

# Move Over Wall Street, People's Banks Are Coming to Replace You



*Public banking will bring democracy and accountability to the world of finance. Vertigo3d / E+ / Getty Images*

By [Phoenix Goodman](#), [Truthout](#) Published August 25, 2019

A specter is haunting Wall Street: [the public banking movement](#), which vows to replace private banks' influence in public affairs.

This movement is gaining traction in states and cities [across the U.S.](#) as motions to advance public banking are emerging in legislative halls from [California](#) to [New York](#). In response to this momentum, hope is growing that the first U.S. public bank in [100 years](#) will form in the foreseeable future. As this movement gains momentum, sparking a chain reaction, a mass switch to public banks could shift untold billions

from the coffers of Wall Street into Main Streets everywhere, ushering in a new economic order of democratized finance.

Now is the time for the public banking movement to counter the false narratives of the opposition and illuminate what the public banking ideal would look like in practice.

## What Would an Ideal Banking System Look Like?

As patience for the “too-big-to-fail” banks wanes, cities and states are finally realizing they

are better off doing for themselves what Wall Street perniciously insisted we've needed it for: providing necessary banking services to the public. Wall Street has done this with one hand while recklessly gambling, investing in environmentally destructive projects, cheating and looting with the other. Wall Street has made us forget that we have no obligation to put up with exploitation and abuse.

But that's changing. Its extractive tentacles, which have been interwoven into public finance, have been an inconvenient fact of our existence. But now, Wall Street itself is contending with an inconvenient fact: Activists are newly mobilized in the fight to sweep away private bankers' grip from the economy and usher in public sector replacements. Our hope is that it will become common perception that the creation and dissemination of money is — like the operation of courts or [fire departments](#) — much better left to democratically accountable and transparent institutions than to profiteers.

Of course, simply being “public” does not make a bank perfect — and therein lies the nuance we must address as we seek to create the best banking system we can. It's possible for there to be a public sector bank that is not fully transparent, that has corrupt or incompetent governance, or that provides special favors to private cronies or squanders public funds. [Consider the scandals that have plagued India's public sector banks](#), as well as those surrounding the [Bank of North Dakota's investments that have enriched fossil fuel extractors that encroach on Indigenous land](#).

Advocates of public banking have an opportunity to avert these problems before they begin by starting from a blank slate and seeking to craft the ideal banking system. To do so, we must formulate a type of bank that most reflects the general will of the commons, competently. It is not enough to replace what we have with something slightly better or simply “good

enough.” In a moment when the greatest power of our financial system is ripe for replacement, *why waste this historic opportunity?*

*We must formulate a type of bank that most reflects the general will of the commons, competently.*

We need banks that are not only publicly owned, but accountable, democratic, local, environmentally and socially conscious, uncorrupt, competent and conducive to social good and sustainable economic growth.

## Problems With the Current Private Banking System

Let's identify the problems of our current banking system and address each of them, in order to construct our ideal bank.

- Private profiteers own the levers of money and loan creation, which affect our entire economy and shape it in their interest; this is financial exploitation.
- Banks are giant behemoths that are “[too big to fail](#).”
- Banks have no loyalty to the public good, and as such, invest in socially destructive ways and engage in [predatory practices](#).
- Banks have no sense of ecology and sustainability, and will invest in [environmentally destructive](#) practices if short-term profit can be attained.
- Banks are [giant casinos](#) that interact with the real economy but are outside of it. Bankers are often glorified gamblers and take excessive speculative risks which provide no real value yet funnel huge sums in bonuses into their pockets for mere bet placing, often using complex financial instruments like those that crashed the world economy in 2008.

- Banks are opaque, with [vast conspiracies](#) of secret dealings, hidden money and collusion. The people can't get a peek in.
- Banks are incompetent at creating a healthy economy for all. They tell us that their expertise is needed, yet it is their so-called "expertise" that [crashed the economy](#).
- Bankers are unaccountable to the people; their loyalty is to quarterly shareholder profits alone as they are practically immune to public oversight, yet their actions affect everyone, amounting to a conflict of interest. Banks are the heart of the circulatory system of the entire economy, yet they do not act in the interest of the very economy dependent on them.

## Banks for the People

A "public bank" is simply a bank owned and operated by the public sector. But a mere "public sector bank" may still be plagued by some of the other problems on this list. One could imagine, for example, a public sector bank that corruptly provides favors to private cronies, or invests in environmentally destructive projects, or lacks accountability.

*Banks which deal with public finance should themselves be public — this is a fundamental tenet of banking reform.*

Indeed, the banks which deal with public finance should themselves be public — this is a fundamental tenet of banking reform. But that is only the first step. A fully matured bank reform — the kind that legitimately solves *all* the problems of banking — must go further than what the brand "public bank" can define on its own. Unbound by cynicism, we must take it all the way and envision a banking system that, *by definition, solves each of the problems.*

This is why we need to introduce the concept of the "*People's Bank*." This gives us clarifying language to define what we mean by the ultimate end game in public finance, beyond simply being "public sector."

Let's define a "People's Bank" as a financial institution that must embody the following criteria:

1. People's Banks are **public** — owned by the people. Their profits are reinvested into society's development.
2. People's Banks are **local**. People's Banking entails a network of municipal and regional banks that all serve their communities.
3. People's Banks are **socially responsible**. People's Banks are obligated to serve the public good by adhering to strictly defined ethical guidelines. They seek profit without sacrificing social good. Unlike the private firms that our public institutions currently bank with, People's Banks would not just pay lip service to language of social responsibility, but would have its principles strictly enshrined in the bank charters, making them "socially responsible" banks *by definition*.
4. People's Banks are **environmentally responsible**. People's Banks must promote sustainability and be barred from environmentally harmful business practices while encouraged to support green energy development programs like the Green New Deal.
5. People's Banks are **productive**, not speculative. People's Banks must be dedicated to sustainably increasing prosperity of their regions, barred from engaging in risky casino-like gambling and speculation.
6. People's Banks are **transparent**. Everyone must be able to see exactly what the bank

does, how it operates, how it compensates its staff and where it invests. This knowledge must always be publicly available and subject to third-party audits.

7. People's Banks are **democratic**. Boards of directors must be set up within the banks that reflect representation from the community and are responsive to their input.
8. People's Banks are **meritocratic**. They must foster a culture of talent, quality and excellence, and must be opposed to nepotism and cronyism. Hiring practices must require strict CV standards for the hiring of competent managers.
9. People's Banks are **accountable**. People's bankers are not private profiteers, they are public servants that are rewarded for duty to the people and are held responsible to them. Boards of directors should include not only competent financial experts, but representatives of the community for oversight and to tune the banks to the community's needs. These banker/public servants who deliver healthy economic development are rewarded reasonably, and corruption is duly penalized.

If these criteria were spread through public consciousness, we could move forward with greatly improved clarity about what we are striving to build.

Remember: when a public banking movement comes to a city near you, ensure that those responsible for its creation get the opportunity right. The iron is hot and getting hotter to incite this systemic shift. Don't let corrupt or short-term influences dictate the development of a new public bank that does not have the standards of a *People's Bank*. Go down the checklist and hold your lawmakers responsible for drafting a charter that ensures them all, as the [California Public Banking Alliance](#) has done in California. It's

much easier to get something right the first time than to go back and fix mistakes.

*Only banking that is at its core by and for the people can count as legitimate.*

Don't be fooled by the self-congratulatory faux-oversight and faux-social responsibility cynically touted by big bank propagandists. [Deregulation](#) is rife, fines are simply a "[cost of doing business](#)" and "[corporate social responsibility](#)" is a gilded show which masks systemic moral hazards. Weak regulations, measly fines and philanthropy spectacles by no means solve the banking issue — in fact, they exacerbate it by stalling true reform, by giving us "the thing without the thing." Only banking that is at its core by and for the people can count as legitimate.

Consider, for example, Bank of America's pretentious display of [social responsibility](#). Beneath the carefully constructed marketing, the pernicious truth lies. Bank of America [misleads clients](#), engages in [fraud](#) and [discriminatory lending](#), and had to pay the [largest civil settlement in history](#) for financial fraud leading up to and during the financial crisis. An ersatz marketed persona of social responsibility bears no resemblance to a People's Bank built as a [triple bottom line](#) entity at its core.

Wall Street firms paint a thin veneer of socially responsible rhetoric over their foundation of hubris and greed. People's Banks' entire identities are centered on being fundamentally socially responsible.

## Creating Real Democracy

We tend to imagine ourselves a democracy, but the immense power of finance — which itself stands outside the political sphere and controls politics via lobbyists — subverts our democracy. Voting reform is surely needed and direly overdue, but is there any doubt that private



capital is the greatest power in our plutocracy? Indeed, it's no secret that the levers of finance and big business determine the agenda to which the rest of us are forced to submit. Do we vote for Wall Street CEOs? Are they accountable to us? Can we switch them out every election cycle like our politicians? Yet, they wield not only power, but *capital* — the most dominant power in our society.

*We literally cannot have a real democracy until finance itself is democratic.*

There is simply one question we must ask: Who's going to oversee our economy — those accountable to plutocrats, or those accountable to the people?

The oligarchy pays lip service to democratic ideals yet subverts it at every turn. The kingly tyrants that classical liberalism overthrew were replaced by plutocratic tyrants, who, rather than rule overtly, now rule by proxy behind the smokescreen of our democratic institutions. The politicians come and go — mere window-dressing — while the plutocrats laugh all the way to the bank ... *their* banks!

This reveals a sobering fact: We literally cannot have a real democracy until finance itself is democratic. Until the levers of money creation are under public accountability, we will have a pseudo-democracy subverted by financiers behind the curtain. But when that pillar of our system is brought under democratic accountability via *People's Banks*, we may begin to see economics, and politics itself, shaped in a much more democratic image, and the real changes so direly needed can come to bear.

It's going to take legislative assemblies across the country to push forward the motions that will institute *People's Banks*. In other words, it is up to elected officials and the public pressure behind them to bring this "true democracy" to the fore.

That has been the challenge — getting the very people who are so often bought by corporate interests to vote on the side of the people.

But let's not be immobilized by cynicism. History is on the side of *People's Banking*. By its very nature of it being a local phenomenon, based on cities and states, *People's Banking* offers certain localities in the "laboratory of democracy" the right to try it for themselves and prove the model to the rest of the country, which will seek to emulate its successes. There are still plenty of well-intentioned elected officials who can and will champion *People's Banks*, and waves of progressive populism may yet bring more non-corporate underdogs into public office with the vision and will to bring it forward. Even fiscal conservatives will likely continue to wake up to the fact that private bank profits on public projects equate to extracted tax dollars, which would be better recycled back into public coffers.

Finally, one more banking crisis, which [many analysts](#) are now finding inevitable, will decisively refute the private banking propaganda to which we have been subjected for generations. 2008 was the first opportunity to transform banking, but the movement had not yet sufficiently matured to demand *People's Banks*, so Wall Street bought time. This next time, things will be different.

Milton Friedman, the influential libertarian free-market theorist, said in 1982:

Only a crisis — actual or perceived — produces real change. When that crisis occurs, the actions that are taken depend on the ideas that are lying around. That, I believe, is our basic function: to develop alternatives to existing policies, to keep them alive and available until the politically impossible becomes politically inevitable.

The neoliberal project of mass privatization and conglomeration that Friedman crusaded for is



reaching its twilight. In its wake, the people are now creating the alternatives to existing policies which will in time become politically inevitable.

We are on the verge of a great shift. Patience for the old paradigm is nearly exhausted. A transformation of banking in the United States would have far-reaching effects on the state of

global capitalism in general. One-hundred years after the last U.S. public bank was founded in North Dakota, the public banking movement is finally gaining real momentum. Let's seize this moment wisely, and make sure that the public banks that begin to spring up are not just any public banks, but the best type of public banks: *People's Banks*.

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