

# PUBLIC BANKS



OCCUCARD #20

EMPOWERING MAIN STREET, NOT WALL STREET

**P**ublic banks are banks that are owned by the people through their representative governments, such as a city, county or state. They differ from private banks in that they are mandated to serve the public interest. Unlike Wall Street banks that seek short-term profits for private shareholders by investing in stocks, derivatives and other speculative markets, public banks invest in their local economies, helping small businesses and improving the long-term health of their communities.

A good model of a public bank in the U.S. is the Bank of North Dakota. Established in 1919 when North Dakota farmers were losing their farms to Wall Street, this publicly owned bank recycles state revenues back into credit for its businesses and citizens. The result has been an ongoing success. Even during the current economic collapse, North Dakota escaped the credit crisis and has maintained a budget surplus since 2008, with low unemployment, zero public debt and no bank failures.

How does public banking work? A public bank's deposit base consists primarily of tax revenues and fees obtained in its jurisdiction, which it then leverages, just like any bank, by issuing loans. A public bank does not act as a retail bank (i.e., it does not take in deposits from individuals and private businesses) so it does not compete with local, community banks. Rather, it partners with community banks and credit unions, who administer and service the loans. Interest is then returned to the public coffers, raising money for the municipality.

In our current system banks create new money when they issue loans. This ability to loan money into existence gives banks tremendous power to influence society's development, yet their choices for using that influence are governed purely by their short-term profit motive. Public banks, on the other hand, while still constrained as part of the banking system, can finance projects that benefit their local communities as a whole.

### Public Banks also:

- ▶ Keep money in the community, create jobs and spur economic growth by providing affordable credit to small and medium-sized businesses.
- ▶ Greatly reduce the cost of public projects because municipalities with their own bank do not have to charge themselves high interest and finance fees.
- ▶ Raise revenue and protect government services from budget cuts without increasing taxes because profits are returned to the public coffers.
- ▶ Increase local sovereignty and self-reliance, and protect the public's money from risky Wall Street investments.

As awareness grows of Wall Street's parasitic nature, so does the movement for public banking. Over twenty states are currently considering removing their money from Wall Street and forming their own public banks, as are a growing number of cities and counties. The Public Banking Institute formed in 2011 to assist in this process. They provide educational materials and online tools to help regular citizens get involved. Check them out! Public banks are an important first step in shifting power back to the people by building a real democratic alternative to corporate control.

### GET INVOLVED!

[publicbankinginstitute.org](http://publicbankinginstitute.org)  
[itsoureconomy.org](http://itsoureconomy.org)

References / more info /  
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