

November 15, 2017
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Outline of Strategy for pursuit of a Proposal for a Washington State Public Bank, WSPB

Review Existing Law

Identify pertinent language, RCW 43.86A.10, Finding - Objectives; et,al.

1. “Finding,” . . . Treasury surplus is to be managed to insure maximum return while on deposit in public depositaries
2. “Objectives,“ . . . minimize non-interest bearing demand deposits and provide fair return to financial institutions (privately owned public depositaries) for services rendered
3. Clarify “maximization of return,” and beneficiary. See attached “Review.”
4. Acknowledge RCW 33.04, 39.58, and others.

Identify pertinent Constitutional language

1. Article VIII, sections 5 and 7 - other?
2. Consider Intent

Acknowledge contradictory provisions of law, and *defacto* operation

1. A preconceived solution is mistaken for an “objective.” This is the result of the illogical assumption of the necessity of engagement with privately owned financial institutions.
2. Overlooks the nature of deposit process, and the application of partial-reserve lending / reserve expansion by the financial institutions.
3. By oversight, naivety, or other source of predetermination, law directs the actual maximized return to the contractor depository.

Discuss implications for citizens and depositaries

1. Whose money is it?
2. Constitutional violation? Use of public funds for private benefit?

Acknowledge Existing Realities

1. A “Bank” is an institution or business that receives funds, usually from some other, to be held in trust, to provide convenience of exchange for the purpose of profitable investment .
2. Don’t look now, but the State of Washington is already in the bank business.

(Re-) Establish Objectives

Maximize public benefit

1. Sustain the stated purpose of the original law.
2. Fully realize the intention by making the partial

reserve lending procedure available to the public.

Minimize Risk

1. Existing practice creates some risk, which is accepted by legislature.
2. Proposal must not increase risk, and should reduce risk if possible.

Increase money supply

1. The State responsibilities are desperately short of money.
2. Just as the commercial banks create new money and draws interest (profit) from it, so will the new public bank apply it's expanded reserve for public purposes. Together both institutions add more to the supply of available money than does each separately.

Reveal what it means to make money, establish total transparency.

1. By definition, banks “create” money (a conceptual tool of trust) , and use it to “generate” profit (a real product).
2. State public bank operation must occur in plain sight, and reflect interests of the citizenry, so that policies for credit are subject to public appreciation.

Establish “WIN-WIN “ conditions for change: (The Kirby Requirement)

1. “A rising tide will float more stranded boats “[sic]. Establishing a new public bank while continuing contract

relations with private bank increases money in circulation.
2. There is no benefit from transfer funds to a new public bank operation at the expense of an existing private depositary business.

Define Conceptual solution

Capitalization

1. Legislature is responsible for State solvency, period. This is an existing constitutional requirement. I.e., Required balanced budget: $\$IN \Rightarrow \OUT .
2. WST presently loans out money, and behaves like a bank, successfully, . . . only lacking the title. RCW43.86 requires initiation of state loans for state profit, using the US monetary system.
3. See Risk Avoidance paragraph below.

The , “ . . . it won't work ” argument

1. It is already in operation, and working satisfactorily.
2. Hallmarks: Capitalization - Loan procedure - Liquidity - Public Profit.

Establish (acknowledge) Washington State Public Bank

1. Position WSPB directly in-line from WST
2. Authorize WSPB to loan to governmental and private financial institutions.
3. WSPB to make first loan to selected commercial depositary, as with present practice. Subsequent multiple

loans to be guided as defined by social responsibility, and regulation.

Retain services of commercial depositary(s)

1. Continue selection process as at present.
2. Retain responsibility for loaning practice to assure liquidity for State Treasury, now to be based on loan from/through WSPB.

Operational Concept Synopsis

Loan sequence

1. From WST, to WSPB, to provide, in turn, first loan to privately owned depositary owned depositary
2. Both WSPB and depositary may engage partial reserve lending
3. Privately owned depositary required by contract to assure some return of benefit to State from partial reserve lending funds, as to be negotiated, in addition to return from interest on initial loan.

Risk avoidance

1. Recognize WST risk does not emanate from taxpayer “depositors.” They have no claim on tax monies collected, and cannot demand “their” funds.
2. Risk derives from WST shortage of liquidity.
3. Liquidity assurance assigned by contract to privately owned contract depositary as presently realized through short term loan practice

4. Funds from short term paper sales return to WST through WSPB
5. WSPB itself to support liquidity function if needed. (Double coverage)

Inflation

1. Recognize potential sources of inflation.
2. Prevent/control borrowing for debt repayment funding
3. Prevent creation of opportunistic money - speculation

Define Scheme

Supplement the core existing law(s)

1. RCW43.86.010, Finding and Objective, to be supplemented to include WSPB and public bank(s) in general
2. Finding and Objective to be clarified to acknowledge profitable impact of partial-reserve lending, capital multiplication, and distribution of benefit

Alter regulations to include new Public Bank

Describe responsibilities and benefits of WSPB

Describe responsibilities and benefits of depositary

Discuss consequences / implications

Review General Objectives

Substance of WSPB

1. Management structure - Purposes, Organization, Personnel

2. Relationships to other State of Washington agencies
3. Capitalization
4. Liquidity
5. Risk
6. Federal Reserve
7. Banking regulations
8. Agreement between State and contract depository