

# 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

# FINDINGS

Thank you for your attention!

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