

Public Banks Are Key to Capitalism

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To ask whether public banks would interfere with free markets assumes that we have free markets, which we don't. Banking is heavily subsidized and is monopolized by Wall Street, which has effectively "bought" Congress. Banks have been bailed out by the government, when in a free market they would have gone bankrupt. The Federal Reserve blatantly manipulates interest rates in a way that serves Wall Street, lending trillions at near-zero interest and pushing rates so artificially low that local governments have [lost billions](#) in interest-rate swaps.

Banking, money and credit are not market goods but are economic infrastructure, just as roads and bridges are physical infrastructure.

State and municipal governments already have public lending programs, which are generally not seen as distortions of the free market. They exist because private banks are not lending in some sectors that need financing. Montana finances [first-time ranchers and farmers](#); Sonoma County has its [Energy Independence Program](#); and San Francisco has half a dozen mortgage lending and small business programs. Globally, public banks lend countercyclically, providing credit when and where other banks won't. This does not crowd out private banks. Germany and Taiwan, which have strong public banking sectors, are among the most competitive banking markets in the world.

In North Dakota, the only state with its own "mini-Fed," the state-owned Bank of North Dakota routes its public lending programs through community banks. The Bank of North Dakota cooperates rather than competes with local banks, aiding with capital and liquidity requirements. Its deposit base is almost entirely composed of the revenue of the state and state agencies. North Dakota has more banks per capita than any other state, because they have not been forced to sell to their Wall Street competitors. The North Dakota Bankers' Association endorses the Bank of North Dakota, which has a mandate to support the local economy.

The Bank of North Dakota takes almost no individual deposits, but a national postal bank would, just as postal banks have done routinely in other countries without destabilizing free markets. One-fourth of American families are [unbanked or underbanked](#). With \$3 trillion in excess deposits, Wall Street [doesn't want](#) these small depositors.

We actually need publicly owned banks for a capitalist market economy to run properly. Banking, money and credit are not market goods but are economic infrastructure, just as roads and bridges are physical infrastructure. By providing inexpensive, accessible financing to the free enterprise sector of the economy, public banks make commerce more vital and

stable. Public banking is not a radical idea but has been practiced in the U.S. with excellent results for decades, and around the world for centuries.

Ellen Brown, a lawyer, is the president of the [Public Banking Institute](#) and the author, most recently, of "[The Public Bank Solution](#)."

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