



Alliance for Local Economic Prosperity

Keeping Our Public Funds Safe, Local and Working



HIGHLIGHTS Of White Paper:

“Public Banking in the Northeast and Midwest States”

A report published by The Northeast-Midwest Institute, www.nemw.org

By Sebastian Leder Macek, September 2019

The Northeast-Midwest Institute is a nonprofit, nonpartisan public policy organization based in Washington, D.C.. Their work is focused on economic vitality, environmental quality and regional equity for 18 states in the Northeast and Midwest. The Institute has developed research, policy options and regional coalitions.

The report identifies “policy breakdowns” in the 18 states and considers how development of state public banks could address the issues. Those issues include uncompetitive financial markets due to the loss of community banks and expansion of global banks, lack of adequate financial support for economic development, state fiscal health and efficiency concerns.

Research on the major models of public banking was identified, with special attention to the **Bank of North Dakota** (100 years old), the **German Sparkassen Banks** and the **Public Sector Banks of India**. Attention was also given the increased interest in and expansion of legislative support for public banking in the U.S..

Regarding each of the identified issues, the report describes how public banks could be not a panacea, rather a remedy. Recommendations are made for creation, structuring and regulating state public banks. Regarding the concern with efficiencies, many studies compare banks related to maximizing profits and minimizing costs. The report notes “*a key element of most public banks is that they do not simply maximize profits, but attempt to maximize societal welfare through their financial activities.*” It concludes: “*...there is no good basis for disregarding public banks as less efficient than private banks.*”

The Report notes that the Bank of North Dakota (BND) does improve local economic conditions. North Dakota has more community banks than Hawaii, Maine, and New Hampshire combined. These states, together, have more than six times as many residents as North Dakota. The largest bank in the state has only 10% of consumer deposits and the two biggest out-of-state banks, Wells Fargo and U.S. Bank, have seen decreasing market shares since 2007. North Dakota has nearly 6 times more banks per capita than the US average. As a result, the BND has helped North Dakota maintain a financial market that meets the perfectly competitive standards of small and copious banks.” P.21

From the Report, the final recommendation states: “*Each state in the NEMW region (AFLEP emphasis) should implement a state public bank because each state could benefit significantly from one....all states have multiple areas of need and many of them have many areas of need. And, a state bank is the only policy option that can improve upon all of these areas at once. As such, a state bank could move towards solving these problems and so is recommended for all of these states.* P.71

The 18 states that make up the NEMW region include: Connecticut, Delaware, Illinois, Indiana, Iowa, Maine, Maryland, Massachusetts, Michigan, Minnesota, New Hampshire, New Jersey, New York, Ohio, Pennsylvania, Rhode Island, Vermont and Wisconsin.