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We Need Public Banking

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While only a few dozen people across the country might tune in to a Wednesday morning subcommittee hearing under the House Financial Services Committee on solutions to increase access to our nation's banking system, millions have now seen the viral clip of Rep. Alexandria Ocasio-Cortez taking her colleagues to task for failing to read the legislation on which they were commenting. And if you'd read the bill before hearing their comments, it'd be clear as day.

The Public Banking Act, introduced in October 2020 by Representatives Ocasio-Cortez and Tlaib, mirrors legislation that has been introduced in several states and passed in California, establishing a federal regulatory framework to oversee and service publicly owned banks at the municipal and state levels that place communities' needs over corporate greed. After all, if private banks have FDIC insurance, access to the Federal Reserve and Treasury, and are (insufficiently) regulated by governments, then why wouldn't public banks?

What does it *not* do? Establish a national bank (the Federal Reserve is our central bank), take over private banks, create a single public bank, or funnel unlimited amounts of taxpayer revenue into high-risk loans, as Republicans on the committee claimed. Nevertheless, they insisted that a public-banking option would usher in an economic apocalypse and the death of American industry and innovation.

The hearings on public banking are the same every time. With every opportunity, Wall Street lobbyists and think-tank pundits — consistently the sole critics of public banking — pop up to repeat the same tired talking points: “Have you been to a DMV?” or “Big Brother is coming to crush competition and steal our freedoms and property!” These claims come despite legislation in numerous cities, states, and now Congress explicitly stating otherwise, and primarily serve to muddy the waters.

The CATO Institute and Competitive Enterprise Institute (both directly funded by the Charles Koch and fossil-fuel corporations, among others) and the American Bankers Association (the lobbying arm for Wall Street megabanks) have blatantly lied and misrepresented what public banking legislation clearly states to protect a status quo of private banks that have failed to invest in socioeconomic and environmental crises when they're not deemed profitable. While Republicans in Congress didn't bother to read the bills, they had no problem memorizing the talking points fed to them by the bankers and their think tanks.

What is public banking and why is it so scary? All one has to do is look to the Bank of North Dakota (BND), a bank owned and operated by the State of North Dakota. BND partners with credit unions and community banks across the state to increase lending capacity to the residents of North Dakota at more affordable rates, rather than letting Wall Street giants price gouge North Dakotans to maximize profits.

The result? North Dakota has more credit unions and community banks per capita than anywhere else in the country, and BND routinely returns its surpluses into the state's general fund to increase funding for public projects. Most impressively, through its requirements to make safe and sound investments, it was one of only a few banks in the country to operate in the black throughout the 2008 financial crisis and the 2020 recession sparked by COVID. Additionally, it has been a shining example and processed more PPP loans to North Dakotans than any financial institution in the country.

Over the past several years, we've seen what looks like an apocalypse as wildfires left California's skies bloodred and choked by smoke, entire towns reduced to rubble, nearly all of which were found to be directly due to mismanaged infrastructure by the state's largest energy corporations. For decades, hurricanes have been leaving cities across the South underwater and ravaged after hurricanes.

Every year sees more carnage across the world as the clock to complete climate catastrophe ticks toward zero. The only path forward to save humanity is to face these crises head-on and build a new economic foundation capable of overhauling our energy grid to 100 percent renewable, building sustainable and truly affordable housing and transit systems and much more. It's vital that our governments are equipped with every tool possible to mobilize the resources needed.

Thanks to the work of grassroots organizers in cities up and down the state, 2019 saw the first public-banking legislation in a century pass in California, creating a regulatory framework and pathway for municipalities to establish public banks. Through the creation of public banks in California, cities like San Francisco, Los Angeles, New York, Philadelphia, Seattle, Chicago, San Diego, and many more would have additional tools to invest their public revenues and assets into large projects like public infrastructure, renewable energy, affordable housing, and partnering with local banks to further increase their lending capacity and spur more affordable investment in small business, housing, education, and more.

The for-profit megabanks have almost completely monopolized public finance and failed miserably to provide the services needed by the communities they're chartered to serve. Due to a lack of public options, every city in the country is forced to turn to Wall Street titans for banking

services, held hostage by the banks' profit margins and predatory practices. Millions across the country lack access to most basic financial services such as a checking or savings account, which the for-profit banking industry has continuously failed to provide, forcing the most vulnerable residents across the country to turn to payday lenders and the check-cashing industries that charge up to 400 percent interest rates. And their investments have accelerated environmental destruction and wealth inequality by directly financing fossil fuels, weapons manufacturers, and private prisons.

Amid all of this, there is virtually no mechanism to hold such banks accountable for their crimes, let alone democratize our financial sector. It seems like common sense to many. We pay taxes to a government and expect them to use those funds to provide services to residents and improve quality of life. Yet the reality is that the taxes we pay are shipped off to Wall Street and used to underwrite loans to finance oil pipelines, defense contractors, and overpriced student loans.

These conditions call for immediate governmental intervention, ironically creating the competition that reactionary politicians cry for as a driver of progress and innovation, failing to realize that a robust network of public banks is the very competition that can set a new industry standard by charging lower interest rates on public infrastructure and providing capital to credit unions and community banks to more affordably meet the needs of local economies.

For-profit giants have branded themselves "too big to fail," yet continuously fail to meet the most basic needs of the communities they're tasked with investing in. It's time to embrace the opportunity to build a better, more equitable alternative — one that's accountable to the public and will uplift and empower the communities left behind by Wall Street. As Rep. Rashida Tlaib argues, it's not that the banks are too big to fail, but that the people are too important to fail.