



UNEMPLOYMENT,  
CRUMBLING INFRASTRUCTURE,  
WEAK LOCAL ECONOMY,  
SMALL BUSINESSES UNABLE TO GET LOANS,  
LOCAL AND REGIONAL GOVERNMENTS HAMSTRUNG BY DEBT

## SOLUTION: ESTABLISH a PUBLICLY OWNED BANK of ALBUQUERQUE and CENTRAL NEW MEXICO

**The State of North Dakota has had a public bank for 100 years, benefitting the state's economy immensely. Shouldn't Albuquerque and Central New Mexico enjoy the benefits of public banking?**

### Key Advantages of a Public Bank

- **Saves taxpayers on critical infrastructure like schools, roads, and public housing.** Now, interest and fees on our bond issues are set by brokers and private banks. More bang for the buck spent on infrastructure would reduce unemployment and strengthen the local economy.
- **Protects public money from economic fluctuations.** The FDIC insures deposits in banks only to \$250,000, but the deposits in big banks of our local cities, counties, universities, schools, and hospitals are each in the millions. Further, derivative holders now have first claim on assets if a private bank fails; this could wipe out public funds in a failed bank.
- **Enables affordable loans to small businesses and students.** Small businesses often cannot qualify for loans at low rates from national banks or even credit unions, yet these institutions are awash in money available to loan. Student loans commanding 6% interest are sold from bank to bank and cannot be erased by bankruptcy. A Public Bank does not loan to individuals, but it can use its bank credit to participate in a small private bank's or credit union's loan to individuals. A public bank could serve as a clearing house for Federal student loans for residents of the cities and counties it serves, as the Bank of North Dakota does. Students could also apply for supplemental loans from local private banks cooperating with the public bank.

### What Is A Public Bank?

A Public Bank is owned by the citizens and operates by charter. A City like Albuquerque or Santa Fe can create a public bank whose profits will be earned by all the citizens as non-tax revenue for the City. Privately-owned banks, in contrast, are owned by a group of shareholders and profits go only to them. Thus, a Public Bank is able to provide non-tax revenue to the City, since its profits are returned to the general fund of the City. Further, counties like Bernalillo and cities like Rio Rancho and adjacent counties could act jointly with the City of Albuquerque and thus obtain non-tax revenue as well.

A Public Bank is run by highly qualified bankers, **not** by government officials or appointees. They run the bank in accordance with their charter to serve the public interest. They are overseen by a commission with members appointed by the cities and counties that have funds deposited in the public bank. Transparency is required.

A Public Bank will keep public monies safer than they are now. Most public deposits are currently in big national banks. If these banks should get in trouble as they did in 2008, current federal bankruptcy law

gives derivative holders first claim on bank assets. Thus City or County deposits are at risk (since public deposits are much larger than the \$250,000 maximum coverage by FDIC insurance).

A Public Bank can enable a city or county to increase its assets. Just as big national banks do, a Public Bank can benefit from fractional reserve lending. The bank makes a loan by extending **bank credit**, like an IOU between banks. **Nearly all money today is simply bank credit created like this.** This means a Public Bank could create loans (which are its assets) for capital projects approved by its cities and counties up to nine times the Bank's deposits. It is very unlikely, however, that a conservatively-managed Public Bank would extend loans anywhere near this level.

The costs of public projects are greatly reduced because public banks charge much lower interest to themselves, and that interest is paid back into the public coffers. Reducing the interest on infrastructure projects lowers the cost of the project by up to 40%. Further, a county or city can acquire free through eminent domain abandoned property where title cannot be proven, then use public bank loans to develop the property in the public interest.

In addition, public banks have served as rainy-day funds in areas coping with natural disasters.

### **Public Banking Has Worked for Years Around the Globe.**

Around the world, about 40% of central banks are publicly owned. The countries with public banks suffered much less during the credit crisis of 2007. Most public banks proposed in the U.S. are modeled on the Bank of North Dakota, established in 1919. Employees of a public bank are not paid the exorbitant salaries and bonuses that officers in large national private banks command.

*In 2014, the Wall Street Journal reported that the Bank of North Dakota, the nation's only state-owned bank, "is more profitable than Goldman Sachs, has a better credit rating than J.P. Morgan Chase, and hasn't seen profit growth drop since 2003."*

The deposit base of the Bank of North Dakota includes all state funds. Lending of their funds where loans are not readily available is done through participation with a lead financial institution--a commercial bank, savings and loan, or a credit union.

### **Why in Albuquerque and Central New Mexico?**

Public banking has gained momentum in the wake of widespread, ongoing problems with America's largest banks. Conservatives and progressives alike are realizing that states, cities and counties must solve problems that federal financial institutions cannot solve for them. Currently, groups in 30 states including Oregon, California, and Colorado are considering proposals for state public banks, and in Tucson, Washington, D.C. and Santa Fe, for local public banks. "We are on our own," says Santa Fe Mayor Javier Gonzales, who supports the proposal for a public bank there. "If we are going to support local businesses or build bridges, ... we have to find ways to raise the funds ourselves."

A Public Bank of Albuquerque and Central New Mexico could partner with local financial institutions in the manner of the Bank of North Dakota. Unemployment, lack of funding for small business, schools and public housing, local government hamstrung by debt, and failing infrastructure are issues we have waited too long to solve. It is time to revive American self-reliance, keep resources in our own communities, and put capitalism and democracy to work together.

**Public Symposium:** Hear more from Albuquerque and Bernalillo and nearby county officials and ask questions Saturday morning, Nov. 7, 8:30 a.m.-12:30 p.m., in the sanctuary of First Unitarian Church, NE Carlisle and Comanche.

For more information, go to <https://www.publicbankinginstitute.org/> and, for Santa Fe, [www.WeArePeopleHere.org/](http://www.WeArePeopleHere.org/) To visit or join our local action and study group, email [vhagen@g.com](mailto:vhagen@g.com)