TALKING POINTS FOR GLOBAL DISCUSSIONS ON PUBLIC BANKING

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Introduction

The following are talking points designed to create a template for general introductory presentations anywhere in the world on public banks. The universal applicability of these talking points stems from (1) their appeal to widely-shared historical archetypes, (2) their use of examples from several countries around the world, and (3) their appeal for a restoration of institutions devoted to the public good and for a moderation and re-shaping of private or free-market entities. Because most nations outside of the United States have both economies and underlying policy approaches that emphasize a synthesis of public and private interests, these talking points aspire to affirm that synthesis and demonstrate how the historical, economic, and moral case for public banking upholds those economies and approaches.

1. Historically Competing Models

A. Historically, two banking models – one public and one private – have competed for dominance in the way societies create and distribute wealth. The public model sees interest and profits from banking as belonging to the community, and the wealth they generate is re-invested in the community. The private model hoards interest and profit for the sake of shareholders who are often completely removed from the communities where the banks are located, and it does so at higher interest rates than public banks can provide.

1. Historical models of banking in the public interest include:

Montes Pietatius of medieval Franciscan monks

These were charitable institutions of credit that lent money at low- or no-interest, upon the security of objects left in pawn, with the stated aim of protecting clients from usery. Profits returned to the institutions were used to pay employees and extend the scope of their charitable work. Montes Pietatis ("Mount of Piety") were autonomous entities or municipal corporations. At the end of each month or each business year, after paying employees, net profits from interest were applied to the entities' capital, and if the profits were plentiful enough, this resulted in the rate of interest being lowered for the subsequent cycle.

(Sources: Ellen Brown, The Public Bank Solution, Third Millennium Press, 2013; "Montes Pietatis," Catholic Encyclopedia, http://www.newadvent.org/cathen/10534d.htm)

No-interest Islamic banking

One predominant interpretation of Islamic law prohibits the acceptance of interest or fees for loaning money. By 2009, there were over US$822 billion assets being managed in over 300 banks and 250 mutual funds around the world complying with Islamic principles. This means that any conventional derivative instruments are impossible in Islamic banking. Instead, when Islamic banks loan to businesses, they enter into a contingent agreement to share profits down the line with that business. And when people keep money in an Islamic bank, they become shareholders of the bank's business. This includes allowing people to invest in particular projects, with profits calculated specifically to those projects.

(Sources: "Sharia Calling," The Economist, November 12, 2009, http://www.economist.com/node/14859353; Mervyn K. Lewis, Latifa M. Algaoud, Islamic Banking, Cheltenham, 2001; Abdullah Saeed, "Banking without Interest," ABC.net, July 20, 2010, http://www.abc.net.au/religion/articles/2010/07/20/2959292.htm)

Quaker banks in colonial America

The Philadelphia Quakers originated a banking model involving government-issued money lent to farmers. The profits returned to the government and the people in a sustainable feedback loop that nourished and supported the local economy.

(Source: Ellen Brown, "Philadelphia Freedom: Birthplace of the Constitution Takes Center Stage," Web of Debt Blog, April 8, 2012, http://ellenbrown.com/2012/04/08/philadelphia-freedom-birthplace-of-the-constitution-takes-center-stage/)

2. Contemporary models of banking in the public interest include:

The Bank of North Dakota

The Bank of North Dakota, America's only state-owned bank, was established in 1919. It is the depository for all state taxes and fees. It provides an annual dividend back to the state treasury of tens of millions of dollars. The BND helps teams with community banks to finance small business and startup loans. It also finances disaster relief and student loans. The BND's contribution to the financial success of North Dakota (one of the most solvent states in the nation) is in stark contrast to states that deposit their revenues and invest their capital in large Wall Street banks--because the latter banks never return the money they make back into state and local projects.

(Sources: Robb Mandelbaum, "What North Dakota's Public Bank Does for Small Businesses," New York Times, March 13, 2014, http://boss.blogs.nytimes.com/2014/03/13/what-north-dakotas-public-bank-does-for-small-businesses/?_r=0; Josh Harkinson, "How the Nation's Only State-Owned Bank Became the Envy of Wall Street," Mother Jones, March 27, 2009, http://www.motherjones.com/mojo/2009/03/how-nation%E2%80%99s-only-state-owned-bank-became-envy-wall-street; Ellen Brown, "North Dakota's Economic 'Miracle'--It's Not Oil," Yes! Magazine, August 31, 2011, http://www.yesmagazine.org/new-economy/the-north-dakota-miracle-not-all-about-oil)

Public banks in other countries

In Germany, public banks were vital in helping German businesses gain a foothold in world markets following the Second World War. Public banks in India, China, and Brazil helped those countries survive the financial crises of the early 2000s. In Costa Rica, where several state-owned banks exist, the people are shocked that only one such bank exists in the United States. And only one Costa Rican public bank has ever failed; this was due to a singular case of corruption and, unlike the disasters sparked by private bank failures in the U.S., the government fully and easily absorbed the cost of the failure.

(Sources: Ellen Brown, "The Public Option in Banking: Another Look at the German Model," Truthout.org, October 14, 2011, http://www.truth-out.org/news/item/3937:the-public-option-in-banking-another-look-at-the-german-model; "Mutually Assured Existence: Public and Private Banks Have Reached a Modus Vivendi," The Economist, May 13, 2010, http://www.economist.com/node/16078466?story_id=16078466; Jaime Lopez, "Fiscal Observer Praises Banking System of Costa Rica," The Costa Rica Star, November 26, 2013, http://news.co.cr/fiscal-observer-praises-banking-system-of-costa-rica/29608/)

Postal banks

Three out of four postal systems around the world offer banking services. They are the "largest contributor to financial inclusion worldwide," according to Alexandre Berthaud-Purata of the United Nations Universal Postal Union agency. A successful postal banking system existed in the United States from 1911 until 1967, when big private banks lobbied it out of existence.

(Sources: Alexandre Berthaud-Purata, "Postal Banking Worldwide: Lessons for deepening financial inclusion and ensuring long-term viability of postal operators," Pew Conference on Financial Services and the Post Office July 16, 2014, http://www.pewtrusts.org/~/media/Assets/2014/07/FIN_Panel-2--Postal-Banking-Worldwide-by-Alexandre-BerthaudPurata.pdf; Ira Dember, "Warren versus Issa: Ten Rounds on Postal Banking," BankACT, 2014, http://bankact.org/tenrounds.htm)

B. Public banking is a re-assertion of the historically significant model of banking in the public interest. The movement for public banking re-conceptualizes banking as a public utility rather than a private interest. The availability of inexpensive credit issued by publicly-owned banks enables resources to flow to industries, enterprises, and public services that promote social goods and economic security for all.

2. Economic Points

A. Contrary to the free market mythos, big for-profit banks are heavily subsidized by governments at taxpayer expense--not just in hard times, but all the time. Banks receive fiscal transfers (bailouts) from the government in times of crisis and benefit from loan guarantees even in times of stability.

(Sources: International Monetary Fund, "Big Banks Benefit from Government Subsidies," Global Financial Stability Report, March 31, 2014, http://www.imf.org/external/pubs/ft/survey/so/2014/pol033114a.htm; Cullen Roche, "If You Support Private Banking You Support Government Subsidized Banking," Pragmatic Capitalism, June 28, 2013, http://pragcap.com/if-you-support-private-banking-you-support-government-subsidized-banking)

B. Interest for big banks is the chief means by which money is transferred from the poor and middle class to the rich--a "Reverse Robin Hood" phenomena. Currently, 35% to 40% of the money we pay for goods and services goes to interest to finance the chain of supply, production, and distribution alone. For capital projects undertaken by public agencies, such as infrastructure, schools and the like, interest paid to bondholders is another huge burden. For example, the cost of construction for the new Bay Bridge in Oakland, California was $6 billion, but added interest doubled the cost of that project.

(Source: "Bank Interests Inflate Global Prices by 35 to 40 Percent," Project Censored, September 30, 2013, http://www.projectcensored.org/8-bank-interests-inflate-global-prices-35-40-percent/; Ellen Brown, "Infrastructure Sticker Shock: Financing Costs More than Construction," Global Research, June 1, 2014, http://www.globalresearch.ca/infrastructure-sticker-shock-financing-costs-more-than-construction/5384760)

C. We have reached the point in history where material and economic security is physically and logistically possible, but achievement of this goal is blocked by the world's wealthiest interests.

1. According to a research by professors at the Massachusetts Institute of Technology, improvements in productivity no longer create jobs or trickle down to the majority of citizens. Innovation can serve humanity, but it will not increase economic growth for the majority of citizens within a traditional capitalist framework.

(Source: David Rotman, "How Technology is Destroying Jobs," Technology Review, June 12, 2013, http://www.technologyreview.com/featuredstory/515926/how-technology-is-destroying-jobs/)

2. We now have the technological capacity to produce and distribute goods for the material security of all.

Jeremy Rifkin, "The Sharing Economy on the Collaborative Commons," Common Dreams, April 29, 2014, http://www.commondreams.org/views/2014/04/29/sharing-economy-collaborative-commons; Jeremy Rifkin, "The Rise of Anti-Capitalism," New York Times, March 16, 2014, http://www.nytimes.com/2014/03/16/opinion/sunday/the-rise-of-anti-capitalism.html)

3. The pursuit of profit for its own sake acts as an artificial blockade to the realization of this material security. A reassertion of financial institutions deployed in the service of the public good is necessary to break this blockade.

3. Social and Moral Points

A. For several decades now, there has been a well-financed, concerted effort to eliminate the philosophical foundations of the public good. Think tanks such as Cato and the American Enterprise Institute and the funding of media sources with an anti-public interest bent have methodically chipped away at the moral case for a social contract.

(Sources: James Arnt Aune, Selling the Free Market: The Rhetoric of Economic Correctness, Guilford Press, 2001; Jason Michael Stahl, Selling Conservatism: Think Tanks, Conservative Ideology, and the Undermining of Liberalism, 1945--Present, ProQuest, 2008; Jamie Peck, "Pushing Austerity: State Failure, Municipal Bankruptcy and the Crises of Fiscal Federalism in the USA," Cambridge Journal of Regions, Economy and Society, June 5, 2013, http://cjres.oxfordjournals.org/content/early/2013/07/29/cjres.rst018.full; David Callahan, "$1 Billion for Ideas: Conservative Think Tanks in the 1990s," Commonweal, February 28, 1999, http://www.commonwealinstitute.org/archive/1-billion-for-ideas-conservative-think-tanks-in-the-1990s)

B. "Individualism" as a moral foundation for vast inequalities in wealth is based on the false premise that societies' wealthiest individuals and organizations actually achieve their wealth on their own.

(Source: Bernard E. Harcourt, The Illusion of Free Markets, Harvard University Press, May 1, 2011)

C. Public banks are the key to deploying prosperity for social ends and the public good, rather than greedy elites.

1. A public bank may be chartered with a particular social or policy mandate, and it is that mandate, rather than returns on investment to private shareholders, that guides its mission and policy objectives.
2. The profits of public banks are returned to the public, whereas privately owned banks increase taxpayer costs through compound interest and are compelled to return profits to shareholders.
3. Public banks can issue credit at low cost or no cost to cities and states.
4. Public banks can offer "bridges" to residential, agricultural, and public works financing, as the BND did during the Great Depression.
5. But public banks can also *preserve* socially responsible private sector entities: BND partners with the private sector, encouraging entrepreneurial startups and providing check-clearing, liquidity, and bond account safekeeping to private banks.

(Sources: Ellen Brown, The Public Bank Solution, Third Millennium Press, 2013; Matt Stannard, "Why Cities Should Use Public Banks Instead of Big Banks," Common Dreams, June 21, 2013, http://www.commondreams.org/views/2013/06/21/why-cities-should-use-public-banks-instead-big-banks)