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1. PBI slideshow (available on request)
2. Demonacracy Derivatives Graphics: http://demonocracy.info/infographics/usa/derivatives/bank_exposure.html
3. PBI Website: http://publicbankinginstitute.org/home.htm - 8-minute film by Bill Still & Victoria Grant is about halfway down.
4. This Q&A Notes Pages

North Dakota: Bank of North Dakota
Oklahoma: Chickasaw-owned Bank2 of Oklahoma City. Another tribal bank is Borrego Springs Bank, owned by the Viejas Band of Kumeyaay Indians.

As of May 2011 some 13.9 million Americans were formally classified as unemployed and an additional 800,000 had given up looking for work. Gallup estimated that 19.2 percent of those Americans who wanted work were underemployed.
More than 656,000 Americans were homeless in 2009. Home foreclosures continue: In May 2011, banks and lenders held 872,000 foreclosed homes and another million were in the foreclosure process. Meanwhile, hundreds of small banks fail every year, unable to make loans to small businesses that desperately need credit.
Is there a better way?

- **From a Federal Reserve Study (2010)** – "Publicly owned banks are more prominent in many other nations than in the United States. However, to our knowledge, these foreign government-owned banks were established when countries had less well developed private financial markets. There are no examples of recently formed government-owned banks in developed nations. Moreover, the market share of public banks has fallen over time." ***But this is also the period in which public debt soared for these countries. 40% of the world's banks are public, says PBI head, Ellen Brown.*** "During the past three decades, developed and developing nations alike have shifted toward more liberal banking sectors. Still, some major economies—such as China, India, Germany, and South Korea—maintain significant state involvement in the financial sector." ***All of these economies are growing faster then the U.S. and have a smaller debt/GDP ratio*** (http://en.wikipedia.org/wiki/List_of_countries_by_public_debt)***.***

- **Would State Banks perpetuate Fractional Reserve Banking?** Not necessarily. The former Senior VP of the BND stated in response to a question at the first annual PBI conference that the BND does *not* practice fractional reserve banking at all. That is, they do not loan out more money then they have in deposits. Furthermore, they do not securitize, collateralize or engage in cross-state instruments. What's deposited in the Bank of North Dakota, stays in North Dakota.

Smaller, community banks are also unlikely to engage in these kinds of extra-State activities. In fact, it is the large money-center banks that engage in exotic instruments. The smaller banks have neither the heft nor the desire to do so, and these are precisely the kinds of banks we need to serve our underserved small businesses and borrowers. The Bank of North Dakota acts as a backstop to them – a mini-Fed.

- **Does this mean the Federal Government should not seek to produce debt-free money?** Not at all. Congress, under Article 1, section 8, the Lincoln precedence, and the SCOTUS Legal Tender cases, particularly Julliard v. Greenman, establish the U.S. has the right, even the *duty*, to produce debt-free money. Even if it was the *sole* producer of money, State Banks, which de facto *do not practice fractional reserve banking*, could still exist. A bigger problem, brought up by PBI founder Ellen Brown, is that the banks are all now basically insolvent, and if they had to borrow all the money they now produce on their own, they would become unable to cover their checks. This is a flaw in the argument that government should produce all the money, lending it to the banks at interest.

- **Decentralization.** Another positive for State Banking is that it would decentralize the Money Power to the maximum practical extent possible, so that local needs and ambitions could be met.

- **Conservative banking model.** Only loans with a high probability of repayment would be made, the bank would not be a source for interest-free economic development in the state, or for other riskier ventures (no high-speed trains, infrastructure overhauls, etc.). These ventures may be desirable, but it is not the function of a State Bank to pay for them.

- **Would staring a state bank require putting the citizens into further debt from a bond issue? Ans: Although that is the way the BND started, today we have 10s of *trillions* in nearly 200 thousand government CAFR accounts, which could be reinvested (not spent) in a public bank**: e.g. Ellen Brown (http://www.huffingtonpost.com/ellen-brown/the-mysterious-cafrs-how_b_585011.html) writes:

    …California (is) struggling with a budget deficit of $26.3 billion as of April 2010. Yet the State Treasurer's website says that he manages a Pooled Money Investment Account (PMIA) tallying in at nearly $71 billion as of the same date, including a Local Agency Investment Fund (LAIF) of $24 billion. The Treasurer's website states:

        Can the State borrow LAIF dollars to resolve the budget deficit? No. California Government Code 16429.3 states that monies placed with the Treasurer for deposit in the LAIF by cities, counties, special districts, nonprofit corporations, or qualified quasi-governmental agencies shall not be subject to either of the following: (a) Transfer or loan pursuant to Sections 16310, 16312, or 16313. (b) Impoundment or seizure by any state official or state agency.

So OK, the money can't be used directly toward the state deficit, *but it can be invested differently, into a State Bank.*

For example, in New York, ~$140 billion is in the NY state pension fund (with ~$5 billion net payout/year), another ~$100 billion in NYC's pension fund. These are currently invested in stock, bond, and more exotic funds (sometimes below investment grade), some overseas, and arguably more risky then in a State Bank making local loans in the State. The NY State Pension fund was $156 billion (2007), $110 billion (2008), $134 billion (2009) and is now around $140-$150 billion (end of year figures NA yet). The secondary markets have become increasingly unstable, with **2** 50% stock market crashes in 2000-2010 – *this level of volatility has never happened before in history, not even in the Great Depression*, and it demonstrates the folly of relying on the stock market for people's retirements or budget planning. We need the stability of a State Bank.

- **What's to prevent a State Bank from over-extending credit towards mortgages like any other bank? Ans:** A State Bank would either A) make loans directly and keep them on its *own* books, or B) underwrite the loans of a smaller community bank, and be liable for *that* bank's loan if it goes bad. This is very different form a bank which writes a loan and quickly sells it off to third party investors, removing it from responsibility while pocketing quick transaction fees for little work or due diligence (if any). The latter is exactly what the TBTF banks were doing by the millions, leading up to the collapse.
  Also, we can and should have Land Value Taxation to prevent speculative excess, turning home loans into something like car loans, just on the houses. This would lower the cost of mortgages by about half, with the land portion removed, end land speculation, and provide government with enough revenue that it could stop taxing productive work in the form of: wages, sales and true capital (like buildings).

- **Won't the banks oppose this and who would our natural allies be?** Yes, the large money-center banks that profit off of the State investing tax revenues in them, then charging 5-7% interest on municipal bonds *will* object. On the other hand, smaller community banks, who do *not* get bailouts and who are failing by the hundreds every year since the 2008 crash, ought to be in favor. Other natural allies are: workers who depend on government pensions, small businesses, home loan borrowers, the local (not national) chambers of commerce, unions (who would see new jobs created), taxpayers (who would not have to pay high interest on muni bonds), etc.

Derivatives & Debt Graphics: http://demonocracy.info/
State Banking Petition: http://www.change.org/petitions/support-a-public-state-bank-for-new-york-state
NYS FB page: http://www.facebook.com/publicbankingnewyork
PBI FB page: http://www.facebook.com/publicbanking