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Presentation of the book 'Public Banks: Decarbonisation, Definancialisation, and Democratisation' by Thomas Marois

Thomas Marois. Professor of Political Economy. McMaster University.

Resumen

El libro Public Banks: Decarbonisation, Definancialisation, and Democratisation de Thomas Marois analiza el resurgimiento de los bancos públicos en el contexto de las crisis financieras, climáticas y de Covid-19. Argumenta que estos bancos son esenciales para una transición hacia un desarrollo sostenible y equitativo, a pesar de las críticas neoliberales que cuestionan su capacidad para financiar el desarrollo económico. El enfoque dinámico del libro muestra cómo los bancos públicos pueden catalizar una transformación verde y socialmente justa, influenciados por fuerzas sociales y económicas.

Abstract

The book Public Banks: Decarbonisation, Definancialisation, and Democratisation by Thomas Marois looks at the resurgence of public banks in the context of the financial, climate and Covid-19 crises. It argues that these banks are essential for a transition to sustainable and equitable development, despite neoliberal criticisms that question their ability to finance economic development. The book's dynamic approach shows how public banks can catalyze a green and socially just transformation, influenced by social and economic forces.

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1. Introduction

For decades public banks were largely forgotten, considered antiquated, and perceived as stagnant. Now they are resurgent, socially contested, and institutionally dynamic. In ways unimaginable just a few years ago, public banks have been catapulted to the centre of debate over sustainable, stable, and democratic development. This transpired as public banks were swept up in the events of three overlapping global crises – the crises of finance, of climate finance, and of Covid-19. As the 2008–09 financial crisis rocked the global economy, public banks lent into it. As it become apparent that private investors had failed to make good on a global green transition, public banks stepped in to help finance sustainable development. As emergency credits were urgently needed to face the impact of a global pandemic, public banks made them available. Through these crises public banks have emerged more prominent and powerful. But for whom? And what does their resurgence say about the ability of public banks to change and respond to societal challenges?

The book Public Banks: Decarbonisation, Definancialisation, and Democratisation (Marois 2021) argues that public banks are contested institutions within global capitalism, pulled between contending public and private interests. There is nothing inherently good, or bad, about these entities. At the same time, public banks are also necessary for global green and just transitions. There is no pathway to sustainable and equitable development that does not pass through the world's public banks.

The stakes over the future of public banks are high, though this is too often not well understood. Neoliberal common sense (that is, whatever the problem, private markets and competition can best resolve it) asserts that public banks are basically incapable of financing economic development effectively, let alone spearheading ambitions like a global green transition. Economists assert that, at best, public banks can enable the private sector and maximise private finance for development through blending.

What if common sense is not good sense? What if the neoliberal narrative of public banking incapacity is more myth than fact? And if this were so, what if public banks could democratically catalyse an environmentally green and socially just transformation wherein the public interest took precedence over those of private investors?

The evidence presented in the book suggests that these questions are anything but rhetorical. As of 2020, there were 910 public banks worldwide that command $49 trillion in assets (as of 2024, there are 914 public banks with $55 trillion in assets, see Marois and Güngen 2024). Public banks are on the rise. Not only have bank privatisations stalled but governing authorities, north and south, are creating new public banks in Canada, Nigeria, France, American Samoa, Germany, Indonesia and elsewhere. This is not to mention the two new China-backed multilateral banks, the New Development Bank and Asian Infrastructure Investment Bank.

In the book, public banks are defined as banks that are located within the public sphere of a state and society. Banks can be located within the public sphere in different ways: by virtue of controlling public ownership (by a government, public authority, or other public enterprise); or according to a legally binding public interest mandate; or as set out in public law; or by meaningful public representation and control; or by a combination of these factors. That is, any one of several concrete factors can situate a bank within the public sphere, with ownership being but one possibility.

It is also a dimension of public banks that they perform financial intermediation and banking functions. Again, history shows that they have no essential orientation to what they do. Some public banks focus on mobilising money for industrialisation, others do not or not so much. Some have social development at their core while others are profit-oriented banks. Public banks have no manifest destiny. They can be (re)made in many ways. There is evidence of very inefficient and efficient public banks just as there are public banks that provide additional financing to the private sector and ones that almost exclusively target the public sector.

To help understand the diversity of public banks, the book develops a 'dynamic' approach to public banks. A dynamic approach does not permit essentialised tropes of public versus private ownership to predetermine what it is to be a public bank. Rooted in political economy, a dynamic approach theorises public banks as socially contested and evolving entities, made and remade in time- and place-bound contexts within the wider structures of global financialised capitalism (Marois and Güngen 2016). To do so, institutional functions logically precede ownership form. Institutional functions are not taken as timeless or fixed but rather as evolving and subject to the pull of contending public and private interests in class-divided society. What social forces have public banks do make them what they are. A dynamic view thus offers a new pathway to understanding the resurgence of public banks vis-à-vis the crises of finance, of climate finance, and of Covid-19 in non-essentialist and socially contested terms.

It follows that public banks are not ultimately good or bad, pro-private or pro-public, institutions. They can and do function in both public and private interests, though not necessarily in balance. In reality public banks have multiple functions that are in no way reducible to being essentially this or that. Public banks are what contending social forces make them to be, if subject to changing relationships of power within global capitalism. Consequently, the contemporary crises of finance, of climate finance, and of Covid-19 promise to remake the world's public banks in the search for sources of sustainable and stable finance and including for potentially green and just transitions.

The question remains, however, whether or not public banks will offer substantive green and just financial alternatives. The answer is that it fully depends on whether social forces in society make it so. Societies can do so, insofar as there are public banks that have long-practiced longer-term, well-governed, and even greener lending practices well before today's crises of finance, climate, and Covid-19. Societies also may not make them so. Public banks do not necessarily entail any green and just alternative at all to financialised business as usual. Case study research does point to promising practices among public banks.

It is worth pausing to note that the book's research methodology is organised around multi-sited case studies, drawn from the global south and north, with the evidence base being largely qualitative in orientation and drawn from multiple sources. The case study approach allows me to excavate otherwise invisible information on causal relationships between different institutional types of public banks, sources of funding, and governance structures in relation to how specific public banks have faced the crises of finance, of climate finance, and of Covid-19. That is, case studies help us to understand the time- and place-bound experiences of specific institutions in their own socio-economic settings. The analytical approach involves iterative stages of familiarisation, thematic identification, mapping, and interpretation. None of this work is oriented towards deducing the ultimate economic benefits of public versus private bank ownership.

The book purposively traverses the global north–south divide by selecting public bank cases studies from both political regions. This is theoretically justified by positioning individual public banks within states that reproduce themselves within global financialised capitalism. Practically, there are existing relationships between public banks in the north and the south. It makes little sense to reproduce a false north–south divide and there is no reason that scholars and practitioners in the north should not learn from the promising practices and pitfalls of the south (and vice versa).

It needs emphasising that it is neither the intent nor the orientation of this book to defend any specific public bank, to promote some idealisation of public banking in general, or to make the case for any ultimate form of ownership (be it public, private, or mixed). Nor does the book attempt to resolve the operational differences between or superiority of any specific institutional type of bank – be it universal, development, or commercial. Not at all. The aim is instead to draw on diverse historical contexts to document the existence and persistence of dynamic public banks in practice. This contributes to understandings of what their functions are, who benefits, and why. This should help us rethink what the realm of the possible is for public banking for a green and just transition.

2. The Argument and Structure of the Book

From a historical institutional and materialist theoretical approach, I argue that public banks are resurgent within financialised capitalism because of the institutional functions acquired and performed in class-divided society. Their functions are contested. What public banks do and why is subject to the pull of public and private interests in time- and place-bound contexts within global financialised capitalism. In short, public banks are made and remade by contentious social forces.

This leads to an understanding of public banks not as essentially good or bad by virtue of their ownership form but as historically dynamic institutions. Public banks will therefore always struggle with navigating the tumultuous and contradictory waters of capitalist society. Nevertheless, I also argue that pro-public social forces should make public banks capable of democratically financing a green and just transition. Case study evidence shows that public banks can acquire the representative structures, financial capacity, institutional knowledge, non-competitive and collaborative networks, and geographical reach needed to do so in the public interest.

Five premises, developed in eight chapters, substantiate the book's arguments.

- The first premise is that public banks persist globally and do so with substantially more financial firepower than is commonly recognised in the literature.
- The second premise is that a dynamic view of public banks is better able to explain the resurgence of public banks than the dominant 'political' and 'development' economic views, which rely on fixed notions of public versus private ownership.
- The third premise is that public banks have a historical legacy of performing a wider array of political and economic functions than allowed for in most economic theory.
- The fourth premise, built on in the case study chapters, is that public banks have acquired functions in the public interest and operate in 'pro-public' ways, if never independently of contending public and private interests. To be sure, public banks have also acquired functions in the private interest. These contending orientations can generate contradictions in what public banks do and for whom, for example, by funding both carbonising industrial development and decarbonising energy transitions. A dynamic view is needed to disaggregate such institutional complexity.
- The fifth premise is that there are sufficient existing pro-public functions to synthesise what a democratised green and just public bank can and should look like, thus providing a floor for debate over the future of public banks.

Chapters 1 through 3 expand on the empirical, conceptual, and historical framing of the book. Chapter 1, 'The World of Public Banks', locates public banks within the credit system and empirically maps out the extent of contemporary public banks globally, evidencing that their combined capacity is exponentially greater than what is typically reported. Chapter 2, 'Contrasting Evidence, Contending Views: Towards a Dynamic Alternative', surveys the economic evidence and theory for and against public banks, arguing instead for an alternative dynamic view of public banks. Chapter 3, 'Credible Legacies, Neoliberal Transition', provides a historical overview of public banks, of their acquired institutional functions, and of the post-1980s neoliberal transition.

hapters 4 through 6 are case studies illustrating the constitutive and contradictory elements of the public banking resurgence. Chapter 4, 'Decarbonisation', looks at the China Development Bank and the Nordic Investment Bank. These two public development banks have clear decarbonisation strategies with public interest objectives. How public banks actually finance decarbonisation, however, is subject to intense power struggles and class contradictions. The World Bank and UN have intensified the contradictions by advocating that public banks essentially absorb private investors' financial risks to catalyse new green investments.

Chapter 5, 'Definancialisation', looks at the Indian National Bank for Agriculture and Rural Development (NABARD) and the American Bank of North Dakota. The former is a national 'apex' development bank and the latter a state-level commercial bank. Both public banks function to mediate and 'fix' flows of mobile financial capital within identified spatial regions. Neither banks' definancialisation operations, however, are unaffected by the class divide of capitalist social reproduction.

Chapter 6, 'Democratisation', looks at Germany's KfW and Costa Rica's Banco Popular y de Desarrollo Comunal. The KfW is among the world's largest public development banks while the Banco Popular is a nationwide universal public bank. These two banks stand out for having acquired contrasting governance structures that democratically connect popular demands to how the bank functions, if unevenly so. Democratisation has not erased the pull of private interests within capitalism, but it has enabled the banks to pursue a more public interest trajectory.

Taken as a whole, the case study lessons are substantial. The China Development Bank illustrates the ability to scale up and direct finance rapidly; the Nordic Investment Bank the practice of implementing an accountable 'green' investment floor; the Bank of North Dakota how local social forces can create and sustain a

public bank even within otherwise hostile territory; the NABARD how national authorities can institutionally direct domestic financial flows from capital rich to poor regions; the Banco Popular how workers can substantively democratise a bank; and the KfW how representative governance can translate national political priorities into mandated banking practice. Each case also illustrates the contradictions that need to be confronted in order to better make public banks green and just.

The final two chapters conclude the book. Chapter 7, 'A Democratised Public Bank for a Green and Just Transition: A Proposal', synthesises the complex and concrete functions performed by real public banks in a proposal of how to finance a socially just, sustainable, stable, and democratic green transition in the public interest. The chapter does not imply that

any society can seamlessly create a public bank free of class-divided conflict and contradictions. I hardly imagine that to be possible. Rather, the synthesis stands as an evidence-based corrective to today's narrow 'market failure' and 'pro-market additionality' finance for development narratives. It is meant to spur debate and action on the future of public banks for a pro-public green and just transition.

The last chapter is an epilogue, titled 'Public Banks in a Time of Covid-19'. The contribution was not, indeed could not, have been conceived of when the book was first planned or even mainly written. But the Covid-19 crisis and the emergency responses of public banks could not be left out of a book on contemporary public banks. It illustrates, nonetheless, that public banks can respond rapidly to societal challenges in ways typically not possible within private banks – if made to do so.

Nota biográfica

Thomas Marois is a Professor of Political Economy in the Department of Political Science and Tier 1 Canada Research Chair in Public Banking at McMaster University, Canada and formerly a Reader in Development Studies, SOAS University of London. Thomas is a leading scholar of public banks worldwide, focusing on pro-public alternatives and collaborations for the financing of green and just transitions.