

Historical Supplement by Jamie Walton, August 2008

A summary of a survey of past and present State-owned banks is given to show the generally and ultimately unsatisfactory experience. Of 12 previous State-owned banks in the U.S., only 4 could be called a 'success' – i.e. their failure wasn't their own fault. But they only operated an average of 19 years before being sold or dissolved. Governments usually sold bonds to capitalize these banks (and to redeem their notes). There was no reduction in their debt situation. This is echoed with the current debt situation of Puerto Rico, where debt growth is outstripping economic growth by a factor of 1.7 for 2004-2008.

Table 1: U.S. State-owned banks

State (or Territory)	Start	End	Reason Ended
Alabama: Bank of the State of Alabama	1823/1825	1837/1841	Panic of 1837 and corruption
Arkansas: Arkansas State Bank	1836	1843	Indebtedness and corruption Mismanagement and corruption
Arkansas Real Estate Bank	1836	1855	
Florida: Central Bank of Florida	1832	1843	Default on debt and corruption
Georgia: Central Bank of Georgia	1828/1829	1842/1856	Indebtedness and liquidation
Illinois: State Bank of Illinois	1820/1821	1824	Mismanagement and corruption
Indiana: State Bank of Indiana (50% State-owned)	1834/1835	1855/1859	Change of State Constitution
Kentucky: Bank of the Commonwealth of Kentucky	1820	1845/1861	Liquidation
Louisiana: Louisiana State Bank	1818	1845	Privatised
Mississippi: Bank of Mississippi	1818	1844	Default on debt
Missouri: State Loan Office (<u>not</u> a bank; issued State Government money: "Bills of Credit")	1821	1822	Declared unconstitutional
North Carolina: Bank of the State of North Carolina	1835	1859	Privatised
North Dakota: Bank of North Dakota	1919	extant	n/a
South Carolina: Bank of the State of South Carolina	1812	1870	Legislation
Tennessee: Bank of the State of Tennessee	1820	1831/1843	Liquidation
Puerto Rico: Government Development Bank for Puerto Rico	1942/1948	extant	n/a

1ST start date is year of authorization. 2ND start date is year operations began.
1ST end date is year operations finished. 2ND end date is year of winding up.

In a comparable country, Australia, State Governments had owned, at various times, commercial, savings and rural and/or industry development banks. All of these banks were either re-organized as non-bank funding agencies or sold to privately-owned commercial banks (often foreign) or were taken over by the nationally-owned Commonwealth Bank, which was itself privatised later. Had these banks really been good revenue-earners, they wouldn't have been sold. Some cost taxpayers dearly, costing political parties dearly at the ballot-box. States owning banks is a tried and failed idea, it doesn't achieves any change.

Table 2: Australian State-owned banks

State (ex-Colony)	Started	Ended	Reason Ended
New South Wales: Government Savings Bank of New South Wales (ex-Savings Bank of New South Wales and Post Office Savings Bank of New South Wales; ex-New South Wales Savings Bank)	1819	1931	Merged with Commonwealth Bank of Australia*
State Bank of New South Wales (ex-Rural Bank of New South Wales)	1933	1994	Privatized
Queensland: Queensland Government Savings Bank (ex-Government Savings Bank of Queensland)	1865	1920	Merged with Commonwealth Bank of Australia*
Agricultural Bank of Queensland	1915	1986	Re-organized as non-bank State Government Agency
South Australia: State Bank of South Australia (merged with Savings Bank of South Australia)	1848	1991	Collapsed and residual business privatized
Tasmania: Trust Bank of Tasmania (ex-Savings Bank of Tasmania and Tasmania Bank)	1835	1999	Privatized
State Savings Bank of Tasmania (ex-Post Office Savings Bank of Tasmania)	1882	1913	Merged with Commonwealth Bank of Australia*
Agricultural Bank of Tasmania	1908	1984	Re-organized as non-bank State Government Agency
Victoria: State Bank of Victoria (ex-Savings Bank of Victoria; ex-State Savings Bank and Post Office Savings Bank of Victoria)	1842	1991	Merged with Commonwealth Bank of Australia*
Western Australia: State Savings Bank of Western Australia (ex-Government Savings Bank of Western Australia; ex-Post Office Savings Bank of Western Australia)	1863	1931	Merged with Commonwealth Bank of Australia*
Bank of Western Australia (ex-Rural and Industries Bank of Western Australia; ex-Agricultural Bank of Western Australia)	1895	1996	Privatized

* Federal Government-owned Commonwealth Bank of Australia was privatized in 2000.