfection of an alternate plan.

Although Morehead indicated he objected to some of the environmental aspects of the project, he said the cost--which has escalated from \$243 million to almost \$600 million--is another major consideration. Cost of delivery of water to the suggested irrigation areas now stands at about \$2,200 per acre to the government.

ARLENE WILHELM of Dickinson has been named to the North Dakota State Water Conservation Commission. Her appointment is to fill a vacancy created by the death of Commissioner DONALD NOTEBOOM of Fairview, but she replaces Jamestown attorney JAMES JUNGROTH on the seven member board. Like Jungroth--and unlike Noteboom--Wilhelm is an environmentalist with a long record of public statements opposing rapid development of western North Dakota's coal and water resources. During the 1975 legislature, Wilhelm lobbied against funding the West River Diversion Study. A businesswoman -- with her husband Gene, she operates Excel Cleaners in Dickinson -- Wilhelm vowed she would not become a token woman or a token conservationist on the commission. "The subject of growth deserves serious examination," she said. "Exploitation of natural resources purely for profit can't be supported in these times of famine and shortage because ultimately this results in exploitation of human beings...We can't abandon our good stewardship philosophy by borrowing on the future of our children." Wilhelm said she would oppose any efforts to "grant water permits piecemeal. We must direct our future rather than let it grow like a cancer." Wilhelm resigned positions on the West River Citizens Committee, a group examining the goals of the West River Diversion Plan, and the North Dakota Business and Industrial Development Commission. Although state law does not require her resignation from these posts, she said the jobs would conflict with her performance on the Water Commission.

Recent appointees to the Business and Industrial Development Commission, which oversees activities of a state department with the same name, are JEROME DUNLEVY of Grand Forks, president of Concrete, Inc., and a director of First National Bank of Grand Forks, and JOHN LUOMA of Oakes, president of Oakes Manufacturing. Luoma's term runs until July 1979, Dunlevy's until July 1976. Gov. Arthur A. Link made the appointments.

Name dropping

Other gubernatorial appointments: FLOYD MALMEDAL, a dairyman from Egeland, to the North Dakota State Milk Stabilization Board which regulates milk prices in the state...Malmedal's appointment was suggested by the North Dakota Milk Producers Association.

LORETTA JENNINGS of Bismarck to be a commissioner in the Workmen's Compensation Bureau. Jennings had been assistance to the supervisor of claims in the Bureau.

CARL BOLKEN of Watford City to the North Dakota Trade Commission, GEORGE SANDVIK, Williston, EDWIN CHRISTIANSEN, Grand Forks, and RUTH ERICKSON, Fargo, to the Committee on Employment of the Handicapped, a unit of the Governor's Council on Human Resources.

Teamster's Union official ARVIN KVASAGER of Grand Forks, to the North

Dakota Educational Broadcasting Council which is working to support public television in North Dakota and to make it available statewide.

JAMES COLLINS, a farmer and sportsman from Erie, to the State Game and Fish Advisory Board.

Collins was named Outstanding Conservationist of the Year by the North Dakota Wildlife Federation, of which he is a director. Other winners in the annual competition, this year co-sponsored by Natural Gas Pipe Line Company of America, which hopes to build four coal gasification plants in Dunn County, are: State Sen. STELLA FRITZELL of Grand Forks, as Legislative Conservationist; Beach teacher NATIALIE J. Adamson as conservation educator; OTTO AND INGVALD TORHOL of Souris, as wildlife conservationists of the year. Certificates of achievement went to FORREST B. LEE, Jamestown; CAROL B. GRIFFIN, Valley City and ADOLPH BURKHARDT, Medora.

JIM FUGLIE, an editor/reporter for the Dickinson Press, will join the Grand Forks Herald Dec. 1.

GLADYS TALBOTT EDWARDS, who was the first education director of the North Dakota Farmers Union, died Nov. 15 in Westminster, Colorado.

The Great Depression in North Dakota

No state was more adversely affected by the Great Depression than North Dakota. So said Dr. D. Jerome Tweton, chairman of the University of North Dakota's history department. Tweton delivered the third of a scheduled 14 lectures in a series called "A Bicentennial Focus on North Dakota" sponsored by Bismarck Junior College.

"North Dakota was absolutely the most impoverished state of the 48 during the Depression," Tweton said. "The federal government spent more money per capita in this state than in any other--10 times as much as in New York and Minnesota, 23 times more than in Michigan."

The Depression in North Dakota was more than an economic catastrophe, according to Tweton who is co-author of YEARS OF DESPAIR, a treatise on the period. It was an ecological disaster, as well. "Nature delivered the knock-out punch" with wind, drought, heat and grasshoppers.

With slides and music of the time, Tweton illustrated conditions in the state. He showed skinny horses, tired farmers and their wives, drifts of dust, mounds of grasshoppers.

North Dakota was especially hard hit by the Depression, Tweton said, because it arrived here 10 years before the rest of the nation was hurt. By 1925, over 100 banks had closed; by 1933, 700 of the state's 900 banks had ceased to do business.

By the late 1920s, the North

Dakota farmer was in serious trouble, Tweton noted. More farmers left the land in the Twenties than in the Thirties.

By 1933, two of every three North Dakotans were receiving federal relief. In Divide County, 97.8 per cent of the population were supported by the government.

The desperate economic conditions in the state prompted "a chaotic political situation." This era produced North Dakota's best known and most colorful politician, William Langer. In the Thirties, North Dakota once had four governors in six months. Every time a citizen went to vote he was faced with 12 or 13 initiated measures, Tweton noted.

North Dakota's dependence of one crop--wheat--worsened the Depression's effect, Tweton surmised. He theorized that the experience had made North Dakotans frugal. Fewer of us use revolving charge accounts. The state maintains a large treasury surplus.

The second lecture of the series, which features a speaker every second Thursday at 7:30 p.m., was Frank Vyzralek, archivist for the State Historical Society. He discussed the state's historic buildings, dramatized the prevailing unconcern for them and made a plea for their preservation.

The next lecture is Dec. 4. Dr. Glenn Smith of UND will consider the Non Partisan League. All the lectures are held in the auditorium of the State Highway Department building in Bismarck.

The Bank of North Dakota — another study

By MIKE JACOBS

The Bank of North Dakota, which has attracted the interest of legislators in a dozen states and publicity in periodicals as varied as Parade Magazine and Business Week, is under investigation again.

A committee of the North Dakota Legislative Council began study of the Bank's operations and procedures Nov. 17. The study is an out-growth of a similar investigation conducted by a special State Senate committee during the 1975 legislative session. Sen. Theron Strinden, a conservative Republican from Litchville, chaired the Senate committee and is chairman of the larger Legislative Council undertaking.

The Industry, Business and Labor B committee's hearing lasted two days Nov. 17, members heard reports from heads of the Bank's nine departments and a review of the implementation of recommendations made by the Senate committee. On the second day of the hearing, interest groups and individuals offered suggestions for the institution's management. Jay Buringrud, who is the Legislative Council attorney assigned to the committee, said representatives of the private banking community the Greater North Dakota Association and the North Dakota Farmers Union testified.

Among suggestions made at the hearing: A recommendation to expand the Bank's authority to grant emergency loans; a provision to allow the Bank

to make loans for purchase of stock in private banks; a suggestion that the Bank establish branches in the state's major cities.

Capitol sources don't see the Legislative Council study as an attempt to discredit the Bank. The conservative wing of the state's Republican Party has tried -- so far unsuccessfully -- to limit the authority of elected officials to manage the institution, however. The Bank is currently supervised by the Industrial Commission -- which is dominated by Democrats. Conservatives can be expected to resist any attempts to expand any Bank's services which might compete with private bankers.

In part, the conservative move against expansion of the Bank is political. In 1971, Republicans successfully ended the governor's authority to veto actions of the Industrial Commission. In 1973, they were unsuccessful in an attempt to transfer control of the bank to a nine man board of private bankers.

Motivation

Antagonism toward Bank President H.L. Thorndal, a political liberal as well as a very successful banker, is another part of conservative antipathy toward the Bank.

A more subtle consideration may motivate the conservatives, as well. The Bank has been too successful. It is getting too much national attention. North Dakota's thread bare reputation as a socialist state is being polished

again. To conservatives like Theron Strinden, that's probably embarrassing.

Experiment

The nation's only surviving experiment in state government banking began in North Dakota in 1919, an era of farm price depression and agrarian protest. The passing of half a century and the advent of agricultural prosperity have made the state-owned Bank of North Dakota the state's most important financial institution.

With assets of more than \$370 million, the bank is the largest financial house between Minneapolis and Spokane, Washington, and the fifth largest bank in the Federal Reserve System's Ninth District, which includes the Dakotas, Montana, Minnesota, northwestern Wisconsin and Michigan's upper peninsula.

In addition, according to its president, the Bank of North Dakota is the fastest growing bank in the nation, both in amount of deposits and dollars of income. Bank President H.L. Thorndal has told North Dakotans that our state-owned bank is now 259th in amount of resources among the nation's banks. A year ago, the bank ranked 348th.

In 1964, the Bank of North Dakota had assets of \$118 million. As 1975 began, assets stood at \$316 million. In May, before the farming and construction seasons began, they passed \$420 million. On July 31, footings totaled \$379,750,000.

The bank's size is its principal advantage, Thorndal said. "This is

the only big bank in North Dakota. Because of that, we can do things that other banks can't do. We have access to money markets other banks can't reach. We are able to get involved heavily in areas of social significance."

Thorndal, a second generation banker who served as the state's bank examiner before becoming manager of its bank, described the Bank of North Dakota as "a Federal Reserve System in miniature".

The bank clears items for the state's commercial banks, participates in loans with them, buys and sells bonds which aid their communities and occasionally competes with them. At the same time, the bank provides North Dakotans free checking, savings accounts, a scandal now and then and a not inconsiderable amount of political bickering.

Attraction

North Dakota's bank has also attracted a great deal of national attention. Governments in the District of Columbia and the states of Maine, New York, South Dakota, Colorado, California, Oregon, Washington and Alaska have sought information about it. Several, including New York and Oregon, have bills to establish such banks pending in their legislatures.

The nation's prototype government bank has its only office in Bismarck and is controlled by a three member Industrial Commission which also oversees the state's other socialistic

enterprise, a mill and elevator. The commission is composed of the governor, the agriculture commissioner and the attorney general. All three are elected.

None of the commission members have any training in banking, so a nine member advisory committee of bankers and business leaders has been formed to offer suggestions for the bank's management.

Thorndal, the current president, is popular with the state's banking community, but Attorney General Allen I. Olson, the only Republican on the Industrial Commission, has sought to have him fired -- largely as the result of two scandals involving an officer of the bank.

The scandals, which occurred in 1974, involved a maximum of \$12,000 between them. In one case, a bank vice-president made a loan to his father-in-law under questionable circumstances. In the second, the same vice-president aided a Denver securities broker to act as an intermediary in the bank's efforts to sell government bonds. The first case brought the vice-president a deferred penitentiary sentence for misappropriation of public funds; the second resulted in establishment of a bond bank within the Bank of North Dakota.

Commercial bankers and the Industrial Commission dismissed both as relatively petty violations of the law. "This sort of thing happens quite frequently in private banks," William Daner, executive director of

the North Dakota Banker's Association, said. "It's human."

Of greater controversy among bankers is the Bank of North Dakota's practice of extending free checking privileges to individual accounts. No other bank in Bismarck offers this service and "local bankers are unhappy," Mr. Daner noted. They feel the practice competes with them for private money.

The Bank of North Dakota handles several very large private accounts. Basin Electric Power Cooperative, a major regional rural electricity supplier with extensive development plans for the state, once deposited \$20 million, for example. Several other major regional cooperatives, which support the concept of state banking, also maintain deposits in the bank.

Money in the Bank

This, of course, is money which other North Dakota banks might handle in the absence of the state bank. But bank officers defend the practice, "This is a people's bank," a vice-president said. "We ought to offer every service the law allows".

Nevertheless, efforts to extend the Bank of North Dakota's private accounts would almost certainly meet opposition from the state's commercial banks. "We'd resist it," Daner said.

Attorney General Allen Olson believes such a practice would jeopardize the bank by coloring its "socialistic" image. Agriculture Commissioner

Myron Just feels the bank should open branches throughout the state. That suggestion has been made by the North Dakota Farmers Union, as well.

The Industrial Commission's third member, Governor Arthur A. Link, skirts the issue. "We can expand the services of the bank without physically locating stations around the state. That does cause apprehension."

Just reasons that locally owned banks face increasing competition from holding company banks and savings and loan associations. Currently, the state has 33 chain banks affiliated with the First Bank System, the Northwest Bank Corporation and the Bremmer Banks chain. All are headquartered outside the state. Seven major savings and loan institutions, several from outside North Dakota, also operate within the state. Branches of the Bank of North Dakota would "offset these forces," Just said. "Why shouldn't North Dakotans benefit from their money transactions?"

The agriculture commissioner, at 32 the youngest of North Dakota's elected state officials, believes the Bank of North Dakota has been especially useful to the state "because it has shown us just how profitable banking can be. We've learned that in tight money times, banking becomes even more profitable."

The operations of the Bank of North Dakota may have limited the profit and influence of major banks in Minneapolis, Chicago, and Denver in the state, a goal of the organizers of the bank.

Gov. Link said, "The Bank of North Dakota is a financial policeman on the corner. By its presence it has served to monitor and identify the impact of outside capital."

The Minneapolis banks -- a particular target of the agrarian socialists who established the Bank of North Dakota -- are stymied in one way, at least. All but two of the state's commercial banks maintain accounts with the Bank of North Dakota. The bank has processed as many as 146,000 checks a day, Thorndal said.

Morris Nelson, president of the Scandia-American Bank of Stanley, a farming and ranching community in the state's northwestern corner, clears his paper through the Bank of North Dakota in a day. The same operation requires two days through a correspondent bank in Minneapolis.

Service

Nelson's bank, which has footings of about \$15 million, uses the Bank of North Dakota in other ways, as well. In the late sixties, when Stanley, a town of 1,500, needed an addition to its 28 bed hospital, the Bank of North Dakota provided \$90,000 of a \$130,000 loan. "We couldn't make the total loan, which was above our legal lending limit," Mr. Nelson said. "The Bank of North Dakota let me set up the loan and picked up the overline."

Like other banks in the state, Scandia-American goes to the Bank of North Dakota for help in making farm real estate and business loans, as well

Home loans guaranteed by federal money -- Veterans and Farmers Home Administration loans, for example -- are often made by small banks, then sold to the Bank of North Dakota. The state bank is forbidden to make conventional real estate loans, however, except to farmers, and then the loan must not exceed 50 per cent of the value of the property purchased.

The farm loan program made the Bank of North Dakota a major land holder in the state when the Depression forced foreclosure of mortgages on several million acres of farm land. The bank retained mineral rights to this land and is today a major owner of oil and gas and coal rights in the state. The bank has leased oil and gas rights since the early 1950s and Minerals Vice President Ernest Peterson is moving toward leasing of coal.

The bank's mineral ownership -- and its position as the state's major money market -- will make the Bank of North Dakota an important element in a coal development boom now beginning in western North Dakota.

Stanley's Banker Nelson believes that the Bank of North Dakota's major contribution to his community has been student loans, however. The Scandia-American Bank writes the loans, holds them through a student's college career, then sells them to the Bank of North Dakota for collection.

The Bank of North Dakota made the nation's first guaranteed student loan in August 1967. Since then, 42,000 North Dakota residents have borrowed

over \$36 million to further their educations. The Bank of North Dakota ranks eighth among the nation's financial institutions in the amount of money disbursed in student loans.

These loans result in a profit for the bank -- and less hassle for smaller banks -- because the Bank of North Dakota computerizes them and offers a central collections system. Currently, less than one per cent of the loans are in arrears. Nationally, the student loan default rate is 10 per cent. The bank's loan officer credits the repayment rate to "the kind of people North Dakotans are."

Lending priorities

Student loans are the bank's first priority for lending. Second is farm real estate; third, guaranteed housing loans; fourth, small business loans.

If the bank were short of funds and had to cut back, borrowers at the bottom would be hardest hit.

Farm loans made by the Bank of North Dakota totaled nearly \$11 million in 1974. The year's total for guaranteed loans was about \$33 million. Bank participation loans were over \$44 million. Loans made with the Small Business Administration totaled \$6.5 million for the year.

The bank's loan program is of major assistance to the state's commercial banks, President Thorndal maintains. Mrs. E.A. Nachtway, who is president of the First National Bank of Dickinson, among the state's larger commercial banks, agreed. "The Bank of North Dakota can be a great help," she

said.

At Fargo, Elbe Sexton, executive vice president of the Fargo National Bank, complained that he can't use the Bank of North Dakota for loans to his Minnesota customers. He said he believes the Bank of North Dakota ought to participate in conventional real estate loans, as well.

The reason it doesn't is politics and dates to the largest scandal ever to plague the bank. In the early 1920s, a prominent North Dakota politician used the Bank of North Dakota to finance construction of a mansion--an act which his constituents resented. An initiated measure stopped the home mortgage business at the bank, and voters sent the politician -- Usher L. Burdick -- to Washington as a Congressman.

Political controversy still surrounds the bank. Republican legislators, hoping to embarrass the Democratic administration of Gov. Link, conducted an investigation of the bank's management during the 1975 legislative session. They found nothing amiss.

President Thorndal denies that his is a political appointment and he minimizes his connections with Link and former Democratic Governor William L. Guy. "This is a non-partisan job," Thorndal declared. "I am definitely not a politician. I am a banker."

While he denies the bank is under political pressure, Thorndal claims to respond to a pressure he calls

"economic politics."

The Bank of North Dakota, for example, loaned \$7.5 million to two sugar refining cooperatives which had widespread support among farmers in the Red River Valley. A farm equipment manufacturer was loaned \$4 million. A modular home builder who argued that workers coming to man a coal development boom should have permanent housing, was loaned \$800,000. In each case, local banks wrote the loans. The Bank of North Dakota picked up the overlines.

Profit orientation

Thorndal's administration of the Bank of North Dakota was described as "profit-oriented" by the Bankers Association's Daner. The bank's business resulted in profits of nearly \$15 million in the 1973-75 biennium, \$5 million more than the 1973 Legislature expected. The 1975 Assembly directed the bank to turn \$16 million to the state's treasury at the end of the current biennium, June 30, 1977.

The bank's profit figure is almost five per cent of the state's general fund budget for the past biennium and it is 10 per cent of the \$150 million surplus in the state treasury. This has raised some controversy. Agriculture Commissioner Just for example, believes "The bank's profit orientation has gone about as far as it needs to go."

Commerical bankers wonder what their business might have been if the Bank of North Dakota hadn't been around to

siphon off the money. Daner noted, "Without the state bank, public funds would be diffused in many banks and used in many communities to benefit those communities."

Daner wonders, too, about the bank's tax free status. "Would the private banks have paid more in taxes than the state bank made in profits?" he asked.

But he is temperate in his criticism. "Without the Bank of North Dakota," he conceded, "We wouldn't have a large pool of money available in this state. The Bank of North Dakota is here to stay. We accept it. We've got to work to make it effective."

Bank President Thorndal noted, "Without the Bank of North Dakota, the state's funds would be used outside the state. Without the bank, private bankers would have to go outside the state for money -- and they probably couldn't get it, especially in tight money times".

Gov. Link, who acts as chairman of the Industrial Commission, noted, "The Bank of North Dakota does service the private banks. If it weren't done by the Bank of North Dakota, it would be done in Minneapolis or Chicago and that money would be lost to North Dakota."

"The Bank of North Dakota has strengthened the state's economic base," the governor said, both by keeping funds in the state and by encouraging diversification of the state's heavily agricultural economy

by offering loans to new businesses.

All this is in keeping with the bank's charter, adopted in 1919. The Bank of North Dakota, the legislature declared then, was "to encourage and promote agriculture, commerce and industry in North Dakota, provide the most efficient and economic financial services to the state, its agencies and instrumentalities, provide professional assistance whenever possible and wherever it will encourage and promote the well-being and advancement of North Dakota and its citizens".

North Dakota's experiment in government banking, now a half century old, appears to be successful. "No one," Attorney General Olson said, "is suggesting we abandon the bank".



**Bank of
North Dakota**

BISMARCK, NORTH DAKOTA 58501

"The average American is far more dependent on coal than he realizes for heating, air conditioning and the electrical power to support his lifestyle. He may not give two hoots for the coal industry if he is not a part of it, but he has a distinct interest in staying warm in winter, cool in summer, having adequate power to support his lifestyle, and -- most importantly -- having a job. Without adequate coal, none of these things is assured..." CARL E. BAGGE, president, National Coal Association.

"We don't want to be slaves in our own country... We want to be free, like the coyotes running over the hills"... MATTHEW KING, Oglala Dacotah traditionalist quoted by the Associated Press.

"It is essential to recognize that the United States and the four other grain exporting nations -- Australia, Argentina, Canada and France -- need adequate compensation for their food exports. This will provide an incentive for agribusiness to meet the production goals for the future. Despite a shrinking rural world because of industrial growth, roads and the like, the world is nowhere near close to a universal famine..." K.A. GILLES, vice president for agriculture, North Dakota State University.

So they say . . .

According to WILLIAM DANDO, a University of North Dakota geographer, the present work shortage of food was triggered in part by the bad weather of the early Seventies, "the modern food triad" of rapid population growth, affluence and revolutionary dietary expectations. The food situation has been aggravated by Russian grain purchases, inflation, monetary instability, speculation in commodities and the energy shortage. Said Dando in a paper for the U.S. Department of Agriculture, "In the future, instead of silence, hunger may produce the resounding roar of violence. The next world war could be the First World Food War."

Love story of North Dakota

By DUANE W. BOWLER

A love story about North Dakota has been written by Mike Jacobs of Mandan, a articulate young rebel with a cause who decided to stay in his home state and do battle with those who would rip his beloved homeland.

Jacob's love story is "One Time Harvest," subtitled "Reflections on coal and our future." It is the story of what he thinks North Dakota's vast lignite deposits should do.

HIS THESIS IS that lignite will do its best job by holding up North Dakota's highly productive agricultural lands. That's where he gets his title, the idea that extraction of the lignite will be only a one-time harvest to the everlasting detriment of the farmland which now covers it.

Jacobs includes Montana and Wyoming in his contentions because they are part of the northern plains, a last frontier to his view. Mostly he sticks with North Dakota.

The book is well written if somewhat unconventionally printed. Its dimensions and outward appearances are more like the draft environmental impact statement on Colstrip 3 and 4 than the usual reading lamp companion.

DON'T LET LOOKS deceive you. Jacobs writes well, with both logic and conviction, and sometimes poetry in prose.

Take this example for clarity, even if you are up to your ear lobes in the coal industry:

"The coal industry has come west in search of four basic resources: cheap clean air, cheap coal, cheap water and cheap politicians. They've found each of these in North Dakota.

"To exploit the resources of the region, the industry also needs good transportation, which can be built, and complacent labor, which can be bought—probably cheaper here than in the east.

"These six factors are the basis for the coal industry's rush westward. The East's clean air has been polluted, her coal and water have become expensive and her labor more militant. All this makes coal mining there less desirable—and the West more attractive."

THIS IS NOT a book of wild meanderings and outrageous, unsupported claims. Jacobs is the new breed. Each of his logically flowing chapters is followed by an extensive listing of footnotes as to his sources of information. Yes,

his story flows with information piled on information in an understandable series of steps.

The book is almost a primer on coal. It is also a reference book. If you want to know how extensive the coal reserves are, it's in "One Time Harvest." If you want to know how members of the North Dakota legislature voted on coal or environment-related measure, it's here, too.

The same goes for water, costs and benefits, just about everything you would want to know about coal and North Dakota.

YOU ALSO GET Jacobs' opinions or interpretations. Take his section on the North Dakota legislature in chapter five, Politicians, a Human Resource.

It can be summed with his statement:

"The legislative branch named its price and left the executive to collect it, the judiciary to interpret it and the people to live with it."

Jacobs' book is no hurried affair, slapped together to take advantage of an issue. It is solid, complete with illustrations, maps, tables — and his interpretations.

Knowing Jacobs one can see the sheer delight that he took in writing Part Seven/10 Myths with Their Explosions. Consider this shorter one:

If North Dakota coal is ever to be used, it's going to be in the next 40 years.

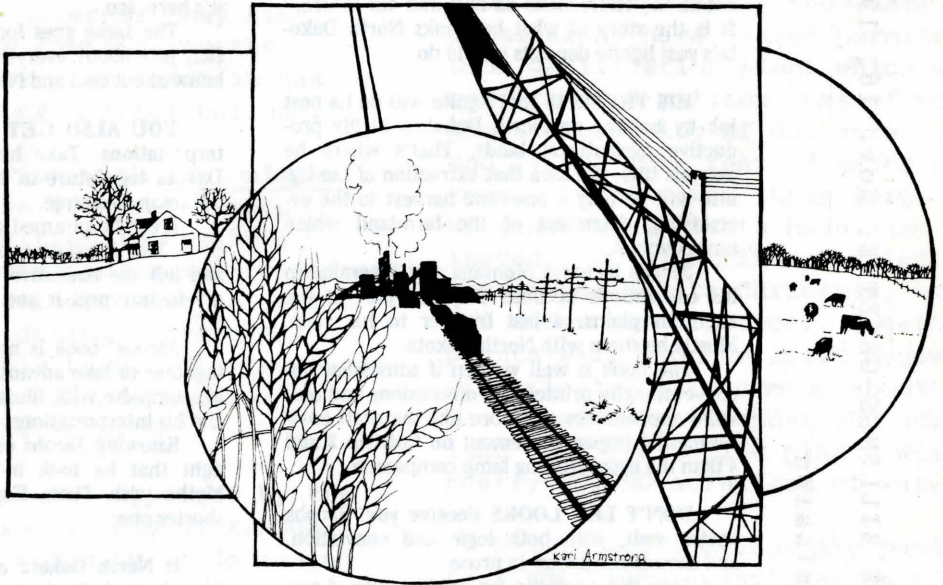
Explosion: Coal has many uses beyond consumption as fossil fuel. Fertilizer, aspirin, plastics, oils, and 200,000 other products are made from coal. Using it now for short term development may preclude establishment of a stable industry using coal.

YOU MAY GATHER from the excerpts above that Jacobs is opposed to strip mining of North Dakota's lignite deposits. He is. However, that does not detract from the value of the book no matter what your feelings may be on the controversial subject.

Jacobs has written a valuable book on the coal story in North Dakota. Would that someone as skilled and dedicated would do the same for Montana and Wyoming.

It would save a lot of searching through technical papers, impact statements and hearing reports to get at the facts. Everyone could use more of them when making decisions on what to do about coal and its impact on our land and society.

One Time Harvest



Reflections on coal and our future

by Mike Jacobs

Photographs by Clay Jenkinson

Drawings by Kari Armstrong

One Time Harvest

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Reflections on coal and our future

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The state water conservation commission's 'moratorium' on water permits is not a moratorium at all but a pretense which may be politically motivated.

The action taken by the commission at Beulah Nov. 19 was not to deny any pending permit. To the contrary, pending permits were not affected at all. The action was not to refuse to accept new permits. Instead, the commission will continue to process applications--including holding public hearings--for industrial use of water. The action does not represent any decision as to what level of coal development the state will tolerate. Rather, the commission has said, "We'll just leave things as they are."

This so-called moratorium changes nothing. It merely means that a company applying for water on Nov. 20--the first day of the moratorium--will be assured of a 19 month wait for final action on its request. That's no different from the situation before Nov. 19. Michigan Wisconsin Pipe Line Company waited almost a year for its water permit for a gasification plant. United Power Association waited more than 13 months. Natural Gas Pipe Line Company of America applied for water in April, 1974--20 months ago--and has not gotten a final answer. Montana Dakota Utilities Company has waited more than two years and has no answer. Thus, the moratorium isn't much other than a formalization of an existing state of affairs.

What else could it be? Sadly, we must conclude that it is an effort at dramatic political response to a very touchy situation--an attempt to dampen the anger the governor who chairs the water commission generated through his attack on the United Plainsmen Association and his endorsement of the West River Diversion Study.

The water commission, the governor, the state have not yet faced the tremendous responsibility which industrialization brings. While industrialization proceeds and the Great Plains way of life is bawdlerized, the government--our leaders--have been shadow boxing.

This latest performance has been an interesting one and an almost convincing diversion. It deserves some applause. But the people of North Dakota should not clap their hands too loudly or too long. The encore of this performance is likely to be more vacillation, more permits and more strip mining, more pollution, more crowding.

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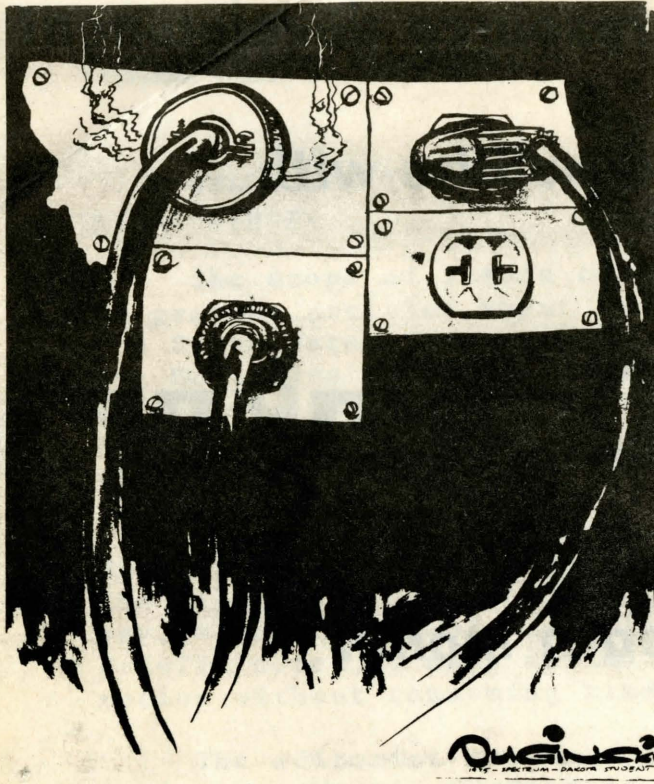
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