FROM THE DESK OF

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The Case for Public Banking in a Nutshell

The following are *indisputable facts,* which can be verified by examining the references given below.

1. Banks don't just lend out *existing* money; they *create* money.[1]
2. Private banks create money to benefit, of course, themselves.
3. It stands to reason, therefore, that Public banks can create money to benefit the public that owns them.
4. *E.g.*, State banks can create money to benefit the State that owns them.
5. And Municipal banks can create money to benefit the Municipality that owns them.
6. Public banks have been *very* successful around the world, and especially so in the most financially successful countries like Germany and Switzerland.[2]
7. Therefore it stands to reason that if a State or Municipality, or any other Public body, is short of money to fund its public works, the simplest solution is to own a bank which will *create* that money.

That's it, in a nutshell!

*An **objection** which may be raised is, what if the Public, State or Municipal bank were to **fail**?*

The answer is that Public banks — such as the German *Sparkassen*, the Swiss Cantonal Banks, and (in the US) the Bank of North Dakota — have *rarely if ever* failed or required a bail-out from the government. No German *Sparkasse* has ever failed since the end of the Second World War, and neither has the Bank of North Dakota since its founding in 1919, almost a hundred years ago. Some Swiss cantonal banks did fail in the early '90s, but the losses were minimal. The historical record has borne this out.[3]

And the reason for that is, that any organization that can *create* money need never run *short* of money! Not unless it is horribly mismanaged.

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[1] *Bank of England, Quarterly Bulletin*, 2014 Q1: http://www.bankofengland.co.uk/publications/Pages/quarterlybulletin/2014/qb14q1.aspx; *How do banks create money, and why can other firms not do the same?* International Review of Financial Analysis, http://www.sciencedirect.com/science/article/pii/S1057521914001434; *Creating money through the Banking System*, San Diego State University, Power Point Presentation downloadable from http://tinyurl.com/ospty9a

[2] *German Public Bank*, Wikipedia, https://en.wikipedia.org/wiki/German_public_bank#German_public_banks; *The German Sparkassen: A Commentary and Case Study*, http://www.civitas.org.uk/economy/SimpsonSparkassen.pdf; *German savings banks and Swiss cantonal banks, lessons for the UK*, http://civitas.org.uk/pdf/SavingsBanks2010.pdf; *Cantonal Banks*, http://www.kantonalbank.com/e/gruppe/kantonalbanken/

[3] "The security of deposits of all customers is therefore guaranteed without any limit as to amount and far exceeds the legal requirements. All institutions have always been able to meet their payment commitments. Since the joint liability scheme was set up in 1973, no customer of a German savings bank or an affiliated institution has ever lost its deposits. Since that date, no savings bank or other member institution has ever become insolvent." — From *Consultation by the High-level Expert Group on Reforming the structure of the EU banking sector – Questions to banks*, Sparkasse Aachen, http://ec.europa.eu/internal_market/consultations/2012/banking_sector/individuals-and-others/sparkasse-aachen_en.pdf; "In October 1991 […] Only the state-owned cantonal banks of Berne, Geneva, Jura, Solothurn and Vaud needed taxpayers' money. The fiscal cost of resolution for these five cantonal banks combined was less than 1% of annual Swiss GDP" — from *Bank Failures in Mature Economies*, Basel Committee on Banking Supervision, http://www.bis.org/publ/bcbs_wp13.pdf

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