Testimony supporting Proposed Bill No. 150 by Michael Harris, PE

Dear Banking Committee, I am writing to express my strong support for Proposed Bill No. 150 Establishing a Connecticut Infrastructure Authority. As a founding member of the volunteer-run group Public Bank Connecticut, I have been working with other concerned citizens, in coordination with the national Public Banking Institute, to educate and advocate for public banking as an opportunity to structurally improve the way the public's wealth is used. The operative word here is structural and the structures that currently lead to inequities are embedded on our laws and legislation.

California, New York and New Jersey are all moving to change their laws to allow for public banks. North Dakota has had a successful public bank since 1919. While some would argue the application of this public bank works because North Dakota is an agrarian state , the fact is a public bank works because it uses the power of money creation and puts it directly in service of the commons – the community, Main Street, instead of serving the growing inequity of interest to owners of capital. That will work in Connecticut, too.

An infrastructure authority, if it is set up as a public bank, is a practical, non-partisan approach to improving and maintaining the commons. Proposed Bill No. 150 calls for general statutes to "be amended to establish a new quasi-public agency, the Connecticut Infrastructure Authority, which shall facilitate and finance the development of public infrastructure projects..." It is essential that this bill be written and moved forward so that the infrastructure authority is a public bank with the explicit mission of serving the community equitably and having the power to leverage deposits through credit creation – by far the most ubiquitous form of money in our economy today.

Example of other quasi-public agencies in Connecticut serve important functions such as the CT Green Bank and the Connecticut Housing Finance Authority (CHFA). However, these entities leverage private money – money of the owners of capital – and as a result, are beholden to protecting the bottom-line of these investors. The Public Infrastructure Authority needs to be different.

Banks do not lend their deposits. They create new money in the form of bank credit when they make loans. That means local governments borrowing from their own bank is not just interest-free, but actually creates new money for the local economy.

Banks are not financial intermediaries, loaning out pre-existing money. They are the creators of money. Over 95% of the money supply in the US comes from banks when they make loans; money which disappears when those loans are repaid. This is what monetary theorists call the power of money and banks have this power not because they are especially wise or moral or because they have a mission to support the common welfare. Rather, banks have the money power because the law establishes that power.

Relying on private banks to fund the infrastructure projects ends up leaving needs unmet simply because the private investors don't see a large enough return.

The Yankee Institute might argue "Taxpayers should not be forced to subside below-market lending opportunities." But, truthfully, interest paid is returned to the government because the government owns the bank. This isn't just savings. The state profits from the lending. This requires a change in the general statues. Changing the statutes, thus allowing public entities like a public infrastructure bank to create new money via loans for infrastructure projects, is precisely what this bill ought to be about.

When coupled with an explicit mission to serve the community, such an infrastructure authority would greatly raise the economic and social equity and well-being of the State of Connecticut.

The Bank of North Dakota has been widely reported elsewhere as having a stellar track record, being one of the most profitable and trustworthy banks in the country. It has served to strengthen the local community bank and credit union system by serving as a banker's bank, increasing their lending capacity, and has played a key role in stabilizing that state's economy for the decades.

The state of our infrastructure, the problems of getting investment funds to small businesses, during both normal times and especially during the pandemic, the obvious need for greater emergency preparedness to support public health and livelihood - these are all market failures of the existing banking structure and the debt-based money it works so hard to protect. This results in innumerable costs to the citizens, the neighborhoods, the communities of our state.

I am grateful for your careful deliberation on this important topic. Thank you for the opportunity to be here with you today.

Michael Harris, PE

Deep River, CT