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Has the Time Come for City-Run Public Banks?

A coalition of activists in 10 California cities is pushing for public banks as a bill to support this voter-run option works its way through the state legislature.

“We planted a seed,” tweeted Public Bank L.A., the day the organization’s ballot measure—which would have created the country’s first city-led public banking institution—failed last year in Los Angeles. “This is just the beginning.”

Turns out they were right. After voters in L.A. rejected the measure that would have allowed the city to divest funds from Wall Street banks and create their own public banking institution at the local level, Public Bank L.A. converged with Public Bank San Francisco and coalitions in eight other California cities and regions to form a united public banking front. And now, a state assembly bill, AB 857, that would make it legal for each of these cities to open local banks, cosponsored by San Francisco Assembly member David Chiu and Los Angeles Assembly member Miguel Santiago, has advanced through the California Assembly and into Senate committees.

Consider the way cities bank now: They collect thousands in tax revenue each year, then park that money in commercial banks that choose the projects and industries in which to invest the city’s money in hopes of growing it. By opening local public banks, advocates say cities could decide where to invest those funds—and take out loans to finance other public projects for lower interest rates, from banks they control. The banks’ priorities would be set by voters, and they’d be run by civil servants and financial experts.

“When you’re backed by a city, you have a democratic constituency to hold the bank accountable,” said Sushil Jacob, director of Economic Justice for Lawyers Committee For Civil Rights SF and one of the architects of the state and local legislation. “The city is identifying the needs for the community, and they’re turning to the bank to finance those needs.”

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