

# The Private vs Public Banking Models

The following two slides will answer several very important questions:

1. What happens to the moneys you pay in taxes and fees to your governments – city, county, state?
2. Where are they deposited?
3. And how are these taxes used, and by whom?

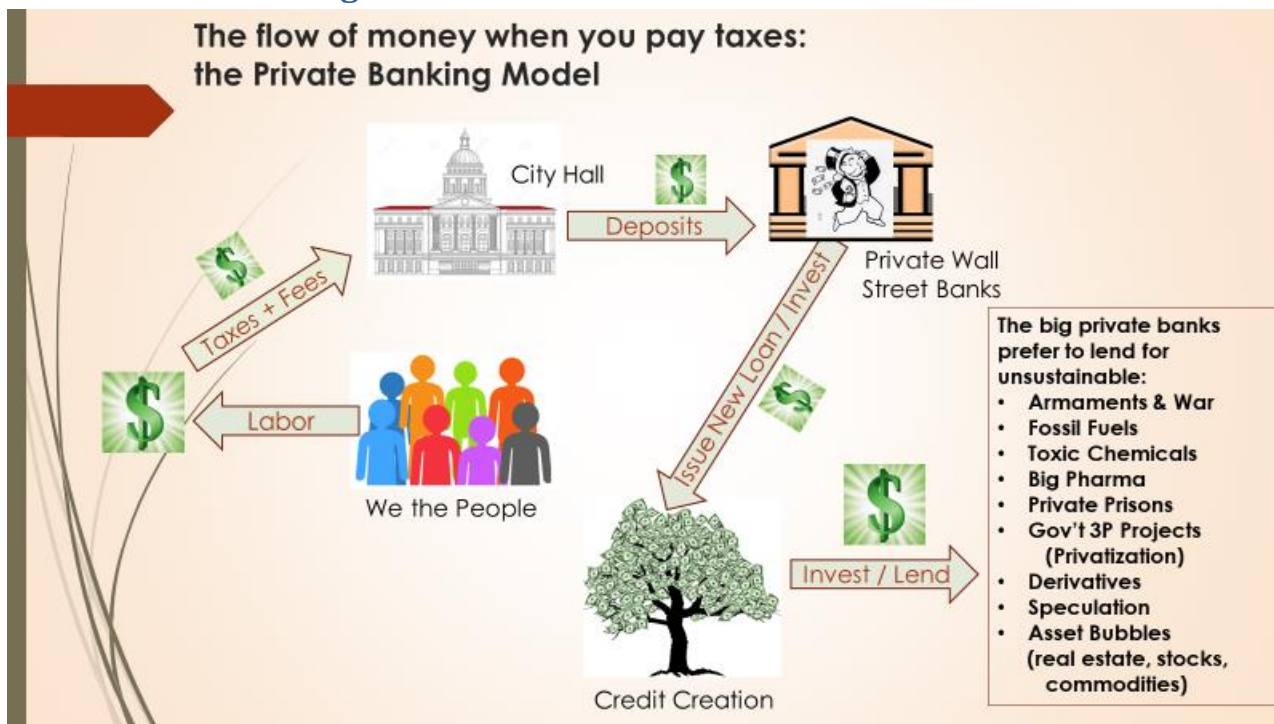
But first some statements of fact that will be assumed throughout this document:

- Banks are **not intermediaries** between depositors and borrowers. When banks issue a loan they do **not** simply transfer money from a depositor's account into a borrower's account. Empirical studies have demonstrated that Banks are doing something much more significant.
- **Banks create credit**. By far the most important role of a bank is as an agent of Credit Creation. Banks create money when they issue loans.

So, there are two general models that define the flow of money when you pay taxes to your governments, local, county, state, and national. These are...

- The **Private** Banking model; and...
- The **Public** Banking model.

## The PRIVATE Banking Model of Taxation:



By far the for-profit Private Banking Model is dominant – controlling more than 97% of the credit markets in this country. In fact, there is only ONE Public Bank in the United States, and that's the State Bank of North Dakota.

So, looking at the model above,

- We see that our labor produces a medium of economic exchange, money.
- Part of this money is given to our City government in the form of sales taxes and fees.
- The City then deposits our money in a Wall Street bank.

- Wall Street banks then leverage our tax wealth many times, creating new money when they issue loans.
- And studies show that the big Wall Street banks lend to big Corporations, and engage in high risk speculative gambling in derivatives, asset bubbles, and other investments that do not add to the real economy of goods and services.
- And when these banks go bust, taxpayers are called upon once again to BAIL OUT or BAIL IN the banks.

By the way, in these 2 models you can replace City with County, or State, or even National Government. The model applies at all levels of government.

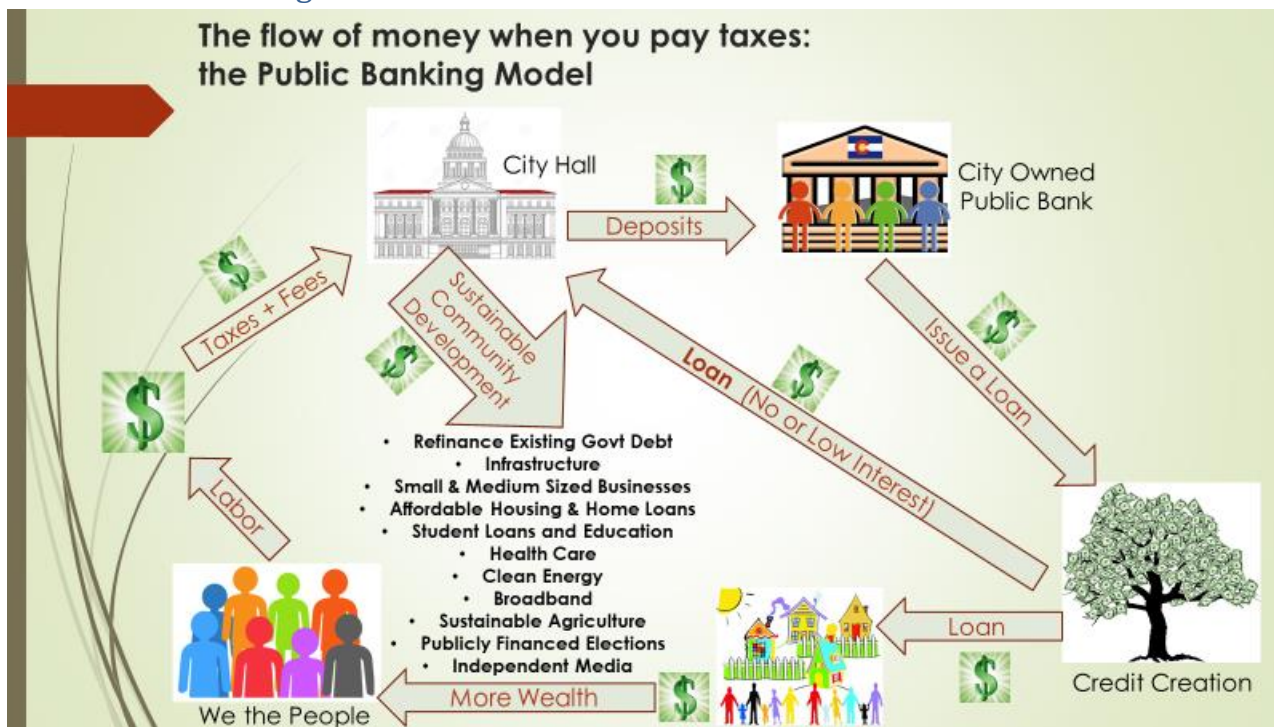
Most important about this model, studies have shown that this For-Profit Banking Model fosters a mass exodus of public wealth from the local community into the coffers of the Wall Street banks.

This model focuses around the for-profit ownership of the money supply, with private – often secretive – actors owning obscene sums of money, and using their vast wealth to corrupt our political processes and institutions.

The now all-too-familiar Boom and Bust cycles of the economy is testament to the failings of this for-profit Wall Street banking system.

In the above banking model the powers of credit creation are private owned, to be used as Wall Street banks see fit, for their own purposes and designs.

### The PUBLIC Banking Model of Taxation:



When a Public Bank is established in your city, the circle of money within the community is complete.

- Money is earned as income from labor,
- Taxes and fees are paid to your governments,
- Your tax money is then deposited with the City, County, or State owned public bank,
- New money is created in the issuance of new loans for development,
- creating more community wealth,
- which creates more taxes – completing the circle of community investment.

In this model, the **powerful engine of credit creation** is restored to the people.

With a Public Bank, the money is kept in the community, and if interest is charged, the interest then becomes a public asset to be used for the public good and returned to the community – according to its Banking Charter and Mission Statement.

In this model a feedback loop of the money supply creates a powerful engine for community health and well-being, creating the possibility to build a more just and sustainable society.

#### Further Resources:

- Public Banking Institute: <http://PublicBankingInstitute.org>
- Rocky Mountain Public Banking Institute: <http://RMPBI.ORG>
- Colorado Public Banking Coalition: <http://ColoradoPublicBankingCoalition.org> (please sign Support Letter)
- Prof Richard Werner: On Credit Creation and the Role of Banks: <https://tinyurl.com/CreditCreation>