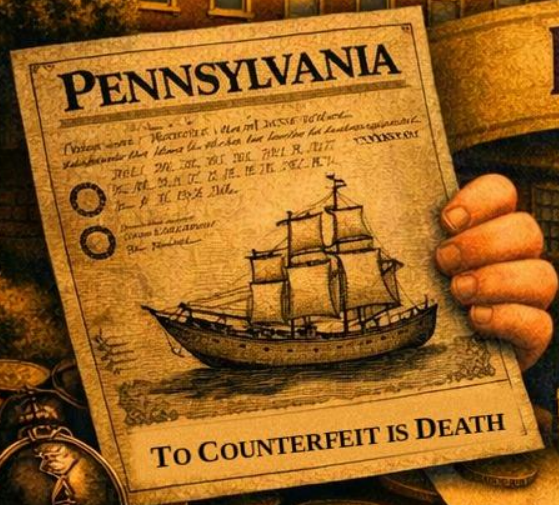
Image: Copilot (AI)

Returning to Our Revolutionary Roots

Public Money in America



Ellen Brown

Co-Founder, Public Banking Institute

PBI NATIONAL CONFERENCE · PHILADELPHIA · OCT. 22–24, 2026

PBI founding meeting 12-2010 at Sergio and Gaye Lub's, Walnut Creek CA



The Global Financial Crisis triggered the "Occupy Wall Street" and "Move Your Money" movements in 2011.

But where could states move their money? Local banks were too small. Our proposed answer was to form their own banks on the North Dakota model. Occupy catalyzed the public banking movement. Here is Marc Armstrong, first Executive Director of PBI, at Occupy.



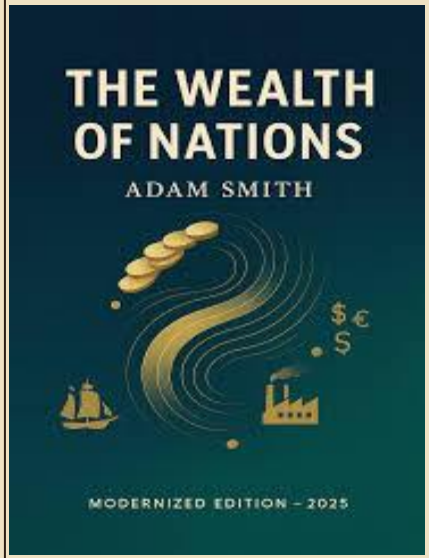
And we grew.
PBI conference in San Rafael, CA 2012



The public banking movement in America actually goes back 300 years, to Benjamin Franklin's Philadelphia. The first American banks were public banks lending sovereign money.

- There were no private commercial banks until 1781, with the founding of the Bank of North America. Without banks, farmers and merchants could not get the credit to buy the tools and resources needed to produce goods and services.
- The colonies didn't even have their own currencies until 1690. The king forbade the colonies to mint their own coins, which were then legal tender.
- In 1690, the governor of Massachusetts, faced with a mutiny from unpaid soldiers, printed the first paper scrip. It was "sovereign money," money in itself, not a promise to pay in gold or silver. Other colonies followed.
- Several colonies issued loans through government loan offices, backed by mortgaged land -- the "land banks." Adam Smith declared Pennsylvania's credit system to be the most sustainable.

Adam Smith on the Pennsylvania land bank



"The government of Pennsylvania, without amassing any treasure, invented a method of lending, not money indeed, but what is equivalent to money…" — Wealth of Nations, Book V (1776)

"Money" or legal tender at that time meant precious metal coins.

"Pennsylvania was always more moderate in its emissions of paper money than any other of our colonies. Its paper currency, accordingly, is said never to have sunk below the value of the gold and silver which was current in the colony…"

— Wealth of Nations, Book II, 1776

Pennsylvania's Loan Office, 1723

Proposed by a Quaker merchant, Francis Rawle, and enacted by a Quaker-led Assembly in 1723. It was a practical answer to hard times, lending money into the community at low interest against land, houses or silver plate at 5%.

Its scrip was not a promise to pay gold. It was money in its own right, by act of the Assembly.



"THIS BILL shall pass current for FIFTEEN SHILLINGS within the Province of Pennsylvania, according to an Act of General Assembly of the said Province..." Dated Jan. 1, 1756.

PENNSYLVANIA, 1756, PRINTED BY FRANKLIN & HALL

On the back: Franklin's leaf print, "To Counterfeit, is Death," and "Printed by B. FRANKLIN, and D. HALL."

Source: Photo: Pennsylvania fifteen shillings, Jan. 1, 1756 (Colonial Williamsburg)

1729: Benjamin Franklin Joins the Debate on Whether to Issue More Paper Money

Franklin arrived in Philadelphia in 1723 and saw many empty houses with "To be let" signs on their doors. By 1729, after the loan office had been running for six years, the houses were full and new ones were going up. That year, at only 23, he wrote *A Modest Enquiry into the Nature and Necessity of a Paper-Currency.*

> *"About this time there was a cry among the people for more paper money …. I was on the side of an addition, being persuaded that the first small sum struck in 1723 had done much good by increasing the trade, employment, and number of inhabitants in the province, since I now saw all the old houses inhabited, and many new ones building …"*
>
> — Benjamin Franklin, Autobiography

The bill for a new issue of currency was passed, and Franklin got the job of printing the notes: "a very profitable jobb and a great help to me."



Source: Benjamin Franklin, Autobiography; A Modest Enquiry into the Nature and Necessity of a Paper-Currency (1729)

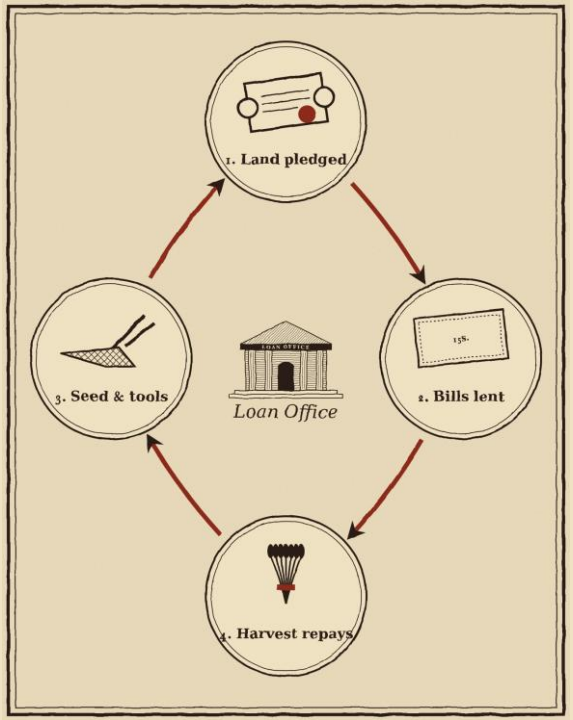
The Colonial Land Banks, 1712–1737

Paper bills were lent to landowners against mortgages, on land worth about twice the loan. They were self-liquidating loans, in which the money returned to the colonial government.

South Carolina was first, 1712; then Rhode Island. But hindered by lax lending and issuing too much.

Pennsylvania, 1723.

Franklin wrote: *"For as Bills issued upon Money Security are Money, so Bills issued upon Land, are in Effect Coined Land."* — Benjamin Franklin, A Modest Enquiry into the Nature and Necessity of a Paper Currency, 1729



Source: University of Notre Dame, Colonial Land Office Banks; Newman, Early Paper Money of America

The Continental: The First National Money

1764 Currency Act: barred all colonies from new legal-tender paper money. And the Revolution followed.

The first national currency was issued by the Continental Congress in Independence Hall, Philadelphia, in 1775. Called the "Continental," it collapsed virtually to zero by the end of the war; but the colonists won. Franklin wrote:

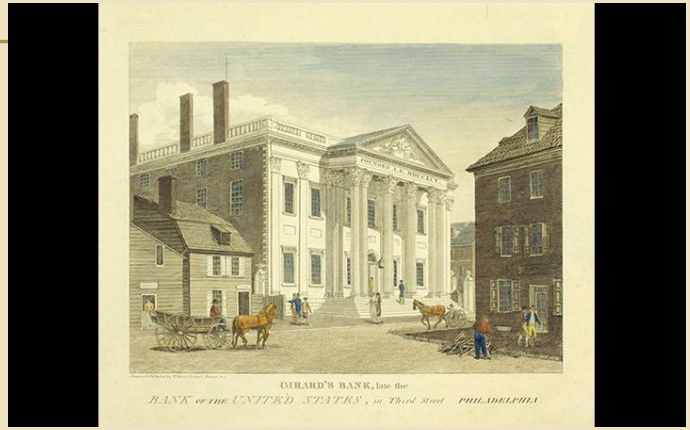
"This Currency as we manage it is a wonderful Machine. It performs its Office when we issue it; it pays and clothes Troops, and provides Victuals and Ammunition…"

— Benjamin Franklin to Samuel Cooper, April 22, 1779



Source: Founders Online (Franklin Papers). Photo: $2 note, Nov. 29, 1775 (Wikimedia Commons)

Hamilton's 1st U.S. Bank: Philadelphia, 1791--Turning Debt into Capital



- The Revolutionary War left about $75 million in federal and state debt. Hamilton turned debt into capital by accepting government bonds in the purchase of shares in the First U.S. Bank. The result was not only debt relief but a $10 million bank that could help grow the economy. He wrote in his *Report on a National Bank* (Dec. 1790) that *"it is one of the properties of Banks to increase the active capital of a country,"* that *"banks become nurseries of national wealth,"* and that *"It is a well established fact, that Banks in good credit can circulate a far greater sum than the actual quantum of their capital in Gold & Silver."*
- But the charter of the privately-owned bank wasn't renewed in 1811.

Source: Founders Online (Hamilton Papers); Fleming Museum, Univ. of Vermont (1791 note); Federal Reserve History

The Second Bank of the U.S., 1816–1836

The War of 1812 left the government in debt and state banks unable to redeem their notes.

1816: Second U.S. Bank was chartered for 20 years with $35 million capital (vs. $10 million for the First Bank). It produced a uniform paper currency; and made loans to businesses, farmers and individuals, expanding infrastructure and development.

1832: Jackson declared war on the bank and vetoed the recharter. 1833: he moved the federal deposits to state banks. The federal charter ended in 1836. There was no national bank again until the Federal Reserve, 77 years later.



Source: Federal Reserve History, "The Second Bank of the United States"

The Free Banking Era, 1837–1863

State-chartered banks issued their own banknotes, redeemable in gold or silver coin. 1837 Michigan; 1838 New York. 18 states had them by 1860: anyone with the capital could open a bank. Notes traded at discounts that varied by bank and place; merchants checked bank note reporters. Wildcat banks issued more notes than they could redeem, triggering runs and failures.

A 2026 Fed study compared these notes to stablecoins: private money, worth only as much as the promise to redeem it.

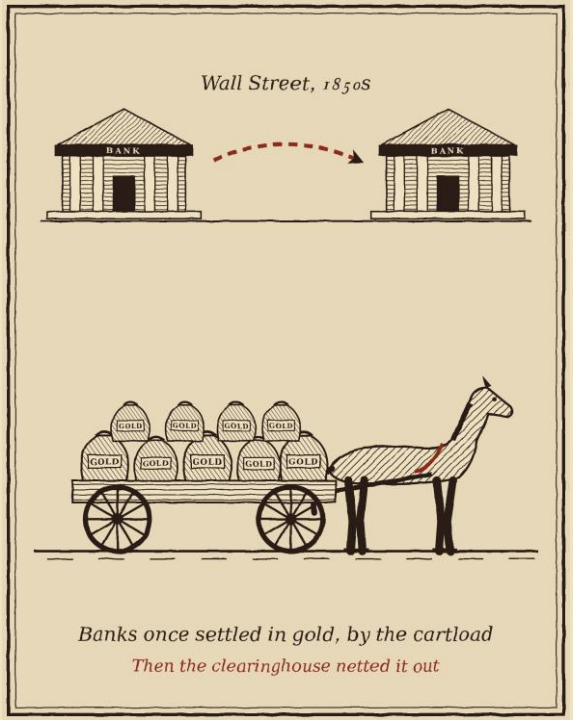




Source: Philadelphia Fed, "The State and National Banking Eras"; Carlson, FEDS Notes, Federal Reserve Board, Feb. 6, 2026

Private Clearinghouses: Banks Settle Up

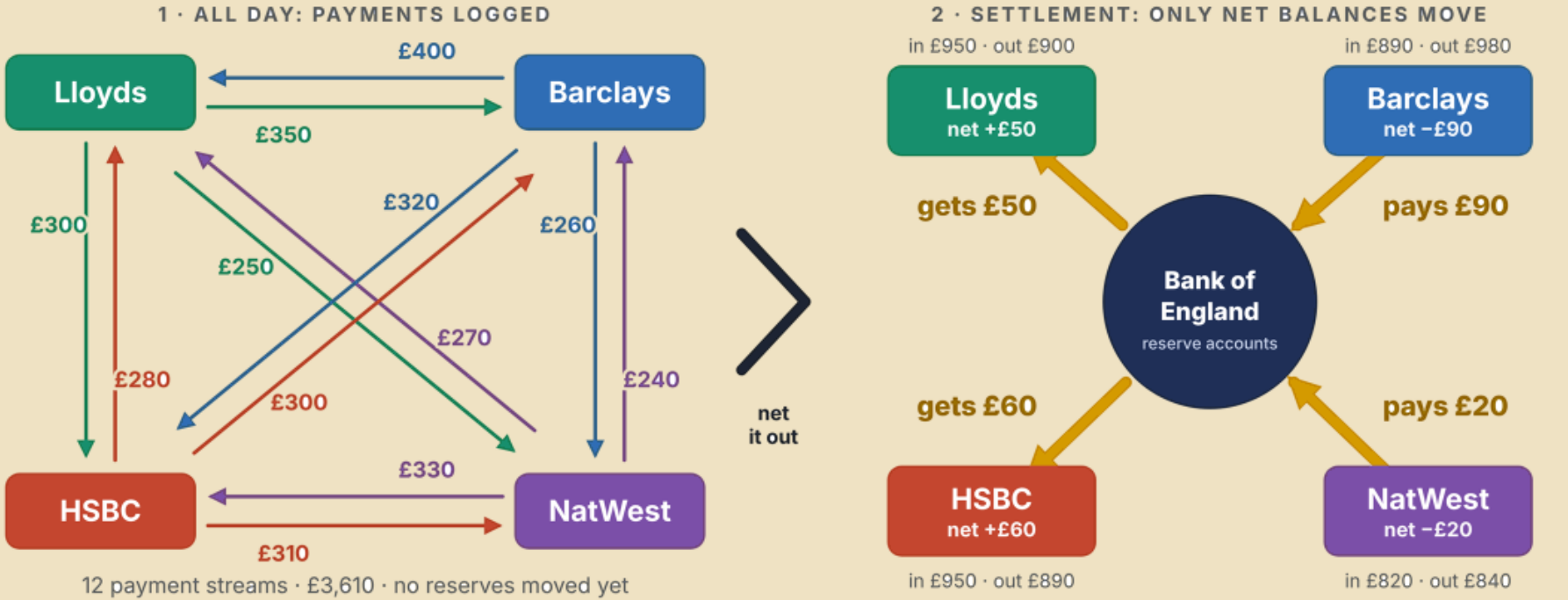
Before 1853, New York's bank porters carried checks and bags of gold coin from bank to bank.
1853: the New York Clearing House. Some 50 banks swap checks and banknotes in one room and pay only the net. Banks leave their gold on deposit and settle with specie certificates.
Boston 1856, Philadelphia 1858.
In panics, clearinghouse loan certificates became emergency money.
Forerunners of the central bank clearing system we have today – moving not gold but digital "reserves." .



Source: Blockworks, "A brief history of not lugging gold around" (2025), citing A Century of Banking in New York (1922); FDIC history

Multilateral netting: many banks, few reserves

£3,610 of payments among four banks settle with £110 of reserves



Payments settled	**£3,610**
Reserves moved	**£110 — about 3%**

Illustrative figures. Concept from Positive Money. Graphic from Copilot.

Public Banks Before BND

They ended through war, panics and politics, not because public banking doesn't work.

South Carolina (1812): wholly state-owned; low-rate loans; more than $1.4 million in profits. Undone by the Civil War – capitalized with Confederate bonds.

Alabama (1823): no direct state taxes 1826–1836. Brought down by political lending and the Panic of 1837.

Indiana (1834): state owned half; came through the Panic of 1837; $3.5 million+ in profits for the school fund. Charter simply expired.

Georgia (1828), Kentucky (1820), Vermont (1806).

Pennsylvania's stake in the Bank of Pennsylvania paid for state government ~40 years without a direct tax.

Source: South Carolina Encyclopedia; Kansas City Fed; Banking Lessons from the Antebellum South; Wikipedia, "Bank of Indiana"

Lincoln's Greenbacks: Sovereign Money Again

Facing exorbitant interest rates imposed by Wall Street banks, Lincoln issued sovereign U.S. Notes.



U.S. Treasury, 1862

"This note is a legal tender for all debts, public and private, except duties on imports and interest on the public debt…"

The front says "will pay the bearer One Dollar," but not in gold (not until 1879). Issued directly by the Treasury to finance the war.

Source: Wikipedia, "Greenback (1860s money)". Photo: $1 Legal Tender Note, 1862 (Smithsonian NNC via Wikimedia Commons)

National Banks Issue Private Notes backed by Public Debt



NATIONAL BANK ACTS, 1863–64

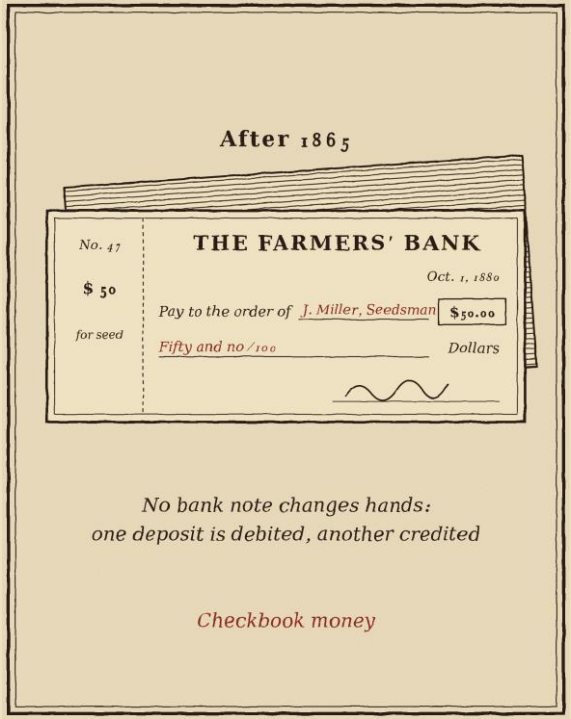
"NATIONAL CURRENCY. This note is secured by Bonds of the United States deposited with the U.S. Treasurer at Washington." The Vineland National Bank "Will Pay the Bearer on Demand Five Dollars."

- Banks earned interest on the bonds and issued money against them.
- Stabilized the currency – a dollar was worth a dollar everywhere.

Source: Cleveland Fed, "The National Banking System: A Brief History". Photo: $5 Vineland National Bank, N.J. (Smithsonian NNC via Wikimedia Commons)

A 10% Tax on State-chartered Bank Notes Triggers the Rise of Checkbook Money and Deposit Banking

1865: Congress taxes state-chartered bank notes 10%.
State-chartered bank notes disappear; national bank notes become the main paper currency.
Already by 1857, New York City banks held $70 million in deposits, several times their notes in circulation.
State-chartered banks everywhere switch to deposit banking, already common in the cities: loans are just credited to accounts, with the funds spent by check.
Bank deposits became most of the money supply: checkbook money.
A deposit is a liability of the bank, its promise to pay. But these deposits are counted in the money supply and represent spending power.



Source: Philadelphia Fed, "The State and National Banking Eras"; W. G. Sumner, A History of Banking in the United States (1896), ch. 16

Tight Money and the Greenbackers, 1873–1896

1873: the Coinage Act, "the Crime of '73," demonetizes silver; gold dominates.
1878: Greenbacks frozen at about $347 million. The money supply can't grow so productivity shrinks. Falling prices, hard-pressed farmers and debtors, long depressions in the 1870s & 1890s. Greenback Party: Peter Cooper (1876), James Weaver (1880); they later join the Populists.
1894: Coxey's Army marches on Washington for $500 million in Greenbacks for roads and jobs. The march fails, but it becomes the plotline for the greatest American fairytale, the Wizard of Oz.





Source: Encyclopedia.com, "Greenback Party"; Wikipedia, "Free silver"; E. Brown, "Web of Debt"

William Jennings Bryan, “Cross of Gold” speech, 1896 – banking should be a public utility.

1896: Democrats and Populists nominate Bryan, on free silver rather than Greenbacks. He says:

“Those who are opposed to this proposition tell us that the issue of paper money is a function of the bank, and that the Government ought to go out of the banking business. I stand with Jefferson rather than with them, and tell them, as he did, that the issue of money is a function of the Government, and that the banks should go out of the governing business.”

“You shall not crucify mankind upon a cross of gold.”

— Democratic National Convention, Chicago, July 1896



But Bryan loses to McKinley.

1907 Banking Crisis Triggers 1913 Federal Reserve Act

Clearinghouses settled net balances among banks; in panics they issued loan certificates and scrip.

1907, trust companies outside the clearinghouse collapsed; J.P. Morgan organized a private rescue.

1908, Aldrich-Vreeland Act → 1910, secret meeting on Jekyll Island → 1913, Federal Reserve Act.

But the Fed is largely private, serving private banks.

Source: Federal Reserve History

What a State Can Do: North Dakota, 1919

While public banking struggled at the federal level, North Dakota showed what a state could do.

Farmers' Nonpartisan League wins the state government and founds the Bank of North Dakota.

The state deposits its revenues in its own bank, which partners with local banks.

More than $1 billion have been returned to the state's general fund and programs since 1945.



Source: Bank of North Dakota, "The BND Story: Returns to the General Fund"

Crash of ’29, Banking Crisis of 1930-33

1933, dollar taken off the gold standard domestically. Federal Reserve Notes, once redeemable in gold, become legal tender in themselves.



1914: “The United States of America will pay to the bearer on demand Ten Dollars.” Back: “redeemable in gold on demand at the Treasury Department… or in gold or lawful money at any Federal Reserve Bank.”

1934: “…legal tender for all debts, public and private, and is redeemable in lawful money.”
1963 on: “This note is legal tender for all debts, public and private.”

Legal tender by government fiat, Latin for “let it be done.”

Source: 12 U.S.C. §411; Wikipedia, “Federal Reserve Note”. Photo: $10 Series 1914 (Smithsonian NNC via Wikimedia Commons)

The Reconstruction Finance Corp.: A Federal Public Infrastructure Bank, 1932–57

1930–33: about 9,000 banks fail. Widespread bank runs; the total money supply drops by roughly one-third. Why? Bank deposits are the banks' promises to pay, and when the banks failed, the money disappeared with them.

RFC created January 1932 under Hoover; run from 1933 by Texas banker Jesse Jones. Lent $9.5 billion in 1932–1941 to banks, railroads, farms, and about $2 billion to state and local governments.

Rescued banks by buying their preferred stock (1933).

Launched Fannie Mae and the Export-Import Bank; financed electricity and appliances for rural homes.

WWII: Defense Plant Corporation, synthetic rubber, metals. Over $2 billion a year, $6 billion+ in 1943. Raised its funds by selling bonds; nearly all loans were repaid.

Source: Federal Reserve History, "The Great Depression"; Friedman & Schwartz; Wikipedia, "Reconstruction Finance Corporation"; PBS

1971 and the Age of Financialization

August 15, 1971: Nixon closes the gold window; foreign governments can no longer trade their dollars for gold.

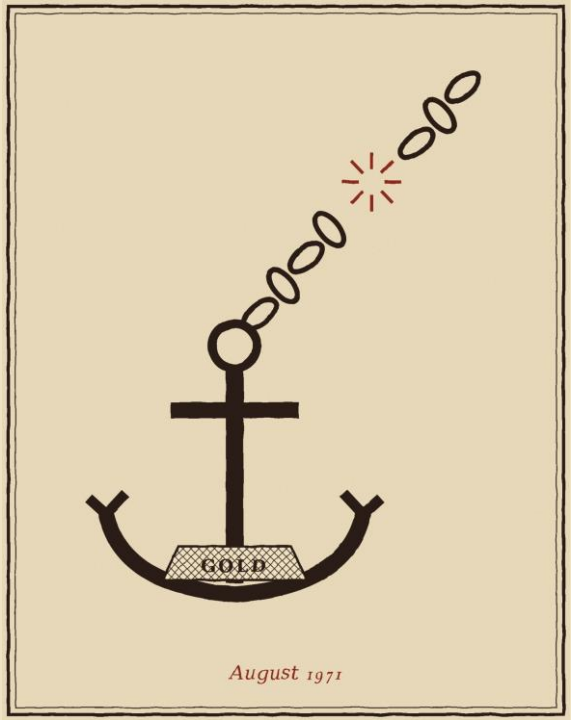
The last outside brake on bank credit is gone: the dollar is fiat worldwide.

Eurodollars boom: US dollar deposits created as loans by banks offshore, largely beyond U.S. regulators.

Credit flows into trading, speculation and derivatives rather than production.

Returns go to owners of financial assets, and the wealth gap widens.

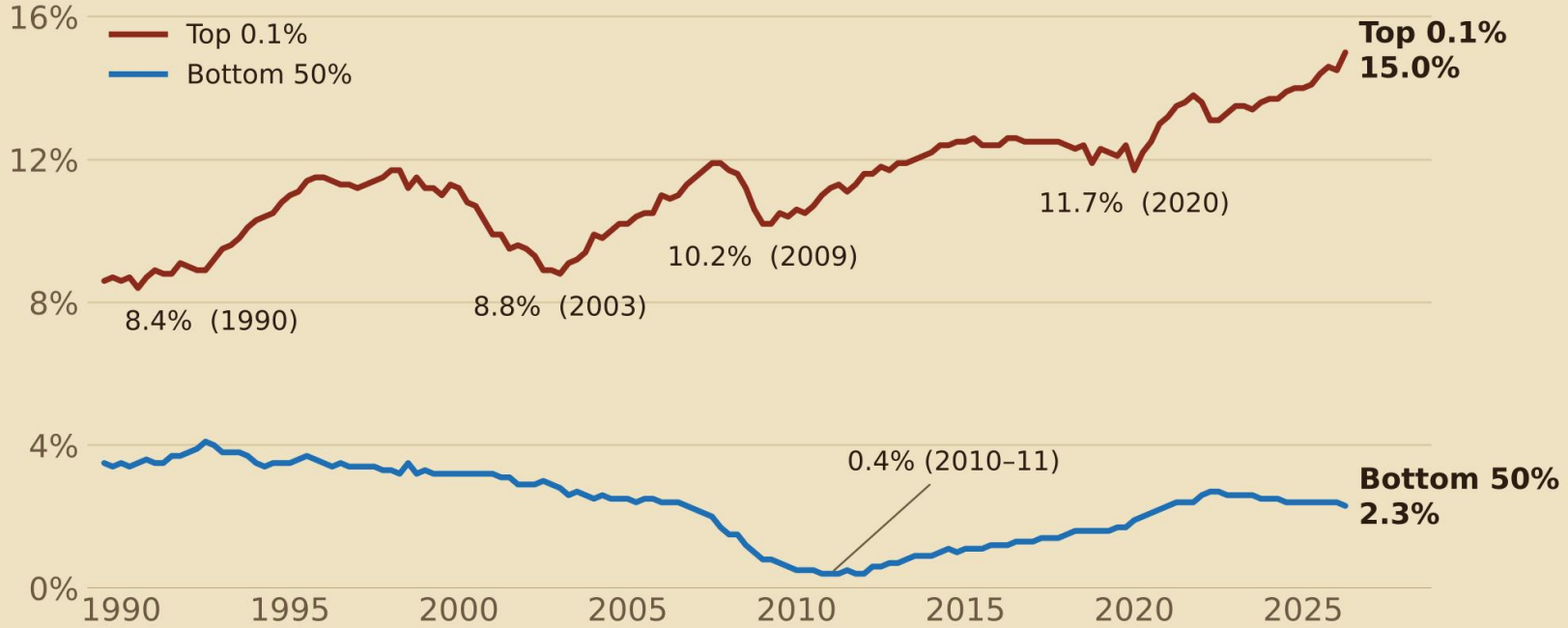
The British System in modern form: finance over production.



Source: Federal Reserve History, "Nixon Ends Convertibility of U.S. Dollars to Gold and Announces Wage/Price Controls"

Who Gains: Wealth Shares Since 1989

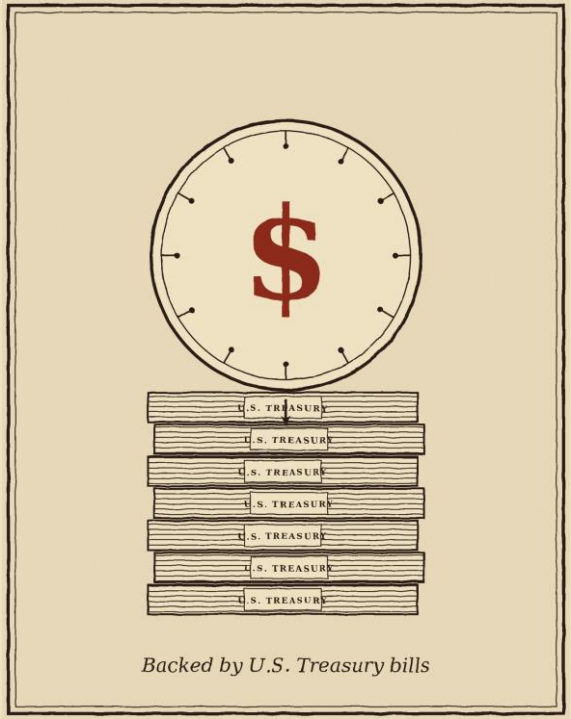
Each crash dents the top's share; each rescue lifts it higher.



Source: Federal Reserve, Distributional Financial Accounts, Q3 1989 – Q2 2026, via FRED (series WFRBSTP1300, WFRBSB50215). Chart drawn from the Fed data.

Today's Crisis: A $40+ trillion Federal Debt

- Treas. Sec. Scott Bessent before the G20 finance meeting: "The only way to get out of debt is to grow our way out of debt." Reuters, Aug. 30, 2026.
- Growth requires banks -- banks that lend for productivity rather than speculation. It requires public banks.
- Stablecoins, the latest congressional solution to the debt crisis, increase demand for Treasuries but threaten the bank lending needed for growth.



Source: GENIUS Act, signed July 18, 2025

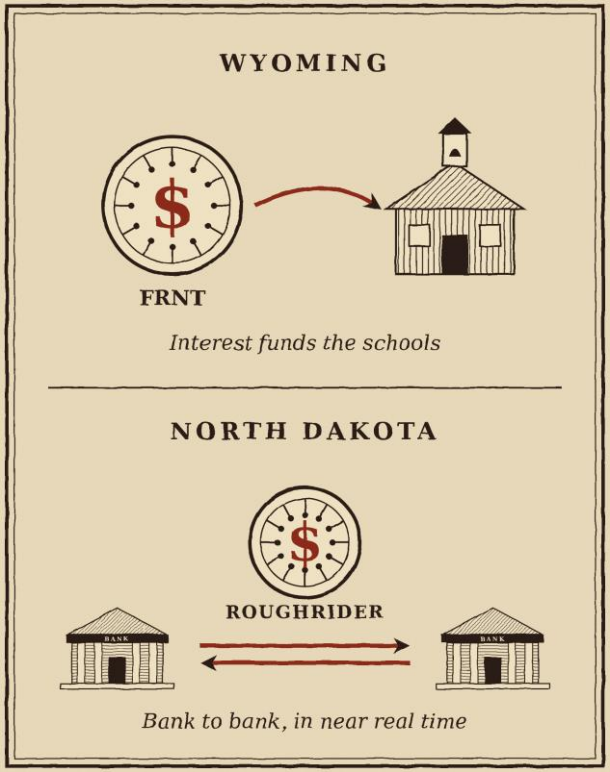
Private Stablecoins—huge unearned profits; risk to bank deposits needed for loans

- GENIUS Act (July 2025): stablecoins backed 1:1 by cash or short-term Treasury bills. Every stablecoin sold creates a buyer for federal debt. It's the genius of Hamilton: turn the debt into an asset people want to hold.
- GENIUS Act bars issuers from paying interest, but the result is huge unearned profits to the private issuers. Tether netted $13 billion from the interest in 2024.
- Worse, exchanges can pay "rewards". The risk is that they will drain deposits from the local banks that lend to farms, businesses and homes.
- Why do the banks need deposits if they can create them on their books? A loan creates a deposit but not the reserves to pay it out. Those come chiefly from depositors, or from borrowing.

Source: The Block (Tether 2024 results)

The Public Option

- Public banks can issue and manage stablecoins so the interest returns to the public, and benefits accrue to local banks.
- Wyoming FRNT (Aug. 2025): first state-issued stablecoin, 102% reserves; interest funds public schools.
- BND Roughrider coin (launched Oct. 2026): for North Dakota banks and credit unions. Lets North Dakota banks and credit unions settle payments with each other in near real time on the Solana blockchain, rather than waiting on the Fed's wires and ACH.



Source: Loeb & Loeb (FRNT); Business Wire, Oct. 8, 2025 (Roughrider coin)

The Next Chapter Is Yours

Crises are when change happens – from colonial scrip to the land banks, from the Revolution to Lincoln's Greenbacks and the Bank of North Dakota.

Today we are facing the mother of all debt crises and an exponentially growing wealth divide. The momentum is there to make banking a public utility. We just need to awaken the public to the issues and mobilize them.

Public banking began in Philadelphia in 1723. The next chapter will be written in your state.

