WHY THE COVID-19 CRISIS CALLS FOR PUBLIC BANKS

PUBLIC BANKS CAN:

- Deliver more funds, more efficiently.
- Provide emergency funding without tapping into reserves.
- Keep banking profits in the community to be reinvested.
- Fund preventive measures for resiliency to future crises.
- Make Emergency Preparedness Plans more comprehensive.

1. PUBLIC BANKS CAN PROVIDE MORE FUNDING FOR HOUSING, HOSPITALS, INFRASTRUCTURE, AND SMALL BUSINESSES THAN CAN BE SPENT THROUGH FISCAL POLICY, LOAN FUNDS, OR OTHER LENDING VEHICLES.

- Among the extraordinary measures cities, counties, states, and the federal government are proposing and taking, starting a public bank is the most efficient. We need to do it now.
- A city, county or state can make 10 times as many loans with its existing money if it uses this money to capitalize a bank, rather than setting up a loan fund. This capital will be complemented by deposits into the bank to back the loans, which a city/county/state can use its existing deposits—simply move them from whatever bank they are in now into the public bank. If additional liquidity is needed, the public bank can draw on the Fed Funds market or the Repo market (also lending at 0.25 percent, and now backstopped by the Federal Reserve) or the Fed discount window.

2. PUBLIC BANKS ARE AN INVALUABLE COMPONENT OF EMERGENCY RESPONSE AND PREPAREDNESS PLANS. IN PARTNERSHIP WITH COMMUNITY BANKS AND CREDIT UNIONS, THEY WILL BE BEST SUITED TO ADDRESS PRESSING NEEDS.

- Local financial institutions are most aware of local needs and can best allocate their resources, rather than relying on large banks with minimal local presence.
- Loan repayments return to the community and can be used for post-crisis needs—not to enrich bank shareholders and executives.

3. PUBLIC BANKS CAN MAKE EMERGENCY LOANS TO SOCIAL SERVICE PROVIDERS, SCHOOLS, SMALL BUSINESSES, AND OTHER VITAL FUNCTIONS—GUARANTEED BY CITY, COUNTY, AND EVEN THE STATE GOVERNMENT.

- Municipalities and the state will guarantee these loans: they may need to pay back a portion of the money to the public banks, after responding quickly while not depleting their invaluable reserves.
- A public bank can purchase municipal bonds issued by cities and counties to pay for emergency lending and direct subsidy programs. Public banks can introduce new money at the time of a crisis, and repayments will be reinvested in the impacted regions.
- Local governments can move a portion of their investments and reserves to the public bank, which serves the double duty of maintaining these assets while also supporting necessary activities directly and locally.

California Public Banking Alliance

CaliforniaPublicBankingAlliance.org