Current Scholarship
A. White, Banks as Utilities

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Banks are creatures of the market and creatures of the state. The call to reconceive banks as public utilities requires a critical redefinition, both of banks and of public utilities. Part of that redefinition must include naming the values and ends that bank regulation ought to serve. The neoclassical economists' understanding of utility regulation is founded on the value of efficiency, and the theory of price competition and natural monopolies. In some industries, economies of scale and large capital costs result more or less inevitably in monopoly, and thus competition cannot be relied on to achieve fair and efficient pricing. The neoclassical model of bank regulation does not regard banks as utilities. Systemic risk, information problems, and the moral hazard produced by public insurance are the market failures that justify bank regulation, with the primary goal being safety and soundness. Utility regulation, going back to its Progressive Era and earlier origins, values the need for continuous and universal supply of essential infrastructure to all consumers and businesses without discrimination and at reasonable prices, and to constrain the political power of oligopoly trusts and corporations. This paper will describe a progressive utility regulation model for banking as an alternative to oligopoly with limited prudential and consumer protection regulation, the current path. I will consider the problems with the progressive model of banks as utilities, including regulatory capture. Banks as utilities, broadly conceived, should be publicly governed, to provide reliable and universal payments, savings and credit services at social prices, and to reduce inequality of economic opportunity.

White, Alan M., Banks as Utilities (January 4, 2016). Tulane Law Review, Vol. 90, 2016. Available at SSRN: https://ssrn.com/abstract=2847815