

## DISCUSSION QUESTIONS

1. If a public entity decides to engage in the equivalent of a business venture, should it be able to compete in the same manner as its competitors? Or is there a special mandate for public organizations to meet a higher or a different standard? Should public organizations be completely restrained from competing with businesses?
2. Describe three ethically questionable activities taking place in the story. Would any of them be problematic if the amphitheatre were a private sector enterprise? What advice would you give Bill Jefferson regarding the differences between private and public sector management?
3. Is Representative Sparks justified in characterizing someone who would object to the free sodas and sandwiches as a “busybody”? Is his advice to Bill Jefferson defensible from a legal standpoint? What does the advice reveal about the representative’s moral compass?
4. How important to the success of the amphitheatre is the practice of giving things away to bus drivers? How would you weigh the risks against the benefits? Describe the criteria that would be appropriate when comparing alternative courses of action.

## CASE 35: THE ETHANOL LOAN SUBSIDY

Melinda Marjino is a woman who sticks to her principles. After eight years in the state senate, she imposed “terms limits” on her own legislative career. Instead of running for re-election and a third term, she decided to enter the statewide race for treasurer. At every speech and campaign stop, Melinda emphasized her many accomplishments on the Accountability and Oversight Committee.

“Our state continues to face ethical challenges stemming from a culture of greed in the public arena,” she would say. “As chair of the Oversight Committee, I have rooted out waste, fraud, and abuse that have drained our state coffers and caused us great embarrassment in the national media. Conflicts of interest have been lining the pockets of public officials, while chipping away at our faith in government.”

Melinda’s message and track record proved to be a winning combination, and she was soon sworn in as the state’s forty-seventh treasurer. True to her principles, Melinda drew up a set of ethics guidelines that would apply to programs under her jurisdiction. Melinda’s goal was to keep public officials from profiting as a result of taxpayer-funded programs. The first test of the stringent new policies turned out to be the state’s Business Incentive Program (BIP). As Treasurer, Melinda is charged with implementing and overseeing the program.

Under the BIP program, state funds are deposited in selected banks at interest rates 3 percentage points lower than the typical deposit rate. For its part, the bank then passes along the 3 percentage point difference to businesses that seek out and qualify for the loans. The first entity to apply for the low-interest funding under BIP was the recently formed Corn Belt Ethanol Cooperative.

Corn Belt has an interesting history. The brainchild of Governor Eugene “Birdy” Birdwell, the cooperative is owned by over 700 shareholders, most of them farmers. In the beginning, however, getting the idea off the ground proved to be quite a struggle. An ambitious media campaign had failed to spark much interest or attract many investors. Then, with failure looming on the horizon, State Senator Mitch Dierdorff decided to put his money where his mouth was.

A long-time supporter of ethanol, Dierdorff stepped forward as Corn Belt’s first high profile investor. He announced that his wife, Candy, would purchase one hundred shares. This was a symbolic gesture, intended to demonstrate confidence in the future of ethanol and signal the likelihood of ongoing legislative support as well. Other supporters appeared, including Governor Birdwell, who asked his brother Gary to buy shares in Corn Belt. Even Congressman Derby bought shares. Farmers took notice, and many decided to join in. Within a month Corn Belt had a full slate of officers in place. They prepared their application for an \$82 million loan under the auspices of the state BIP, and mailed copies to the First Union Bank of DeSoto and the state Treasurer’s office.

Corn Belt’s application was approved by First Union within two weeks. News spread fast, and the price of Corn Belt shares began to move upward. Then came the bad news. The *DeSoto Herald* quoted Treasurer Marjino’s extensive remarks from a news conference held earlier that day.

“My department’s strict conflict of interest policy applies to all statewide projects” Marjino insisted. “Under the rules, no incentives can be given if the company has even a single investor who is a lawmaker, statewide elected official, state department director, or a parent, sibling, spouse, or child of any of those officials. This is the taxpayers’ money, and I don’t think it’s right for legislators or elected officials to be able to access that benefit, which helps them profit directly.”

## DISCUSSION QUESTIONS

1. Corn Belt has yet to secure the funding to build its plant. If the politicians and their relatives don’t sell their shares, or if Marjino doesn’t ease up a bit, the future of Corn Belt becomes very uncertain. How should the officials respond to Treasurer Marjino’s comments?
2. Marjino’s critics point out that her rules are very strict compared to the Department of Agriculture’s conflict of interest policy. Those rules, which apply to a tax credit program, specify that no conflict of interest exists as long as no official holds more than 10 percent of the total shares. Corn Belt passes this test. How should Marjino respond to these critics?
3. Gary Birdwell, the Governor’s brother, believes the Treasurer’s office should relax its policy, perhaps allowing up to 5 percent of investors to have political connections. What do you think of this type of compromise?
4. Can the motivations for a private investment be seen from a more altruistic perspective? That is, can someone risk their own money hoping for a profitable return, but still be motivated primarily to support a favorite cause such as