Political Economy of Public Banks
Electoral Effects of Savings Banks in German Subnational Elections

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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

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- 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

Logistic regression model:

- 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(number of eligible voters)

Regression Results

Table 1: Logistic regression results
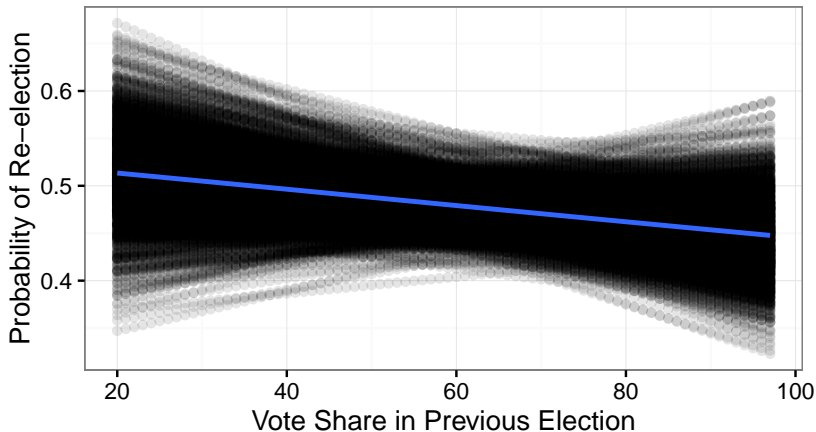
	Dependent variable:
	Re-election of mayor
Sparkassen board member	1.228
	t = 1.813*
Previous vote share	0.997
	t = −0.754
Female	1.157
	t = 0.834
Number eligible voters	1.242
	t = 4.453***
Constant	0.160
	t = −3.821***
Observations	2,547
Log Likelihood	−1,726.577
Akaike Inf. Crit.	3,463.154
Note:	*p<0.1; **p<0.05; ***p<0.01

A CLOSER LOOK AT THE PREVIOUS VOTE SHARE

Probability of Re−election over Previous Vote Shares

Thank you for your attention!
`https://github.com/jmarkgraf/PresentationAssignment`