

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

any idea how to center

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ARGUMENT

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