

# POLITICAL ECONOMY OF PUBLIC BANKS

## ELECTORAL EFFECTS OF SAVINGS BANKS IN GERMAN SUBNATIONAL ELECTIONS

Jonas Markgraf & Malte Berneaud-Kötz

Hertie School of Governance

02 May 2016

# BACKGROUND

# MOTIVATION

- financial crisis 2007-8: increased interest in bank-politics interface
- politicians' participation in public banks understudied
- public banks are central element of Europe's banking sector

# INSTITUTIONAL SETTING

- large number of public savings banks (*Sparkassen*) in Germany
- *Sparkassen* important providers of credit and public goods
- regional outlook of savings banks & close ties to local politics

# SPARKASSEN BUSINESS AREAS



# HYPOTHESIS

# HYPOTHESIS

- mayors with board seat in savings bank extract political rents from board membership

## ***Hypothesis:***

*Mayors with a board seat in a Sparkasse are more likely to be re-elected than mayors without a boardseat, holding all other explanatory variables constant.*

# STORYLINE

How does membership in a *Sparkasse* affect electoral success?

- direct channel: influence on strategic decisions of bank
  - credit volume
  - timing of consolidation and mergers
  - donations & payouts
- indirect channel: competence signal to constituency



# EMPIRICAL STRATEGY & FINDINGS | MODEL & CONTROLS

# DATA

- 1 Data on all Bavarian mayoral elections conducted 1948-2014 were obtained from the Bavarian Statistical Office
- 2 Hand collected dataset on board members in Bavaria's *Sparkassen* for 2006-2015

Data is matched on names to find mayors who were members of a *Sparkassen* governing board

# SUBSET & STATISTICAL MODEL

## Subset

- only elections from 2006 to 2014
- only elections with at least two candidates
- excluded elections where a run-off was necessary

Logistic regression to deal with binary dependent variable

- DV: Re-election of mayor yes / no
- main IV: *Sparkassen* board membership in year prior to election
- control IVs:
  - vote share received by the last winning mayor
  - gender
  - municipality size proxy:  $\log(\text{number of eligible voters})$

# REGRESSION RESULTS

TABLE 1: Logistic regression results w/ odds ratios

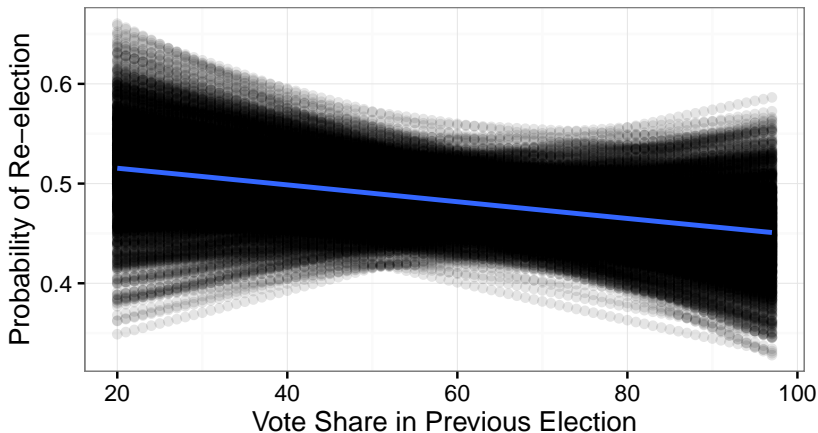
	<i>Dependent variable:</i>
	Re-election of mayor
Sparkassen board member	1.228 t = 1.813*
Previous vote share	0.997 t = -0.754
Female	1.157 t = 0.834
Number eligible voters	1.242 t = 4.453***
Constant	0.160 t = -3.821***
Observations	2,547
Log Likelihood	-1,726.577
Akaike Inf. Crit.	3,463.154

*Note:*

\*p<0.1; \*\*p<0.05; \*\*\*p<0.01

# A CLOSER LOOK AT PREVIOUS VOTE SHARE

Probability of Re-election across Previous Vote Share



Thank you for your attention!

<https://github.com/jmarkgraf/PresentationAssignment>