

**B**orsodi outlines the following principles which he sees as necessary in reforming the banking profession.

1. Banking is a profession and not a business. The Banker, like the lawyer and the doctor, unless he stultifies himself, must put the trust reposed in him before anything else. We entrust our health and even our lives to our doctor. We entrust vital rights and our material interests to our lawyer. We entrust our money and our savings to our banker. The banker is a trustee, and he has no more moral right to exploit the funds entrusted to him than a doctor has the right to exploit the sickness of his patients, or a lawyer the difficulties of his clients. Professional compensation is one thing, but maximizing profits is something altogether different.

2. Bankers, like lawyers and doctors, should therefore be licensed and only those qualified to study (usually at an accredited university) and who observe professional standards both in their practice and in their charges for their services, should be permitted by law to engage in banking.

3. The banker, by the essential nature of the service he renders, is a fiduciary trustee. It is malpractice for him to do anything with the funds entrusted to him which he ought to know should not be done with them, just as it is malpractice for a doctor to prescribe treatments which he ought to know endanger the health of his patients. Nobody, no matter how great the profit, has a moral right to betray those who trust him. It is betrayal to exploit the opportunity for profit which trust in his integrity creates.

4. Bankers should not be granted charters to operate banks as business corporations; they should not be legally authorized to earn profits for stockholders because corporations limit the liabilities of those who own them. In practice the law makes it virtually impossible to hold corporate officers and directors liable for what I am calling malpractice.

Banks should be owned and operated by sole proprietors, by partnerships, by mutual and cooperative associations, and all those who own them and conduct them should be personally responsible and accountable for the safety of the funds entrusted to them. All laws which exempt bankers, as would be true of all laws which exempted any kind of professional person from full liability for his or her practices, are morally null and void.

Borsodi also enumerates a number of measures which he thinks would eliminate inflation, reduce unemployment, end the boom and bust business cycle, reduce speculation, provide for the capital needs of the local

community, and prevent the government "from using the banks of the nation to indulge in its present extravagances by forcing them to finance its deficits."

He argues that, if the following measures were taken, the whole moral climate of the economy would be transformed:

1. Bankers, as professionals, should ensure both the safety and proper use of the funds entrusted to them.

2. Professional bankers should see to it that the funds entrusted to them be used only to facilitate commerce.

3. Professional bankers should give priority to financing local needs before investing in projects outside the community.

4. Professional bankers should take over the whole field of investment, taking it out of the hands of the so-called investment bankers of Wall Street.

It is encouraging to note some movement in this direction by a few "enlightened" bankers. There are some notable examples of banks which, while still operating under the umbrella of the corporate charter, have acted to implement some of the above proposals, especially the financing of local needs. Among these are the South Shore Bank in Chicago and the Community Capital Bank of Brooklyn. Besides these, there are dozens of non-bank community loan funds springing up all over the country.

For more information about these, contact the National Association of Community Development Loan Funds, P.O. Box 40085, Philadelphia, PA 19106.

*(Adapted by Ed Dodson from an article, "The Nature of Banking" by Dr. Ralph Borsodi, which appeared in Green Revolution, published by the School of Living.)*

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## **Privatize Money...**

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diseased. Similarly, it is hardly likely that a sound monetary system will prevail if other aspects of the economy are unhealthy. One could almost measure the degree of health of an economy by the monetary system. If the economy is a just one, the monetary system will be a sound one; if the economy is not a just one, then the monetary system will be an unhealthy one. This points up the fact that while people are groping toward creating a sound currency, they must also strive to create a sound economy, for one goes with the other.

The only true monetary system is one in the field of private enterprise, with the people in control through the marketplace.

**GJ**

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