

POLITICAL ECONOMY OF PUBLIC BANKS

ELECTORAL EFFECTS OF SAVINGS BANKS IN GERMAN SUBNATIONAL ELECTIONS

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BACKGROUND

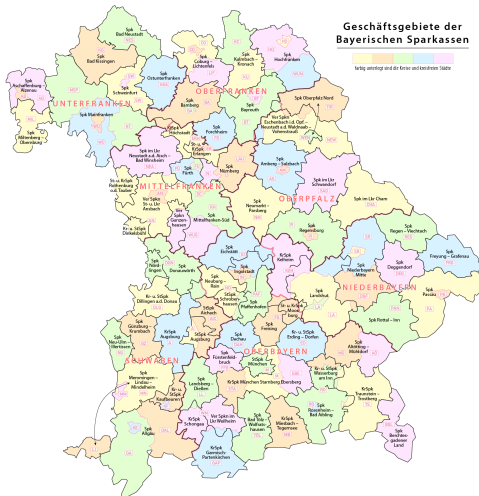
MOTIVATION

- 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



any ideas how to centre?

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

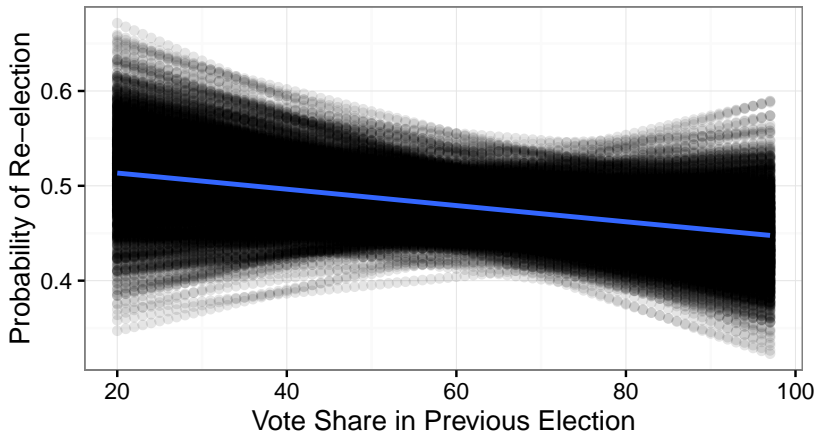
	<i>Dependent variable:</i>
	Re-election of mayor
Sparkassen board member	1.228 t = 1.813*
Previous vote share	0.997 t = -0.754
Female	1.157 t = 0.834
Number eligible voters	1.242 t = 4.453***
Constant	0.160 t = -3.821***
Observations	2,547
Log Likelihood	-1,726.577
Akaike Inf. Crit.	3,463.154

Note:

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

A CLOSER LOOK AT PREVIOUS VOTE SHARE

Probability of Re-election over Previous Vote Shares



Thank you for your attention!

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