

**Public Bank Training for Organizers**  
**Draft**  
**Bruce Woll**  
**July 2019**

*“We refuse to believe that the bank of justice is bankrupt” (MLK)*

**PURPOSE OF TRAINING**

The purpose of the training is to persuade organizers that they have the capacity to play an essential role in taking control of the people’s money and prepare organizers to campaign for public banking in electoral and issues work

**GOALS**

- Be able to describe *how* the private money system enables a race to the top for some and a race to the bottom for the rest.
- Be able to describe how the people can reclaim power and control of their money through public banking.
- Identify roles that grassroots organizers and ordinary people can play in building public support for public banking.

**I. INTRODUCTION**

**Trainer Introduction**

My name is Bruce Woll. I use the pronouns he/his,him. I’m a member of the People’s Lobby and a member of the Center for Progressive Strategy and Research. The subject of this training is public banks and money.

Before I joined TPL I knew next to nothing about banking other than that I hated Wall Street. I had never heard of a public bank. But one of the things that excited me most when I did join TPL was the PPF Budget. [One page handout or slide]. It’s the reason I joined the Revenue Task Force. It draws a simple picture, on one page, of what is wrong in Illinois. And it shows how it could be different. It shows that Illinois is not poor. It can afford universal health care, green energy, fully funded human services, infrastructure needs, free college tuition, and an increase in pension contributions! *I could understand it.* Suddenly I got interested. Today I am convinced that *anyone* can understand what they need to know about money *and banking*. Organizers and citizens can understand what they need to

know in order to change what ain't right about the top-heavy political and economic power of our privatized system of banks and money.

### **Group Introductions Exercise**

I want you to pair off. Introduce yourselves and take turns sharing with your partner two things. 1) A story about your experience of money 2) An example of how money affects an issue you are working on as an organizer. (Ask trainees for examples of how income and wealth inequalities have affected them or someone they know? How has it affected your neighborhood, the city, the state, the country. (Give concrete examples: inequalities of power, of access to healthcare, schools, protection and security. Wage, incarceration rates and other inequities based on race, gender, class) You'll have \_\_\_\_ minutes.

**Let's regroup.** Any volunteers to share a story or an issue, or both. Give your name, pronouns, and affiliation. [List on newsprint examples of experience and issues.

Let's summarize. Key points. The capitalists - owners of the financial institutions, the big corporations, big shareholders – get wealthier at the expense of more and more of the rest.

It's clear that you understand some very specific ways in which something is wrong, something is unjust about money in America. I'm sure you could make this list much longer.

Somehow or other the private institutions and their richest shareholders and owners have wound up with billions of dollars in profit while the state has wound up short, year after year. We may not know how or why that happens, but anyone can understand that *that's* wrong. Its a topic that makes most people feel intimidated, angry, and confused, all at the same time.

## **II. KEYWORDS**

**Let's start with some key words.**

First, **the word "finance."** Finance is one form of money. For the purposes of this training the word finance and the word money can be used interchangeably.

Second, **the word "bank"** will be used to refer to any person or institution that handles not only its own money but also money belonging to someone else. [Write out].

Third, the difference between **public** and **private** banks. Let me begin by talking about football. There is only one team in the NFL that is owned

by the public, the Green Bay Packers. In every other major American sports league (NBA, MLB, NHL, all the other teams are privately owned. The Green Bay Packers are owned by over 250,000 shareholders, many of them residents of Green Bay. Public ownership of teams in all four major sports leagues was banned by the leagues themselves ([Friends of Public Banking](#)).

A private bank is owned by private owners and absentee shareholders to maximize the profit of those owners and shareholders.

A “public bank” is a bank, similar to a team like the Green Bay Packers. It is owned by a particular geographical community, a city, county, state or nation to serve the well-being of that community. For example, The Community Bank of Illinois Act, introduced as House Bill HB19 March 29 of this year states that “the State shall engage in the business of banking, and for that purpose shall maintain *a system of banking owned, controlled, and operated by it.*” [Have copy of the first page of the Act draft and statement of purpose available as handout or slide].

In the entire banking system of the U.S., there are only two publicly-owned banks, the Bank of North Dakota, and the new territorial bank of American Samoa. Just like the GBP these two banks are owned by their communities.

### III. HOW MONEY FLOWS

To really understand the difference between a public and a private banking system we need to think of money as something that flows, like water. We have a very limited understanding of water if we only think of it as sitting in pools, lakes, or oceans. We have a very limited understanding of money if we only think of it as sitting in banks or pocketbooks. Yet when we only think and talk about budgets we are ignoring the flow of public money that is going on all year long between budgets.

We have to be able to follow the money in and out of the pools where it is deposited for a time, in the same way we would have to be able to follow the water cycle in nature or the plumbing in a household or a city if there were a problem.

For example, taxes and other forms of public money are supposed to follow a circuit that leaves the people and institutions of a state or city and comes back to it to pay for shared services.

**What happens to it along way? That is the question that the public banking movement wants to know?**

We are going to draw a picture that will make it easier to follow the money, a flowchart of the pipes and plumbing. Let’s see how far we can follow it, step by step.

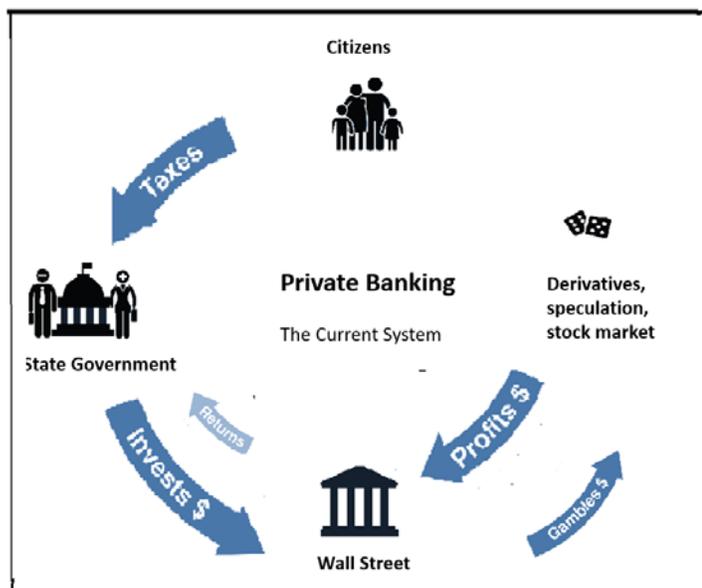
Let's begin with the taxpayer [Draw a box labelled TAXPAYER]. Where does it go first when it leaves the taxpayer's hands. [Pause for answers] In Illinois tax checks are made out to the Illinois State Treasurer, who is currently Michael W. Frerichs. of course, it does not actually go the treasurer as an individual. Where does it go? Into one or more bank accounts belonging to the State of Illinois. That's the first place it stops. [Draw a box labelled ILLINOIS and a line from taxpayer to Illinois].

Who owns that bank? Not the state. The bank is a private corporation, perhaps a Wall Street bank with a branch in Illinois. [Draw a box labelled PRIVATE BANK with a line from Illinois to it].

How long does it stay in those accounts? Some of it may be there a short time before it is used to pay bills. Some of it is invested in special accounts where it is used to earn more money. It may remain in those banks for a long time. But bankers *hate to have money just sitting there idle*. They want to put it to work. *They want it to earn interest, as much as possible. They want to keep it moving, flowing.* So as long as the public's money is "in" the hands of the private bank, it is in use, being invested somewhere. Today however some shares of that money are being *traded* hundreds of times a day.

At this point the picture gets very murky. It becomes impossible to follow the money. [Add a box labelled WALL STREET and a line to it].

One thing is clear, however. While the state has trouble paying its bills, Wall Street does very well. Outsourcing its money to Wall Street doesn't pay off for the state.



## **IV. THE MECHANISMS OF THE RACE TO THE TOP FOR THE FEW AND THE RACE TO THE BOTTOM FOR THE MANEY**

### **1. Private money companies are part of a *system of divided loyalties*.**

Primary beneficiaries are absentee shareholders and owners. The purpose of most large private financial institutions is to earn profits for its owners or shareholders who may be anywhere in the world. They are in the business of making a profit for absentee private individuals and corporate entities and owners. Something is wrong when the biggest financial institutions have to be told, by federal regulation, to put the customer's interests first over their own.<sup>1</sup>

Governor Rauner, before he was governor, was a senior partner of a company called GTCR. Rauner himself estimated that pensions accounted for half to two-thirds of the money he and his partners raised, making him a multibillionaire.

After Rauner cashed in his profits from GTCR and became governor, you know the rest of the story. It's true that some retired pensioners gamed the system – for thousands of dollars. But Rauner's profits from pensions were in the billions.

Before he became governor Rauner cashed in his profits from GTCR. As governor, Rauner, as we all know, the state's money problems got worse not better. Its pension funds have continued to be underfunded, threatening to bankrupt the state. To make matters worse, when Rauner became governor turned around and blamed greedy pensioners for the State's near bankrupt condition. It's true that some retired pensioners gamed the system – for thousands of dollars. But Rauner's profits from pensions were in the billions. Something's wrong with this picture.

### **2. The production of ignorance**

The less the public knows the better for those who control the system. Instead of a clear flow from point to point the plumbing goes underground. There is no complete map, no flowchart. The money industry itself talks about dark money. You think it's too complicated to understand? Join the economists and financial wizards. We learned in 2008 that they don't

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<sup>1</sup> See for example the NYT editorial "The way to stop predatory lending," (NYT, 5/23/19), and the article in the NYT "S.E.C. adopts broker rules as consumer advocates object," (NYT, 6/6/19).

understand it either. When public money enters this maze it is impossible to follow its trail [Diagram of a maze of pipelines].

### 3. **Predatory Charges**

It charges for its services. There is nothing wrong with that – as long as what it charges is reasonable and transparent. The secrecy of the current system means in practice that the costs are *predatory*, comparable to street-level payday lenders.

### 4. **Four, the private money system uses a single index, amount of money made as the only measure of success and health.**

It does not matter whether that profit or gain has come from weapons, debt-encumbered students, more people without healthcare, climate-destroying energy, or bad mortgages.

The Gross National Product and Gross Domestic Product indices both represent the total [market value](#) of all goods and services produced over a defined period. Those “goods and services” will include “bads” as well as goods.” It makes no difference how those goods are distributed. What are some of the other problems with these measures?

### 5. **The private money system is a central part of the top-heavy concentration of political and economic power that is unprecedented**

Big Business has bought Big Government. “They own us” was Senator Durbin’s blunt confession in 2009.

### 6. **The consequence is a race to the top for the privatized class that has bought the public’s institutions of government. A race to the bottom for more and more of the rest of us.**

A political system with a “business” model” that is the enemy of democracy. The minority who control this system are busily trying to consolidate their control over the way we think and see the world – ourselves, one another, and the earth. Today this is happening in broad daylight. Except that it is not only the air, water, land, and life of the material planet that is being choked with pollution. It is also our minds that are being choked with pollution. The pride of our digital age, our awesome *privatized* digital media technologies, have become smog-producing industries.

Taxes are not the only source of the public’s money that winds making lots of money for the already rich few at the expense of more and more of the rest (Accumulation by dispossession). Other examples include pension funds and home and small business mortgages, as well as payday

lenders preying on people living from paycheck to paycheck. In the years before and after 2008, the private financial industry literally lost track of *who owned the title* to millions of homes and created an industry to foreclose on the basis of manufactured faked titles.<sup>2</sup>

#### IV. THE PUBLIC BANK ALTERNATIVE

Given the systemic mechanisms of injustice - divided loyalties, secrecy, predatory costs, morally indiscriminate measure of economic wellbeing - and their social and political consequences a national public banking movement has emerged in the U.S. in the last ten years. Some thirty jurisdictions – states and cities – have taken action to stop outsourcing public money to private absentee finance.

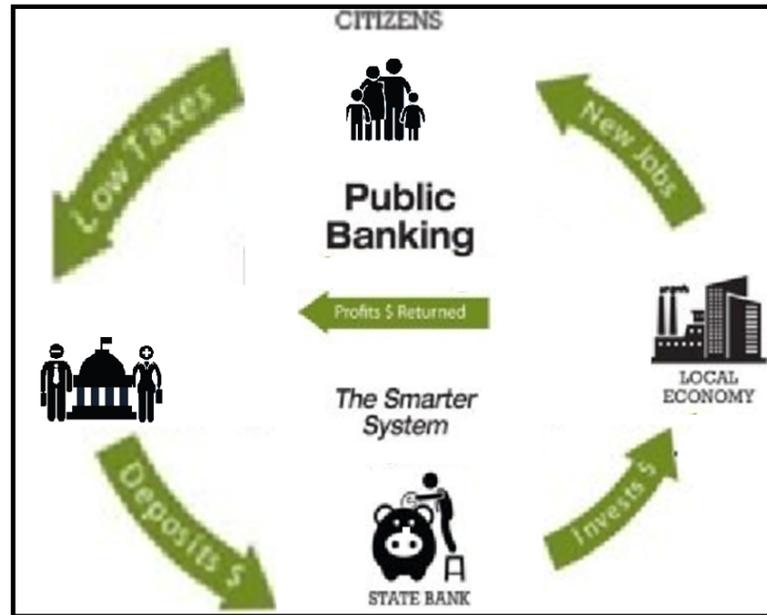
The national Public Banking Institute (PBI) is one of a growing body of grassroots organizations committed to taking back ownership and control of *all* the public's representative institutions from privatized institutions of power and wealth that represent, in the first place, themselves.

The specific mission of the PBI is to demand just banks, just finance, just money, just economies. It demands *public* banks, banks owned and controlled by a public community's own governing institutions, as an essential condition for justice. The demand for a public bank in the name of economic justice includes several specific demands that make the whole system very different from the private money system.

We will use a second flowchart to track these differences

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<sup>2</sup> David Dayen, *Chain of Title*, 2016.



## 1. A bank without divided loyalties

Recall that a private bank is one that is owned by a private corporation to handle its own and other people's money. It exists to serve its wealthy owners first and foremost. When a public jurisdiction outsources its money to a private bank, that bank uses the public's money – taxes, pensions, mortgage payments – as, first of all, a source of profit for its private circle of wealthy owners and shareholders. [point to the differences in the flow on the two charts]

The demand for a public bank is a demand for a bank without divided loyalties. In other words, a bank *owned* by a jurisdiction to further the well-being of that jurisdiction, that community, not the profits of absentee owners.

For example, The Community Bank of Illinois Act, introduced as House Bill HB19 March 29 of this year states that “the State shall engage in the business of banking, and for that purpose shall maintain a system of banking owned, controlled, and operated by it.”

## 2. Transparency

The demand for a public bank *must include the demand for complete transparency in the flow of the public's money*. Transparency is not guaranteed by a public bank. But there are crucial *systemic* obstacles to transparency and incentives to secrecy that would not exist in a public bank.

First, *incentives* to secrecy that exist in the case of private banks because of its divided loyalties are removed.

One *obstacle* is the sheer complexity of the current privatized money system. Much of that complexity is driven by its one-eyed profit imperative, its insatiable appetite for more and more and more money. Some of it, like money-laundering, is deliberately intended to make it *impossible* to follow the money [draw a maze on the flowchart to represent this].

Taxes are not the only source of the public's money that winds up in the hands of the private financial industry. Other examples include pension funds and mortgages in the trillions of dollars. Can you think of other examples? (savings, paychecks).

What happened to home mortgages in the years before and after 2008, right up to the present? The private financial industry literally lost track of *who owned the title* to millions of homes and created an industry to foreclose on the basis of manufactured faked titles.

What happened to pension funds? In Illinois, former governor Bruce Rauner made a billion dollar fortune on pension funds while Illinois pension funds have ended up short.

If we try to follow pension fund money around the track from the moment it is subtracted from a worker's paycheck until that worker retires and starts receives his first retirement check, how much do we know?

Another example: In 2018, according to [the Public Bank NYC coalition](#), pensions in New York City amounted to \$194 billion, "yet only two percent ... is invested in the economically strapped places where many of those workers live, and only one percent is invested in the public infrastructure on which they depend. The rest goes to private funds, managed by private money managers, who, over a decade, pocketed more than \$2 billion in fees."

### **3. Elimination of incentive for predatory costs**

Currently, 35% to 40% of the money we pay for goods and services goes to interest, paid out to bankers, financiers, and bondholders, which explain how wealth is systematically transferred from Main Street to Wall Street. The rich get progressively richer at the expense of the poor. This is not just a matter of greed. It is built into the system of the private banking system. By 2010, 1% of the population owned 42% of US financial wealth. Those in the bottom 80% pay hidden interest that those on top collect.<sup>3</sup>

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<sup>3</sup> <http://www.binzagr-institute.org/wp-content/uploads/2014/11/PN-101.pdf>

One way state or local governments fund large-scale projects not covered by taxes is to borrow from the bond market at high interest rates. Borrowing from the private financial system is costly due to arbitrarily high fee structures and excessive compensation of their managers. For example, the actual building cost of one part of the San Francisco-Oakland Bay Bridge was \$6.3 billion, but by the time the bonds, the money borrowed, are paid off the price tag will be closer to \$13 billion. Ellen Brown, founder of the Public Banking Institute, maintains the country could save a trillion dollars on infrastructure costs through public-bank financing.<sup>4</sup> In 2016 Chicago's Civic Lab book, *Chicago is not Broke*, estimated that Chicago could have saved at least \$1,365 billion in debt service if it had had a public bank, as well as additional annual revenues that could have been generated. LA pays \$3.14 billion in debt service to borrow money from Wall Street<sup>1</sup>

The cost of a loan from the public bank of North Dakota, for example, is just two percent interest, whereas municipal bonds can have rates four times as high.<sup>5</sup>

#### **4. Health and welfare of the whole community is the only priority**

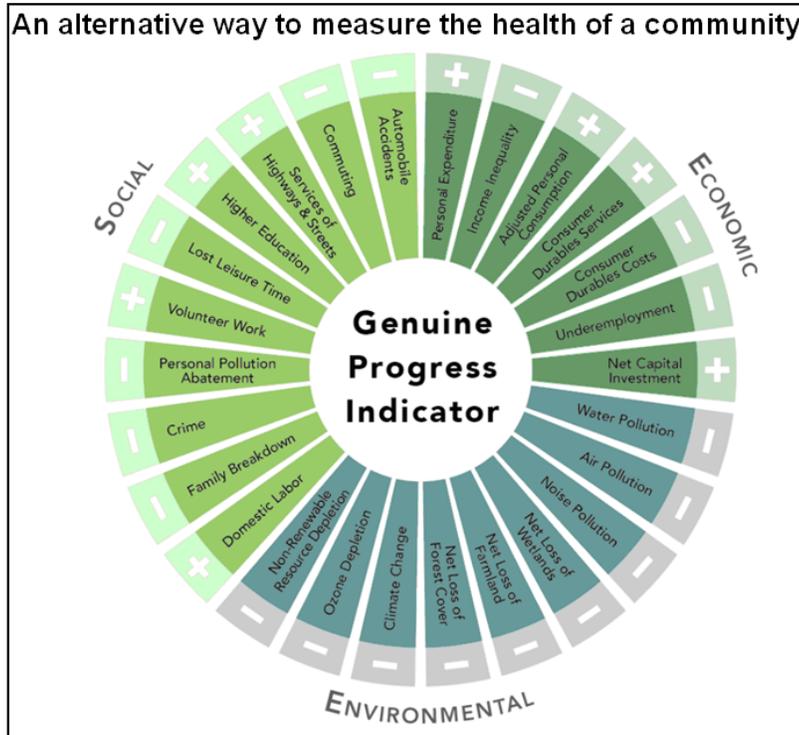
*How do you measure the health and welfare of a state or city or any other community?*

The purpose of most large private financial institutions is to earn profits for its owners or shareholders by providing financial services to customers. The chartered purpose of a public bank is not divided in this way. It has one purpose, to serve the interests of the people in its jurisdiction: city, state, county, or territory as in the case of Samoa. For example, the proposed *Community Bank of Illinois* will exist for the purpose of “encouraging and promoting agriculture, commerce, and industry” of the state.

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<sup>4</sup> <https://newrepublic.com/article/150594/public-banks-suddenly-popular>

<sup>5</sup> <http://inthesetimes.com/article/20044/the-fight-for-public-banking>; See also <https://newrepublic.com/article/150594/public-banks-suddenly-popular>



**The measure of success** of a public bank, in other words, is the life, justice, and health of communities, instead of the portfolio size of bank owners and detached, absentee shareholders.

**Public banking can focus the conversation about wealth on the meaning of a “rich” community.**

## **5. Eliminate the pipeline to the private money system**

A public bank, by cutting out the pipeline that funnels public money directly to the private money system cuts out one huge mechanism of the race to the top for the already wealthy, and the race to the bottom for more and more of the rest.

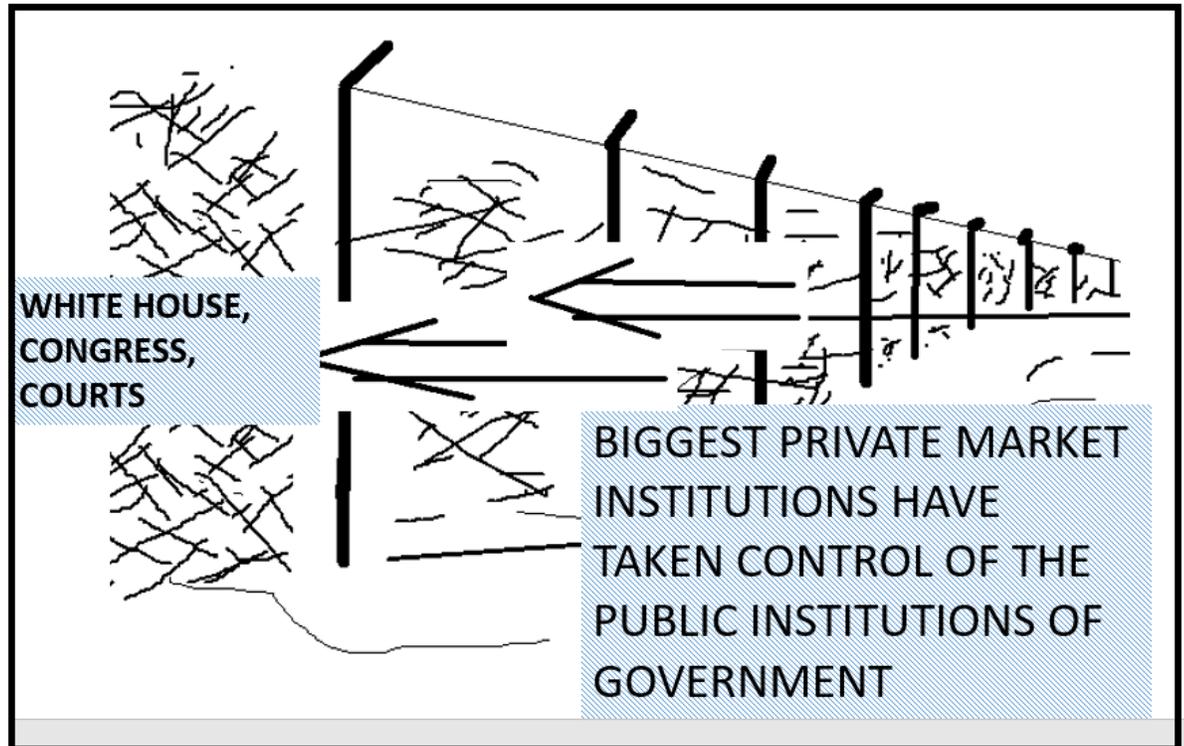
A public bank, however, does not eliminate *other* sources which are relentlessly concentrating more and more power and wealth into fewer and fewer hands in a mad race for still more power and more wealth. This leads to the final demand.

## **V. PUBLIC BANKS AND THE LARGER BATTLE**

A public bank, by cutting out the pipeline that funnels public money directly to the private money system cuts out one huge mechanism of the

race to the top for the already wealthy, and the race to the bottom for more and more of the rest.

However, there is a larger battle against *all* the mechanisms used by the other big private industries in addition to finance – military, healthcare, energy, media, industries which are relentlessly concentrating more and more power and wealth into fewer and fewer hands in a mad race for still more power and more wealth.



The fight for public banks is one front in this larger battle against any and all forms of excessively concentrated power.

How much is excessive? So much power in so few hands that there is no way to check domination by the few over the many. No way to prevent private self-interest from replacing the well-being of the whole body politic. No checks and balances. No separation of powers.

It is a fight for control of public decision-making, the rules and arrangements for making decisions that affect the public.

Where decisions affect the public; that is, its consequences affect everyone, the rules and arrangements for making decisions *must be trusted* to maximally represent everyone, the whole body politic.

That requires, at a bare minimum, *transparency*. Decisions must be made in the open, in full view of the public.

The fight is always against *any* circle that is able to concentrate so much power that it can take control of the public decision-making arrangements to promote their own *private self-interest* at the expense of the public.

## VI. PUBLIC BANKING AND ORGANIZING

A public bank is not a magic bullet. Transparency is not automatic. What the well-being of communities, cities, states, nations, the world itself is precisely what the fight is all about. Creating a public bank to further economically just communities requires politically just governing institutions. The movement for public banking *depends* upon the movement to elect just public representatives. There are lots of different ways to arrive at a better world, but if we neglect finance and don't have a plan for it, we'll still be held hostage by the bankers.

The national public banking movement has also demonstrated that public banking can *strengthen* electoral and issues organizing. In Los Angeles, for example, it has mobilized constituencies not previously active politically. What follows is a plan for how organizers can build a campaign for a public bank that will build the *common* wealth of Illinois.

### Strategy

The core principle informing the strategy must be the *interdependence* not the opposition of you and me.

First, *appeal to the whole state*. The need for more funding is an intersectional issue that affects the large majority of people throughout the state. It is one issue that most people in urban, suburban, small town, and rural communities can agree on, an issue that is made to order to organize a state-wide campaign around.

Second, *declare war against the lie of climate denial*. The national campaign for public banking is also a militant campaign for a sustainable earth. When climate activists campaigning to disinvest in climate denial moved to take city money out of Wells-Fargo they found that there were no innocent alternatives.

The earth and the people of the earth *are one issue*, not two. The campaign for public banks *puts teeth in* The People and Planet First Budget for Illinois.

Third, *declare war against privatization in the name of privacy.*

### **Next steps**

- Organizer training
- Develop advanced training
- Build technical financial research team
- Conference for legislators, coalition leaders and organizer teams
- Public Meeting to launch public literacy campaign
- Website

### **Organizer roles**

In addition to lobbying and election work, organizing for a public bank requires organizers who can become

- Coalition builders
- Strategizers
- Researchers
  - Electoral and issue organizing may also be opportunities to educate *yourself* about the money flow involved in the particular campaign or issue
- Public educators: build literacy about collective finance
  - Electoral and issue organizing may also be opportunities to educate *others* about the money flow involved in the particular campaign or issue

### **V. FILL OUT INDIVIDUAL ACTION COMMITMENTS**

- List names of individuals you know who may be competent and willing to explain and give examples about the money flow involved in a particular issue you are concerned with and identify how many you will commit to talking with in the next month.
- Check which roles you are interested in taking
  - Strategizing \_\_\_ Coalition building \_\_\_\_ Research \_\_\_ Public education \_\_\_\_

### **VI. EVALUATION**

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