

## A Union Bank with a Goal: Victory for the Left

*Does Amalgamated Bank serve working Americans, or gamble with their money?*

By Sarah Westwood

**Summary:** *Amalgamated Bank is America's only union-owned bank. The latest chapter of its tumultuous history finds it specializing in political work that few financial institutions would dare risk. Funded by monies that unions compel their members to provide, the bank seems less devoted to maximizing returns for customers than to assisting left-wing candidates and causes in their quest for power. (This report updates Capital Research Center's profile of Amalgamated Bank that appeared in the June 2013 Labor Watch.)*

Self-styled “Progressives” have largely avoided the complicated world of banking and finance. When they focus on the banking industry, it’s usually when they have a grievance, such as when they see the banking industry as exerting undue influence on politics and society.

Amalgamated Bank is the exception. It’s a bank they *like*.

A union-owned institution with extensive ties to the Democratic establishment, it is embraced by the Left. Increasingly, it is a player in the financial field, run by and patronized by the labor movement and its allies. With its blend of specialized political financing and ideological bent, Amalgamated has attracted high-profile accounts—the Democratic National Committee, a pro-Hillary Clinton superPac, and a hundred others of like mind.

For an example of the way the bank has brought political titans and their



Keith Mestrich, former Chief Financial Office of the Service Employees International Union, heads the SEIU-controlled Amalgamated Bank, which backs various causes of the Left.

union patrons together under its expanding umbrella, consider this story: On September 27, Keith Mestrich, president and CEO of Amalgamated Bank, stood beside Randi Weingarten, president of the American Federation of Teachers, at a glitzy Clinton Global Initiative event and together pledged to invest \$100 million in early childhood education. Left unspoken: the same union had endorsed Hillary Clinton’s campaign only weeks before, supposedly because of the very same issue.

Nor was the American Federation of Teachers a stranger to its partner in this Progressive investment; the union also happens to be a major client of the bank.

The bank has positioned itself as an innovator in the nascent niche of politi-

cal investment banking, offering cash infusions on short notice to political action committees and campaigns and providing round-the-clock service to political groups that operate far outside traditional banking hours. For unions in the corporate world the bank has also become an unconventional vehicle for change. As the home of billions of dollars in union pension funds—

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strategically invested across a broad portfolio of companies—Amalgamated essentially gives the labor movement a seat at the corporate governance table and thus an influential voice in how big businesses operate.

Since its founding in 1923 by a New York City garment workers' union, Amalgamated's evolution has mirrored that of the labor movement as a whole. Just as well-connected national unions have overshadowed local ones, so too has the bank's target market shifted to Washington power players.

Ten years ago, an Associated Press Financial Wire reporter said of the bank: "The 80-year-old company caters to everyone from New York City firefighters to carpenters to teachers." But as Amalgamated approaches its centenary, its list of top clients includes Democratic candidates, political advocacy groups, and the national labor empires that have come to play a prominent, if not outsized, role in shaping the Left's agenda. The bank has openly embraced labor-friendly policies of left-leaning groups as it serves their financial needs, creating a unique relationship between the unlikely allies of banks and unions.

### America's union bank

Amalgamated declined to comment for this story beyond a statement af-

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firming that it follows Federal Election Commission guidelines for campaign lending. Husbanding assets of \$3.8 billion at the end of the third quarter of 2015, the bank reported liabilities of \$3.5 billion. Its headquarters is in New York City, and it has 17 branches in three states (New York, New Jersey, and California) and the District of Columbia.

Amalgamated prides itself on being "America's Labor Bank" at a time when the labor movement is an ever more polarizing political force. In recent years the country's romantic history with unions has given way to falling private-sector membership and growing support for Right to Work policies that free workers from being compelled to join and contribute to unions. Wisconsin Gov. Scott Walker (R) built his national profile by reforming government-worker unions in his home state, and GOP presidential hopefuls from Carly Fiorina to Sen. Rand Paul (Ky.) have spoken out against compulsory collective bargaining on the campaign trail. Many politicians argue that unions have lost their usefulness to the workforce as union officials position themselves more as political players and less as workers' advocates.

Across the aisle, Democratic candidates are scrambling to lock up coveted union endorsements ahead of the 2016 primary season. Neither the powerful AFL-CIO nor the Service Employees International Union (SEIU) has selected a candidate to support, and both are using the device of delayed endorsement to encourage the frontrunners to prove their friendliness to the labor movement.

Such endorsements are just one way unions wield outsized power over politicians. While Sen. Bernie Sanders is widely seen as the Democrat with the more labor-friendly platform, Hillary Clinton is much more likely to win the nomination, regardless of whether

unions fall in line behind her. This situation puts the labor movement in a difficult position when it comes to picking a 2016 candidate. Endorsements from the biggest unions, like SEIU, are highly sought commodities in Democratic primaries. [As this article was being prepared for publication, SEIU finally announced its support for Clinton.]

Keith Mestrich, Amalgamated's president and CEO, was a top SEIU official before joining the bank in 2012 as the director of its Washington office. Mestrich soon began cultivating Amalgamated's connections to the Democratic Party, reflecting the labor movement's broader push to ingratiate itself with the political Left.

Mestrich has said he traces the "renaissance" of his bank, which struggled just a few years ago to recover from economic downturn, to the Democratic National Committee's 2012 decision to shift its assets from Bank of America to Amalgamated. Over the course of the following year, deposits from the Washington area rose by 70 percent as more than 100 new Democrat-linked groups started banking at Amalgamated, according to a 2013 profile by the *Washington Post*. Debbie Wasserman Schultz, head of the Democratic National Committee, touted the move to Amalgamated by praising the bank's "legacy" of supporting the middle class.

In 2014, Amalgamated attracted the business of Ready for Hillary, a political action committee created to build a broad bench of support for Clinton ahead of her official campaign launch. Adam Parkhomenko, executive director of Ready for Hillary, explained the PAC's move to Amalgamated last fall: "It is important for us that our bank share the Progressive values of this effort."

Indeed, many on the left have praised the bank for its commitment to a set of

ideals in the way it conducts business, which is unusual in the financial services industry. Like Ready for Hillary, political campaigns and organizations have embraced Amalgamated because it shares their ideological positions and allows them to disconnect their financial decisions from the larger banks they often criticize.

But others fault the bank for allowing politics to seep into its investment practices. Right To Work supporters frequently point to unions' political spending, which is ubiquitous and concentrated heavily in Democratic circles, when they argue that mandatory union dues unfairly force members to fund candidates and causes with which they do not agree. The concern extends to the lending and investment practices of Amalgamated, which almost exclusively benefit Democrats.

"Amalgamated is a perfect embodiment of the slush fund that organized labor has become," said Matt Patterson, executive director of Center for Worker Freedom, an arm of Americans for Tax Reform. "Unions take dues from members (by force in non-Right To Work states) and funnel it directly to liberal groups and Democrat politicians."

Unions' growing emphasis on political spending has left many right-leaning members feeling disenfranchised. A bill introduced in both chambers of Congress in July would have given individual members more power over the political spending of their unions, but the legislation continues to languish on Capitol Hill.

Union watchdog organizations worry that mandatory member dues allow labor groups to make financial decisions that the members themselves might not support—including where the unions park their pension funds. In the case of Amalgamated, those pension funds are often used as tools to force "social" and "environmental" agendas on private

businesses. Other arms of the bank nurture Democratic causes, creating tensions for Republican members who were compelled to pay dues that were then poured into Amalgamated.

"The Amalgamated Bank is a classic example of the left-wing shadow infrastructure that labor unions create using mandatory member dues," said Rick Berman, executive director of the Center for Union Facts, which is critical of the labor movement. "Exit polls show that 40 percent of union households vote Republican, but the cozy relationship between the Amalgamated Bank and Democratic Party ensures that conservative-leaning union members will never be meaningfully represented—and will always fund politicians they don't support."

For Republican union members, the conflict extends far beyond Amalgamated Bank. Unions give overwhelmingly to Democratic candidates. In the last election cycle, 89 percent of the labor movement's spending went to Democrats, and only 11 percent to Republicans. In 2008, unions spent 92 percent of the more than \$75 million they put in politics on Democrats, according to the Center for Responsive Politics.

But Amalgamated's openly partisan leaning injects Progressive politics into an area that is usually kept unbiased: workers' retirement savings.

Ivan Osorio, editorial director at the Competitive Enterprise Institute (and a former editor of *Labor Watch*), said the union-controlled bank's lending in electoral politics is far less transparent than the typical political activity of unions. "One major difference is that union political donations are done directly. That's very clear. They collect so much money in dues, they give so much money to candidates. . . . It's pretty straightforward," he said. "With a bank, it's supposed to be run like a

business, so it's not a direct donation. Whether that kind of campaign lending constitutes undue risk, that's for the bank to decide."

Campaign lending can be a complicated process because campaigns and PACs often have little credit or collateral, yet they are forced by the nature of elections to move enormous sums of money on short timelines—for example, to buy expensive TV ads. Revenue is sporadic, with donations coming in spurts as largely unpredictable events unfold on the campaign trail.

Bob Biersack, senior fellow at the Center for Responsive Politics, said campaigns typically borrow against "physical assets" like computer systems, or against less conventional assets like donor lists, which he said campaigns can sell or rent out to other organizations in order to drum up income.

Amalgamated has worked to make itself a resource in political finance, a growing industry, for Democratic groups that need increasingly flexible options. For example, when Ready for Hillary needed a seven-figure loan last fall, the bank "was willing to underwrite the loan against the flow of future contributions," according to a recent *New York Times* report.

In 2012, the Democratic National Committee borrowed \$8 million from Amalgamated in a move that some said plunged the DNC in debt to the SEIU. The relationship raised eyebrows because of the way it further entwined the finances of the union and the bank. "There's an ideological dimension to Amalgamated and that's what makes it different from most banks," Osorio noted.

Biersack said the bank's campaign lending is not the same as a donation and does ultimately benefit union pension holders, just as any other loan would. "The bank (and its pension fund investors) earns money because



it charges interest on loans and fees for other kinds of services. They aren't giving anything to campaigns without getting paid," Biersack said. "The bank isn't giving anything to anyone—it's earning a return on its business activities. Contributions are gifts with nothing coming in return and lobbying efforts are spending money hoping to get a policy outcome."

Voters are increasingly concerned with the level of influence public unions have over politics. A 2011 poll by Fox News found 68 percent of registered voters worried that public unions had too much sway over which candidates win elections. Other polls have found that people are nearly as concerned with labor's political spending as they are with the perception of corruption among unions. This problem would likely be seen as worse in a situation where the functions of a bank—already an institution that inspires skepticism in many Americans—became entangled with the political ambitions of a union.

### **The pivot to politics**

Amalgamated's pivot to politics came as the bank emerged from a financial crisis that had threatened the future of the organization. In 2011, Amalgamated was drowning in losses from real estate deals and staring down punishment from the Federal Deposit Insurance Corporation (FDIC) as its cash flow evaporated.

According to an enforcement action filed by the FDIC that year, Amalgamated was under scrutiny for allegedly allowing delinquent loans to sit uncollected on its books, even though some were unlikely ever to be repaid. In some cases, the bank reportedly issued new loans to pay off delinquent ones and thus avoided or delayed listing the unpaid loans as losses.

The union-owned bank was rescued in the spring of 2012 when a pair of left-leaning billionaires infused Amalgam-

ated with \$100 million, each nabbing a fifth of the bank's common stock. One of the men, Wilbur Ross of WL Ross & Co., had a history of swooping into failing firms and turning a profit, a practice that earned him nicknames like "vulture investor" and "the king of bankruptcy."

The other man, Ron Burkle of the Yucaipa Companies, is perhaps best known for his hard-partying tendencies and ties to former President Bill Clinton, a longtime friend. Bill Clinton reportedly earned \$15 million as an adviser to Burkle's business since entering into an agreement with the Democratic donor in 2002. The arrangement sparked controversy during Hillary Clinton's first presidential bid because of stories about Burkle's wild lifestyle and his company's occasionally questionable business deals.

As recently as 2007, former President Clinton was raking in millions from his ill-defined "partnership" with Yucaipa, according to tax returns released earlier this year by his wife's campaign. The two men have since parted ways amid a public feud over payments, but the Amalgamated Bank's board still includes an executive from Yucaipa and another from WL Ross & Co.

Explaining the bank's rescue, Noel Beasley, Amalgamated's chairman, told Bloomberg Business in 2013, "Frankly, there weren't a lot of other people standing in line around the bank willing to put that kind of money into it." Beasley is also president of the politically active union Workers United, which now owns a majority stake in the bank and has eight high-ranking officials on Amalgamated's 15-member board.

In 2012, Ed Grebow was the bank's CEO. He said Ross and Burkle's infusions of cash were needed because "Regulators were threatening significant sanctions and possibly closing."

At a time when Occupy Wall Street was ripping into the financial industry

for its perceived corruption and risky practices, Amalgamated hung a banner proclaiming support for the movement outside its branch near New York's Zucotti Park, where the movement was camped out in the fall of 2011. The bank ultimately provided a home for Occupy's finances. Occupy selected Amalgamated as the destination for its donations even after the bank reportedly made investments in subprime mortgages.

As it has pulled out of the financial hole it dug for itself in 2011, Amalgamated has also grown its relationships with a variety of other left-leaning causes, from Organizing for Action (a 501(c)(4) political group that began life as the 2012 Obama for President campaign) to the Democratic Governors Association. Its client list now includes the Employment Justice Center, Progressive Majority, and Demos—all organizations allied with the Left. [For more on Demos, see the July 2014 issue of *Labor Watch's* sister publication, *Organization Trends*.]

Amalgamated's massive investment losses had come on the heels of a bitter battle over control of the bank between Unite Here—which was the remainder of a failed 2004 merger of the UNITE and HERE unions—and Workers United, which was spun off from Unite Here in 2009 and subsequently affiliated with the SEIU. By stepping into the break-up of Unite Here and subsidizing the newly formed Workers United, SEIU was able to gain control of Amalgamated in a 2010 settlement. That was a major accomplishment for SEIU, because the powerful union had borrowed millions from Amalgamated. Critics questioned SEIU's involvement in the dispute, noting that the union's resulting victory in securing control of the bank essentially gave it ownership of one of its largest creditors.

"Part of the political nature of the bank extends to how it's controlled, the way

it changed hands,” Osorio said of the UNITE HERE battle that ultimately determined Amalgamated’s fate. “How its current control came to be determined was itself political in nature.” Similarly, when the Democratic National Committee borrowed \$8 million from Amalgamated in 2012, the move caused some observers to object that the DNC had put itself in debt to the SEIU.

### Minimum wage fights

Amalgamated has chimed in on a particularly hot-button political issue by tweaking its own internal policies. As the fight for a \$15 federal minimum wage rages, the bank has hiked the rates it pays its hourly employees. Progressives praised Amalgamated for taking the lead on an issue for which unions have advocated.

The New York City metropolitan transit system tore down more than 1,200 paid advertisements Amalgamated had installed in subway cars and stations in September. The controversial ads called on the government to raise the minimum wage to \$15 an hour and were approved by a transit official in error, according to a report by Crain’s New York Business.

The episode highlights the tensions that can arise when a financial institution dabbles in political activism. While Amalgamated protested the decision on the grounds of free speech rights, the Metropolitan Transportation Authority said the postings violated its policy against “ads of a political nature.”

Amalgamated’s political involvement extends beyond just providing specialized financial services to actively pressing corporations to adopt policies that unions support. The bank appears to invest unions’ pensions through a company called LongView Funds, which it then uses to pressure or sue corporations that mismanage assets or, in some cases, act counter to Amalgamated’s political vision.

Through a series of shareholder resolutions and lawsuits, the bank has pressured select companies that have otherwise resisted the Progressive measures unions typically demand. For example, Amalgamated has pushed corporations, including Massey Energy and Union Pacific, to end the practice of “golden parachute” severance packages for executives. In 2008, the bank promoted a resolution that required Urban Outfitters to adopt a labor code that incorporated international human rights standards. Two years earlier, it urged Citigroup to tie executive compensation to performance, and it has since made the same demand to Valero, Avon, and Walgreens, among others.

In 2011, Amalgamated brought a suit against News Corp, the media conglomerate that owns Fox News and the Wall Street Journal, charging “nepotism,” among other things, after the company acquired a firm owned by Chairman Rupert Murdoch’s daughter. The resulting settlement reportedly forced News Corp to disclose its political contributions and set up an anonymous tip line for company whistleblowers.

Last year alone, Amalgamated aided the Left’s gun control agenda by pushing the boards of three different gun or ammunition companies—Sturm Ruger & Co., Olin Corporation, and Smith & Wesson—to disclose all their political spending.

In every case mentioned, Amalgamated used shares held by LongView to either vote on shareholder resolutions or bring a derivative lawsuit. LongView Funds publicly maintains a position that corporate executives should not earn generous salaries unless the companies they manage are thriving. “We oppose pay practices that excessively reward executives who have not performed well,” the fund wrote in an annual financial report. “As such, we urge companies to avoid practices that risk paying significant corporate assets as

windfalls to executives, regardless of how well or poorly the executives have done.”

Osorio said Amalgamated’s boardroom activism separates it from most other banks. “It’s driven by a political agenda in a way that banks generally aren’t,” Osorio said. “If there is a pattern of shareholder resolutions that seek to advance some sort of political agenda, clearly” the bank is basing its decisions not on what will maximize the performance for investors, including union members and their pensions, but on other considerations. “With pension fund investments, the goal should be to increase returns,” Osorio noted.

Dr. Steven Allen, editor of *Labor Watch*, said the bank’s efforts to shape corporate policy go to the heart of why the labor movement embraces an institution like Amalgamated in the first place. “Why does a union have a bank?” he asked. “So it can either provide people with loans that maybe you and I consider questionable—but they can at least legally justify it—or they can use the bank’s power to pressure companies to go along with unionization.”

Amalgamated is understandably critical of other banks when they operate as honeypots for their own senior executives. But when Amalgamated takes the hard-earned money provided by working families in unions and then turns the cash into a honeypot for labor bosses’ preferred political allies, apparently that’s just fine.

*Sarah Westwood is an investigative reporter for the Washington Examiner, from which this article was adapted.*

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# LaborNotes

In the battle for union endorsements, former **Secretary of State Hillary Clinton** received the backing of the **American Federation of State, County and Municipal Employees**, the nation's largest union with more than 1.6 million members. But **Sen. Bernie Sanders**, an independent socialist from Vermont, received the backing of the **American Postal Workers' Union**, with the union's president, **Mark Dimondstein**, praising Sanders for his support of the union as well as his backing of a \$15-an-hour "minimum wage" and for "free" college tuition (that is, tuition paid for by people who aren't going to college). Sanders has endorsed the idea of "reinvigorating" post offices by turning them into banks for poor people [see *Labor Watch*, June 2015].

Teachers' union rules make it nearly impossible to remove bad teachers from the classroom, even when they are clearly unfit for the job. In big cities, teachers accused of wrongdoing sit in "teacher jails," also called "rubber rooms," where, as described by *L.A. Weekly*, "They read, listen to music, watch **Netflix** on smartphones, play scrabble on **Facebook**." In **Los Angeles**, the average teacher in this "jail" is there for 127 days, drawing a full salary (average \$67,000 a year). Now the city faces a \$1 billion lawsuit from an elementary school teacher accused of financial mismanagement of a nonprofit and of offenses related to inappropriate touching, photos, and e-mails. **Rafe Esquith**, who's a best-selling author as well as a teacher, denies the charges and is suing to shut down the "jail" system, which, he claims, denied some 2,000 teachers half a million dollars each in pension and health benefits in cases in which they ended up quitting.

There's at least one endangered species that **President Obama** never cared much about, and it's now extinct: union coal miners in **Kentucky**. The **AP** eulogized: "Kentucky coal miners bled and died to unionize. Their workplaces became war zones, and gun battles once punctuated union protests. In past decades, organizers have been beaten, stabbed and shot while seeking better pay and safer conditions deep underground. But more recently the **United Mine Workers** in Kentucky have been in retreat, dwindling like the black seams of coal in the **Appalachian** mountains. And now the last union mine in Kentucky has been shut down."

On a related note: Kentucky had an election last month, and a headline in the **Bowling Green Daily News** described the results as "The night Kentucky's **Democratic Party** disintegrated." **Tea Party** candidate **Matt Bevin**, who unsuccessfully challenged **Senate Majority Leader Mitch McConnell** in last year's GOP primary, won the governor's office by nine points despite never leading in any pre-election poll. His running mate, **Jenean Hampton**, became the first African-American elected to statewide office in Kentucky, where the white-supremacist rooster is the symbol of the state's Democratic Party. Bevin defeated **Attorney General Jack Conway** (D), who had tried to block the state's local Right to Work laws [see *Labor Watch*, May 2015]. As noted by **Watchdog.org**, "Independent political action committee **Kentucky Family Values** flooded the commonwealth's airwaves with anti-Bevin attack ads; more than \$2.5 million of the PAC's funding came from unions." One of the losers was **State Auditor Adam Edelen** (D), who had been expected to challenge **U.S. Sen. Rand Paul** (R) next year.

Across the country, the off-off-year election was mostly bad news for unions. One exception came in **Jefferson County, Colorado**, outside **Denver**, where (as reported in the Nov. 2014 *Labor Watch*) reformers on the school board attempted to stand up to the teachers' union, support charter schools, and prevent the dumbing-down of guidelines for Advanced Placement history classes. Thousands of high school students, egged on by teachers, walked out of school in support of the dumbing down, with some students partially disrobing during the protests. According to radio commentator **Mike Rosen**, "In 2014, the **National Education Association** sent 48 **UniServ** (Unified Service) directors from 18 states to Jeffco to engage in community organizing against the board, and funded the **Colorado Education Association**, its statewide teachers union, to organize campaigns in other school districts to 'fight back against the movement to privatize education.'" As a result, all three reformers lost their seats in a recall.

In **Pennsylvania**, union-backed candidates won control of the state **Supreme Court**, which will give Democrats control of the state legislature redistricting process following the 2020 Census. (The redistricting commission includes two Democrats and two Republicans, with the state Supreme Court picking a fifth member who breaks the tie.)

As we noted in the Oct. 2013 *Labor Watch*, unions are often exempt from laws that apply to the rest of us. **Carl Horowitz** of the **National Legal and Policy Center** reported that, in Pennsylvania, an **Ironworkers Local 401** official "had been arrested in March 2013 for allegedly hurling obscenities at a female executive of a development company, pinning her against a counter, and saying 'Bang, bang, bang,' while mimicking a gun motion with his hands. He was charged with harassment, assault and making terroristic threats. Yet a municipal judge, **Charles Hayden Jr.**, having heard the defense's invocation of the state's labor dispute exemption, dismissed the charges." Now, Horowitz reports, **Gov. Tom Wolf** (D-Penn.) "has signed a bill into law repealing a loophole that had given unions the right to stalk, harass and even use a 'weapon of mass destruction' as an organizing tool."