

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

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 & SUBSET

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

- ▶ 2006 to 2014
- ▶ competitive elections
- ▶ no run-offs

STATISTICAL MODEL

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

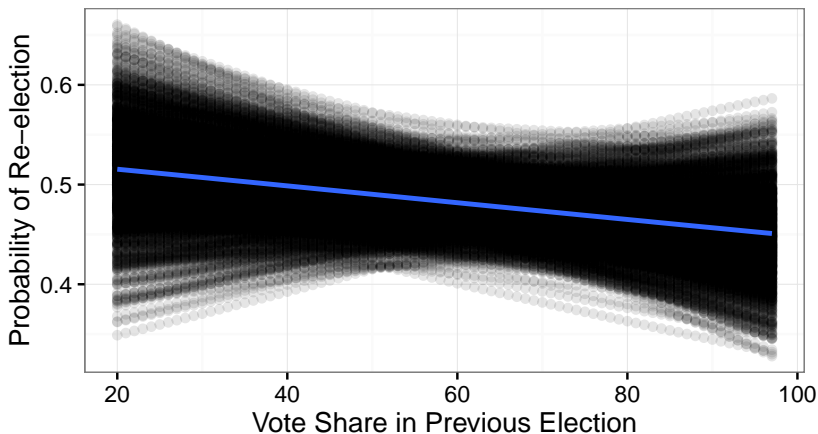
	<i>Dependent variable:</i>
	Re-election of mayor
Sparkassen board member	1.23 p = 0.07*
Previous vote share	1.00 p = 0.46
Female	1.16 p = 0.41
Number eligible voters	1.24 p = 0.0000***
Constant	0.16 p = 0.0002***
Observations	2,547
Log Likelihood	-1,726.58

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>