Public & Private Bank Comparison

Item	Public Bank	Private Bank
Number of Banks	• One - Bank of North Dakota formed in 1919.	• 6,891 as of Oct 2013[1].
Ownership	• Owned by the people of the state or community served.	• Owned by private people, corporations, or foreign interests.
Goal	• Promote the economy of the state or community in the best possible way by providing credit for growth and prosperity.	• Rapid, short-term generation of profit, often leading to literally gambling your money in derivatives.
Investment Options	• None. • All funds and profits are used to serve the people of the state or community.	• Any kind to make the private bank owners money; Derivatives, CDOs, Stock & Bond trading, gold purchases/sales, Real Estate, International projects, et al. • Creating new ways to make money in these organizations is rewarded with monumental bonuses, especially if the new investment vehicle outwardly appears to be a great opportunity but its true financial effects are hidden deep within a complicated structure. • Money can go anywhere in the world and most certainly out of the state where it was deposited. • The money's availability is limited to the private owners of the bank.
Risk	• Safe. The money is for state or local people & projects only.	• Extremely High. There would be no need to construct Bail-In procedures if a big bank failure was not possible and probably imminent.
Operation	• Professional bankers	• Politicians
Manager Wages	• Salaried public servants paid by the state with a transparent pay structure. • No bonuses. • No stock options because public banks have no stock. • No perks other than normal pay raises.	• Millions, limited only by the bank board's approval. • Paid by profits of bank. • Unlimited bonuses. • Boondoggles for bank executives. • Perks including stock options, planes, houses etc.

[1] According to the Federal Deposit Insurance Corp., in the past 30 years, more than 10,000 banks have closed because of mergers, consolidations or failures. The overwhelming majority of those closures were small banks, or those with less than $100 million in assets. Small banks are the most important source of loans for small businesses. Since the end of the recession, small banks have approved three to four times more small business loans every month than big banks. Small banks make their money from what many think of as traditional banking -- the spread between the interest they pay to depositors and the interest borrowers pay for loans. However, the Federal Reserve's monetary policy since the 2008 financial crisis of keeping interest near zero has cut that difference paper-thin. http://www.cbsnews.com/news/number-of-us-banks-drops-to-record-low/. Since 2008, rules created by the Bank for International Settlements and the Federal Reserve have hit small banks the hardest. This trend of creating and constantly modifying laws and financial rules has been a huge burden for small local bank hindering their continued operations. The many small changes coming from many different agencies and many different directions when taken in aggregate appear to be intentionally caused so as to create an environment where small local banks can be easily gobbled up by big banks.

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Acceptance of Consumer Deposits.	• A state public bank most likely would not take these deposits. Their main focus would be financing state projects or agencies to meet state-specific or local community needs. They also underwrite & guarantee local bank financing thereby reducing or eliminating bank failures in the state. • A county or city public bank may take these but doing so would put them in competition with already existing local banks and that is contrary to the mission of a state public bank. However, if the only local banks are big banks then a county or city public bank should be created to directly compete against the transferring of state generated funds to out-of-state owners. A local public bank would also be far safer deposit option, plus they are more attentive to individual customer needs.	• Yes
Ownership of Depositor's Money	• The Public Bank owns the deposited money but the owners of the public bank are citizens of the state.	• Private Bank owns the depositor's money for the direct benefit of the private owners of the bank. The private owners could be any single person, group, corporation, or non-US entity.
Depositor ownership status of the money deposited.	• The depositor is an unsecured creditor to the bank. Your savings or checking account is an IOU from the bank.	• The depositor is an unsecured creditor to the bank. Your savings or checking account is an IOU from the bank.
Depositor Insurance	• Public State Banks usually self-insure rather than use the FDIC which has regulations and large fees to participate. This does not put depositors at risk. Rather, it helps avoid risk and unnecessary expense, since the state's assets could cover far more than the $250,000 of the FDIC. • FDIC insurance is not only expensive but subjects members to FDIC regulation, making the state subservient to a semi-private national banking association. • Public banks would not join the FDIC to maintain their financial independence.	• FDIC. • Currently the FDIC reserves cover only .25% (that's ¼ of 1%) on deposits, and .008% (8 one thousandth of a %) when derivative exposure is included.
Bank Borrowing	• Public banks would be part of the Federal Reserve System to access the low interest rates given to private banks.	• Private banks are part of the Federal Reserve System which allows them to acquire funds at low interest rates
How new money is created.	• Bank loans are capitalized by the creation of new money. A public bank creates new money by literally typing on a computer screen, the amount of the loan into the borrower's deposit account.	• Bank loans are capitalized by the creation of new money. A private bank creates new money by literally typing on a computer screen, the amount of the loan into the borrower's deposit account.
Amount of interest charged.	• A State Public Bank does not finance intrastate projects to make a profit. They are financing projects for the public good of its citizens. • Can charge no interest if it desires. Since the State Public Bank is financing state projects the assignment of interest payments is simply paying money back to itself. • Interest rates are set by the state on a case-by-case basis. For example, the state might charge interest on a loan taken by an out-of-state contractor doing work in the state.	• Private Banks create money out of thin air and then charge interest for this when they have done absolutely nothing to deserve it. • Interest is one of the bank's largest sources of income and profit for the private owners of the bank. • Interest is charged for all loans. • Highest rate possible or the highest rate they can get away with.

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Interest dollars collected.	• If interest is assigned to a loan, all proceeds go back into the state coffers for the direct benefit of the citizens of the state.	• All interest proceeds go to the private owners of the bank. • The owners of a private bank may not be US citizens so the income and profits could be going to another country.
Interest dollars spent.	• All interest proceeds are used to pay for state projects, agencies, personnel or anything directly benefiting the citizens of the state. This includes the reduction of taxes.	• Spent exclusively by the private owners of the bank who could be any single person, group, corporation, or non-US entity.
Role of local banks.	• Cooperative • A State Public Bank's job is to promote the state's economy by providing credit for growth and prosperity. This credit is available to local banks to strengthen their financial position when needed. • Local banks do the jobs normally attributed to banks of savings, checking and loans. • If the local banks are only the big banks then the state public bank would not necessarily want to cooperate with these institutions as they (big banks) would be conducting business in a way contrary to the state public bank's mission of promoting the state's economy. This mission requires money made in the state to stay in the state. However, any money made by the big banks would be transferred out-of-state for the exclusive use of the bank's private owners who could be any single person, group, corporation, or non-US entity.	• Competitive. Dog eat dog. • Big Banks have lots of money to spend on advertising to draw potential depositors to them.
Disaster Relief.	• A state public bank can provide disaster relief thru immediate funding as witnessed by the North Dakota floods of 2014. While disaster victims in other states wait for federal relief that is often too little too late or rely on insurance policies with obscure clauses excluding coverage when needed most.	• No, not unless the can make money on it.

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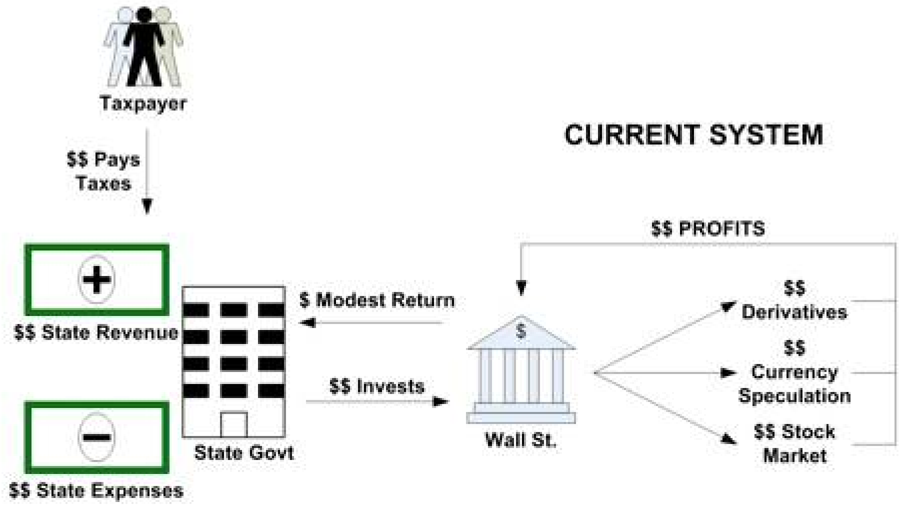

Figure 1 - Private Banking Money Flow

Public banking is distinguished from private banking in that its mandate is to serve the public good. Privately-owned banks, by contrast, have shareholders who generally seek short-term profits as their highest priority. Public banks are able to reduce taxes within their jurisdictions, because their profits are returned to the general fund. Costs of public projects are greatly reduced since public banks can charge low interest rates or in some cases no interest. Eliminating interest reduces the cost of public works projects by 50%.

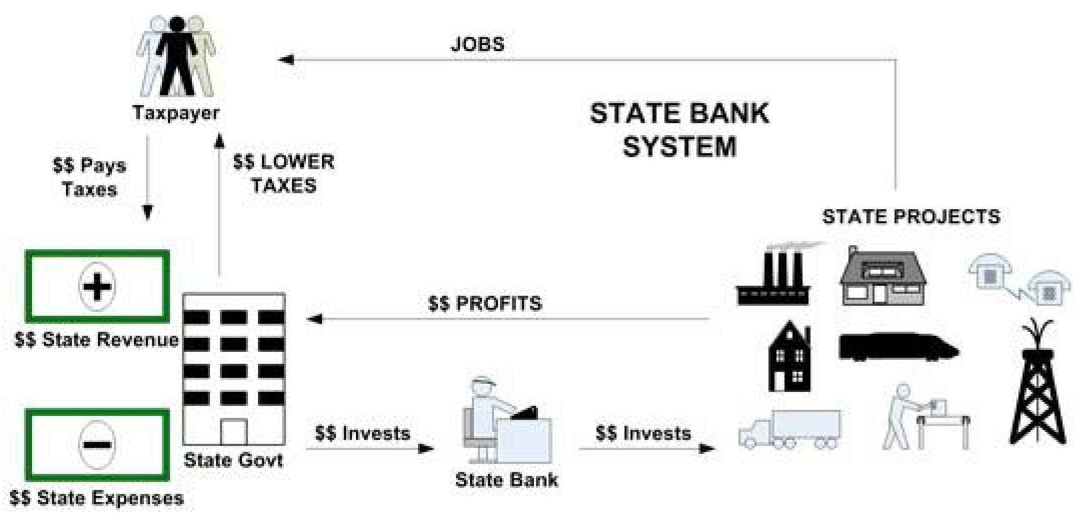

Figure 2 - Public Banking Money Flow

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