

# Public Banking or Bust

by Robert Bows

One of the Occupy Wall Street (OWS) movement's achievements is the scrutiny it has brought to the banking industry's influence over virtually all aspects of our society. This worldwide teach-in has stimulated a debate on solutions to the persistent economic problems that stem from the way private banks create money.

One of these solutions is public banks, which have proven to be so successful that they threaten private banks. In the United States, the only publicly owned bank belongs to the State of North Dakota. Initially, it was organized in response to the theft of family farms by the big Minneapolis and Chicago banks. Opened in 1919, it was rough going at first, with the large banks blocking the sale of bonds to capitalize the bank. Eventually, though, a coalition of labor unions and individuals invested and the Bank of North Dakota (BND) was on its way.

Over the years, the BND has served the people of North Dakota in a variety of ways, including renegotiating loans and mortgages when natural and economic disasters occur; partnering with local community banks to provide additional capital; and expertise in an ever-increasing regulatory environment designed by the big banks to drive smaller banks out of business; leading the nation in implementing student loan programs; and supplementing the revenues of the state's general fund (\$350 million in the last 10 years), all the while expanding its loan portfolio.

During the legislative sessions of 2010 and 2011, bills to create or study the creation of public banks were introduced in 14 states. BND President Eric Hardmeyer recently noted that he has received inquiries regarding public banking from dozens of states. Many of the state bills are being spearheaded by legislative leaders, who are taking the initiative in educating people on the advantages of publicly owned banks.

Because of pushback from the large private banks and their networks, the public banking movement, much like the Occupy Movement, is now decentralizing, with cities and counties beginning to consider the organization of their own banks.

Lately, one of the most interesting developments is the growing synergy between foreclosure/mortgage issues, the effects of the depression on local governments, and the growing awareness of public banking. It has been



photo: Another World is Possible

suggested that counties could declare eminent domain and seize all foreclosed property within their jurisdiction, arguing that repairing the blight and recovering their costs are in the public interest. In a short time, income from the rental, sale, or mortgaging of these properties could be leveraged to capitalize county-owned banks.

Having publicly owned banks can save counties, cities, states, nations between 40 and 50 percent of the cost of public works projects (interest costs), since any interest that the public bank might charge is returned to the county's general fund or used to expand its loan portfolio. So, either twice as much would get built, or capital projects would cost half of what they would when financed by private banks.

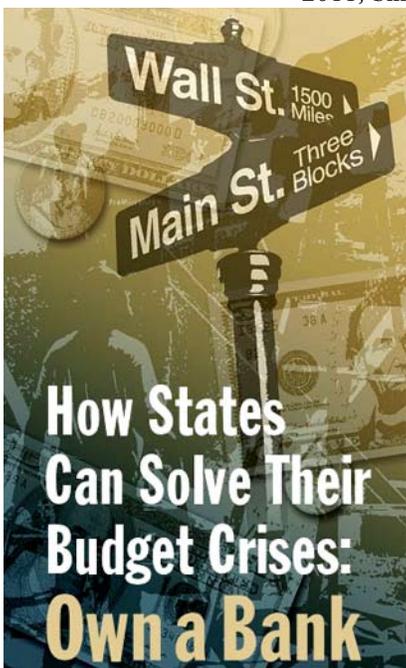
The possibilities for infrastructure and public services improvements are boundless, including schools, renewable energy, social services, environmental restoration, and much needed jobs.

Cities, counties, and states are just beginning to understand the credit they currently are giving away by depositing their tax revenues and rainy-day funds in Wall Street banks, which use these monies: 1) to invest in overseas and out-of-state companies that compete with local industries; and 2) to speculate in derivatives or in food — artificially driving up prices around the world.

It is time we move our money into public banks, operated in the public interest, aimed at returning prosperity to Main Street. After all, small businesses account for over 50% of the jobs in America. It's time to get this country back on its feet again by breaking the chains of debt slavery to private banks.

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graphic: PBI