

PUBLIC BANKS: A REVIEW OF THE LITERATURE

Corporate America still embraces a shareholder model theory. As more businesses shift to a stakeholder model, should banks follow suit?

Currently, the United States government relies on private banks to manage public funds. However, what if the government invested in banks whose profits would go back to the community, rather than shareholders?

Dr. Curtis Gregory conducts a review of the literature on public banks. Many aspects of how public banks would operate, such as who would own and operate the account, are up for debate. But at its premise, public banks are a banking model that would be funded by public money. This model has potential to improve banking for marginalized communities that have little access to capital.

While there are many community development financial institutions (CDFIs), there is only one public bank in the United States: the Bank of North Dakota (BND). Public banks are more common internationally, in countries such as India, Brazil, Australia and Germany.

The literature review sets the stage for further research questions, such as what types of credit policies would best suit public banks, and how public officials and community banks see public banks. Dr. Gregory hopes to see cities move from talk about public banks to implementation, which would give researchers more data to analyze their effectiveness.

MAJOR TAKEAWAYS:

- Public banks are a banking model that would be funded by public money, and operate under a stakeholder model rather than shareholder model.
- There are many public banks abroad, but there is only one in the United States: the Bank of North Dakota (BND).
- There is a lack of literature on public banks, meaning more implementation and research of public banks is necessary to understand this banking model.

WHO NEEDS TO KNOW:

- Community development financial institutions
- Community banks
- Elected officials
- Commerce department officials at all government levels
- Bank researchers

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