(RE)CONSTRUCTING AMERICA'S INFRASTRUCTURE

National Infrastructure Banks, Then and Now



Canal locks, 19th century

Ellen Brown J.D.
Co-founder, Public Banking Institute

PBI National Conference · Philadelphia · October 23, 2026

America Has Had Four Successful National Infrastructure Banks or Institutions

1791

First Bank of the U.S.

Hamilton turned a huge Revolutionary War debt into bank capital, and bank capital into a national currency and credit, which were needed to support manufacturing and development per his *Report on a National Bank* and *Report on Manufactures*.

1816

Second Bank of the U.S.

Restored a sound national currency, backing credit for building canals and turnpikes as the colonists opened the West.

1862-64

Lincoln's Greenbacks & National Bank System

Funded the Union, while Greenbacks and federal bonds helped build the transcontinental railroad and other postwar development.

1932

Reconstruction Finance Corp.

The biggest and most far-reaching, it financed recovery from the Depression and the war industries leading to victory in World War II.

The RFC: An Off-Budget Funding Machine Rescuing the Economy from the Depression

- **1932:** Created under Hoover to rescue the banks. Under FDR, Jesse Jones made it the government's development bank.
- **$500 million** in capital from the Treasury. Raised the rest by borrowing: $51.3 billion from the Treasury, $3.1 billion from the public. **$33.3 billion** disbursed, 1932–1957, including $20.9 billion to its wartime subsidiaries.
- **Financed** banks, railroads, farms, and housing (Fannie Mae began as an RFC subsidiary). Provided a $1 billion loan to jumpstart operations for the Works Progress Administration before Congressional appropriations were fully deployed.
- **Off budget:** RFC lending didn't count as federal spending, and it needed no new appropriations for its programs.



Source: James Butkiewicz, "Reconstruction Finance Corporation," EH.Net Encyclopedia

The RFC Also Built America's War Industries

- The Defense Plant Corporation (an RFC subsidiary) and the RFC's Rubber Reserve Company spent $700 million on 51 government-owned synthetic rubber plants. By the end of the war they were producing 700,000 tons of synthetic rubber a year, with capacity of 1 million. Germany never topped 109,000.
- **It also financed aircraft.** The Defense Plant Corporation wholly or partly financed 14 of the 15 largest aircraft engine plants. Willow Run, financed largely by the Defense Plant Corporation, built 8,700 planes with 42,000 workers.



Around the World *1911–1935*

Australia

Commonwealth Bank (1911)

A “people’s bank” that used **state-backed public balance-sheet credit** at minimal borrowing cost to fund the WWI effort and infrastructure, bypassing private banking syndicates.

Canada

Bank of Canada (1935)

From 1935 to 1974, Canada funded much of its spending by borrowing from its own central bank, which created the money. This was similar to the U.S. Fed’s QE, but Canada used its bank as a **direct fiscal funding engine for public investment** rather than a monetary policy tool to prop up financial markets. The central bank created credit that helped fund government budgets – paying wages, purchasing materials, building the Trans-Canada Highway, and funding hospitals and airports.

Around the World *Rebuilding After the War*

Germany

KfW (1948)

Founded with Marshall Plan funds to rebuild the country.

Japan

Japan Development Bank (1951)

Postwar credit for electric power, steel, shipping and coal.

Europe

European Investment Bank (1958)

The EU's own bank, created by the Treaty of Rome to finance infrastructure across Europe.

The China Model: Complete Networks

Rather than funding individual projects piecemeal, China plans and builds whole networks — rail, power and water together -- financed as one system with public credit.



High-speed rail: 50,000 km (31,000 miles) by the end of 2025.

Electric grid: 46 ultra-high-voltage lines, over 62,000 km (38,525 miles), carrying power from the west to eastern cities.

Water grid: the South–North Water Transfer Project, moving water from the Yangtze to the dry north.

Manufacturing centers: solar panels, batteries and electric vehicles.

Who financed it: China Development Bank and two other policy banks, with state-owned and local banks behind them. Some divisions carry heavy debt, but a public lender can accept slow returns on part of a network because the whole economy benefits from the larger project.

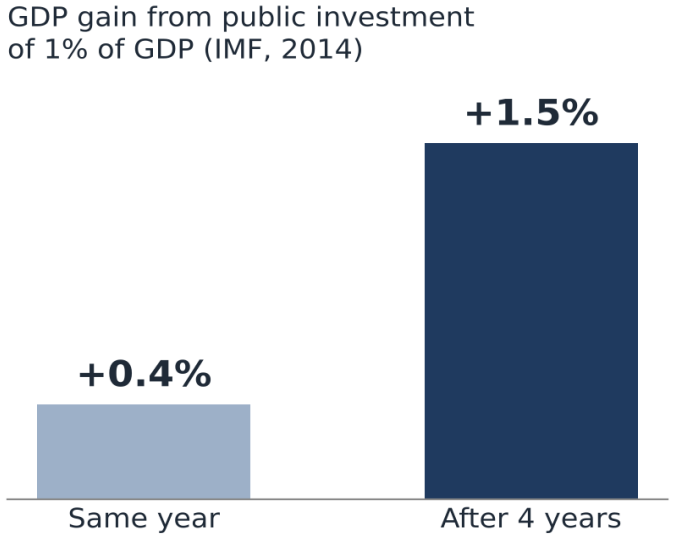
Source: China State Railway Group via Railway News (2026); Global Transmission Report (2026)

National Infrastructure Banks Drive Not Just Technology but the Whole Economy

They pay for themselves. The IMF found that public investment raises output enough that "the public debt-to-GDP ratio does not rise."

They are countercyclical. A public bank lends when private banks pull back, as the RFC did in 1932.

They are "patient capital." They finance 30- to 50-year assets that quarterly-driven markets won't touch.



Source: IMF, World Economic Outlook, October 2014, ch. 3 (advanced economies)

For Example: The RFC Electrified Rural America after Private Power Companies Refused.

- RFC loans funded the Rural Electrification Administration, which lent cheaply to farm co-ops after private utilities refused to serve the countryside because they thought the farmers couldn't repay.
- About 1 farm in 10 had power in 1935; over 90% did by 1953.
- The RFC also financed the appliances. The Electric Home and Farm Authority offered easy credit for refrigerators, stoves, water pumps and milking machines, paid off through home electric bills.
- A federal public banking institution thus modernized all of rural America, and by extension the ability to feed urban America and much of the world.



Source: James Butkiewicz, "Reconstruction Finance Corporation," EH.Net; Rural Electrification Act of 1936; Living New Deal (EHFA)

Banking Itself Is Financial Infrastructure

Public banks generate public credit.

Banks create money when they lend. "Commercial banks create money, in the form of bank deposits, by making new loans." (Bank of England, 2014)

Today that power serves private shareholders. A public bank directs it instead to public needs.

Bank of North Dakota (1919): partners with local banks instead of competing with them, generating credit for the local economy.

H.R. 5356 (2025): creates a National Infrastructure Bank that takes deposits, swaps Treasuries for preferred stock (up to $500 billion), and lends up to $5 trillion.



Source: Bank of England Quarterly Bulletin, 2014 Q1; H.R. 5356, National Infrastructure Bank Act of 2025 (Rep. Danny Davis)

We've Done It Before. We Can Do It Again.

If we're going to grow our way out of a $40.17 trillion debt, we're going to need a network of public credit, from local public banks on the Bank of North Dakota model to a national infrastructure bank as detailed in H.R.5356.

Private capital follows where national infrastructure banks lead. They build the industries the market says can't be built — and the growth in GDP pays the bill.



PublicBankingInstitute.org · EllenBrown.com