

The American Federationist

Official Monthly Magazine of the American Federation of Labor and Congress of Industrial Organizations

INSTITUTE OF INDUSTRIAL
RELATIONS LIBRARY
JUL 10 1964
UNIVERSITY OF CALIFORNIA
BERKELEY

The Pioneering of Workers' Banks

by Jacob S. Potofsky

This year marks the 40th anniversary of a unique institution—the Amalgamated Bank of New York. Now as then, a majority of the bank's shares is owned by the Amalgamated Clothing Workers of America. From humble beginnings, it has grown to the point where its assets amount to about \$115 million.

Its sister bank, the Amalgamated Trust and Savings Bank of Chicago, is a few months older and has followed a parallel course of growth. The majority of the shares of the Chicago bank is owned by the union's Chicago Joint Board.

The Amalgamated Banks have proven themselves to be a successful social experiment. They have shown also that banking institutions owned by a labor union not only can serve the interests of the organization but can perform these functions while bringing a satisfactory return to the union for the funds it has invested.

The two Amalgamated Banks were authorized by convention action of the union. The Chicago bank received its first deposits on July 1, 1922. The Amalgamated Bank of New York was chartered on March 16, 1923, and on April 14 opened for business on East 14th Street in Manhattan.

Sidney Hillman, the union's president, made clear from the beginning that the bank's purpose was not to make millions of dollars in profit for the union. The purpose of the Amalgamated Bank, he said, rests on the "desire of labor to participate more fully in the economic life of the community and nation, to accept responsibilities and to receive whatever benefits may come from accepting these responsibilities."

Opening day at the Amalgamated Bank in New York presented pleasant surprises and challenges. More than 2,400 depositors flocked in to deposit approximately \$450,000. The union's officers and the other directors of the bank were elated. (Among those directors, incidentally, was Fiorello H. LaGuardia, soon to go to Congress where he sponsored much liberal legislation, including the Norris-LaGuardia Act. Later he was to become one of New York's most dynamic and best-loved mayors and always a friend of our union.)

A few weeks after the Amalgamated Bank opened, it had spilled out of its original quarters; in a year it had taken over two additional floors in the 14th Street building.

Union Square and its vicinity once had been the hub of Manhattan's smartest shopping district. Then the expensive shops had moved uptown; in the 1920s, the Union Square area was a center for the needle trades. Thus it was to a building once occupied by Tiffany's, the famous jewelry store, that the Amalgamated Bank moved a few years after its founding. It

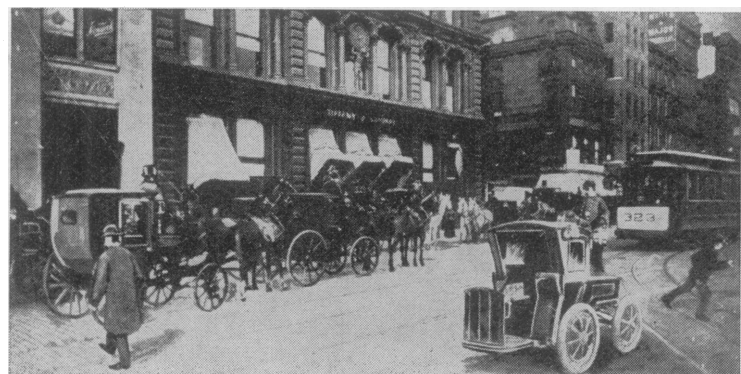
is in that same building that today the Amalgamated Bank carries on its tradition of service.

From the start the Amalgamated Bank set out to prove the proposition that a trade union institution, oriented towards people and their problems, could give human warmth and understanding to financial arrangements, that it could put into practice the social idealism of the founders. From the youngest clerk to the president, the bank's staff was familiar with the problems of working people.

In the years after World War I, most banks were not in business to meet the needs of workers. Checking accounts were for businesses and the wealthy. Bank loans were available for those persons with great resources who could supply high-grade collateral. The worker's signature, his personal integrity, were not acceptable in the overwhelming majority of banks—particularly if the worker chanced to be an ill-at-ease newcomer to these American shores. Ordinarily, the worker who needed a personal loan was at the mercy of the loan shark.

In Chicago, there had been scores or hundreds of "corner-store" private banks which were patronized

Then and now. Corner off Union Square housed Tiffany's at turn of century, workers' bank now.



JACOB S. POTOFSKY, President of the Clothing Workers, is President and Chairman of the Board of the Amalgamated Bank of New York.

by workers. When these failed, as many of them did, working people lost all their hardearned savings. It was hard enough to earn sufficient wages to put any aside; it was tragic to see those dollars of savings, which represented so much toil and sacrifice, wiped out in these dishonest or incompetent little banking institutions.

All in all it was a distressing and inequitable situation. The trade union movement and many of its leaders wanted to correct it. In those years, more than thirty separate labor banking enterprises were established by various unions to bring a measure of justice and dignity to trade union members in need of financial encouragement. Today, I believe, only the two Amalgamated banks and one or two others survive.

The bank pioneered in making small loans at fair interest rates to working people who lacked the collateral that would have made them welcome as borrowers in the other banks of the era. The policy of accepting the good name and character of a wage earner, still followed by the Amalgamated Bank, has become standard practice throughout American banking.

Throughout the years, however, the Amalgamated Banks believe their policies have had an effect on banking practices out of all proportion to their relative size. Through 40 years the Amalgamated Banks' insistence on low, fair interest rates has helped to put consumer credit within the reach of borrowers at other banks. The New York bank has had the lowest interest rates on small personal loans for many years and we take pride that this policy has had a good effect on bank loan rates throughout the city.

In the early years of the banks, many of the depositors were immigrants recently arrived from Europe. Out of their low wages, they sent money to parents, brothers and sisters, children in the "old country." How to transmit those funds? The commercial banks were geared to business transactions, not to the dollar or five-dollar allotments of immigrant workers. Little wonder they fell into the hands of unscrupulous agents who extorted huge amounts of these dollar transmittals. In some cases, they made great profits by paying the recipients in devalued currency, through manipulation of depreciated foreign exchange. Even worse, sometimes they simply pocketed the money entrusted to them.

Into this situation, the Amalgamated Banks in New York and Chicago brought friendly and honest service to those sending money home to families across the ocean. For many years the union's banks were a principal factor in this people-to-people dollar transfer, under conditions of integrity and fair fees.

The Banks pioneered in other ways. "Bankers' hours" were scheduled for the convenience of wage-earning customers—that is, late afternoons or early



The Amalgamated Banks offer all modern services.

evenings. Checking account service was established for those who could not afford the substantial minimum balance required then by commercial banking. Loan money was made available to permit workers to buy their apartments in the cooperative housing projects that were being built in New York—many of them constructed by trade unions.

Today, the Amalgamated Banks in New York and Chicago hold substantial deposits from many trade unions—both internationals and locals—and the banks are in a position to offer experienced counsel on the management and investment policies of health and welfare and pension funds established by unions and employers. Both of the Amalgamated Banks provide absolute confidentiality within the law for the transactions of the individual customer. The labor banks offer this advantage, however: they speak the language of unions and union members; they know how unions function; and they recognize the special fiscal problems that unions sometimes face.

In the perspective of the 40th anniversary it can safely be said that the Amalgamated Banks in New York and Chicago have been true to the progressive social philosophy which led to their creation. Many of our early goals have been achieved.

First of all, our banks have maintained financial integrity. That was true during the Great Depression, when the Amalgamated Bank of New York was among the first banks in the city permitted to reopen its doors after the bank holiday ordered by President Roosevelt to help halt a growing panic over the nation's banking system.

In the post-depression years, the resources of the Amalgamated banks have risen steadily. In New York, they have climbed to a record \$115 million—small compared to the giants of the banking industry, but far greater than was envisioned when the Bank first opened its doors in the store on 14th Street. The union's bank in Chicago has similarly recorded upward progress. Both banks are members of the Federal Reserve System; both are regularly supervised by their respective state banking authorities and their own auditors and an independent firm of nationally-recog-

nized certified public accountants check and double-check the records. Both banks, of course, are members of the Federal Deposit Insurance Corporation, which provides additional protection for the depositors' account up to \$10,000.

The men and women who direct and staff the Amalgamated Banks deserve much of the praise for the way they have been successfully devoted to serving the needs of working people and their union. In New York, Maxwell Brandwen, a distinguished lawyer who serves as special counsel to our union, is the managing director of the Amalgamated Bank and he is directly responsible for much of its success. His insight, business acumen and progressive social philosophy have been dedicated to the success of this labor banking project. Similarly, in Chicago the devoted work and practical experience of men like Secretary-Treasurer Frank Rosenblum and our retired vice presidents, Samuel Levin and A. D. Marimpietri, have given the Amalgamated Trust and Savings Bank an enviable reputation throughout the midwest. William Reimbold is president.

The four decades that have passed since Sidney Hillman proposed, and the Amalgamated convention accepted, the concept of labor banking, have been years of growth and challenge. We have passed through boom and bust, through war and peace, through years of union growth and profound social change. The banks established by the union to meet specific needs have met those needs. They are steadily devoting their energies to performing these banking services with efficiency and low cost to the user. They have demonstrated that labor banks could be successful and that labor has the resources and skill to adapt its banks to the changing needs of each new decade.

The Amalgamated Banks in New York and Chicago will be prepared, as they have been during the first 40 years, to meet the banking needs of trade union members and their families.

Because these labor banks existed, other banks today offer more service at lower cost to wage earners than might otherwise be the case. All of us, I firmly believe, are better off because of the influence and service of the Amalgamated Banks.