

# THE DEMOCRATIC AND TRANSFORMATIVE POTENTIAL OF PUBLIC BANKS

THOMAS MAROIS AND SUSAN SPRONK

We are living in a time of multiple crises. The latest calculations from science agencies reveal 2023 as the warmest year for the planet as measured by average temperature since global record-keeping began, and 22 July 2024 as the hottest single day on earth ever recorded. Current predictions suggest that global warming will only accelerate.<sup>1</sup> We are still reeling from the aftermath of the Covid-19 pandemic. The pandemic delayed progress towards closing the overall global gender gap by more than 30 years.<sup>2</sup> Much of the global South has been immersed in a debt crisis of a breadth and depth not seen since the early 1980s.

Addressing these crises, and making progress toward a more egalitarian, equalizing and green global development model, will entail mobilizing a huge mass of capital to convert and transform existing infrastructure and manufacturing plants and to build new ecologically responsible productive capacities. To date, the financialized world market has responded primarily by market ecology measures of price and tax incentives and subsidies. This approach has failed at the pace, scale, or on the terms required for the necessary reshaping of the circuits of capital, a failure well-documented by socialist and ecological researchers and activists, and further underscored by the United Nations.<sup>3</sup>

However, while these critiques have been telling, there is also the need to address alternatives given left movements have been struggling in even pushing reform agendas ahead. This essay argues that there is no pathway to financing green *and just* transitions that does not take on the terrain of the world's myriad of publicly-owned and -controlled banks. While governments across the global North have committed in principle to increasing the amount of green financing, raising this finance and making sure that the resources are channelled into investments that promote collective and egalitarian policy processes remains a crucial ongoing struggle. Governments both North

and South need to make more effective use of their existing capacities and resources. But this involves a confrontation over the neoliberal policy regime and the limits of capitalist states. In the world of climate finance, public banks are a necessary – but not by themselves sufficient – potential form of counter-power, offering an alternative that could contribute to the decarbonization, democratization and definancialization of actually-existing market economies.<sup>4</sup>

It is worth underscoring that while none of what public banks do is outside of global financial capitalism and its structural confines, they are not stagnant institutions but open to contestation.<sup>5</sup> Nor are public banks inherently progressive entities, but they can be reclaimed for public purposes and potentially democratically governed by community, collective and social movement forces in the interests of green and socially just transitions.

In the absence of democratic and social controls over public banks, private corporate interests will continue to intensify pressures to subordinate the institutional and interventionist capacity of public banks to profit maximization. Political projects to reclaim and democratize public banks, by contrast, can help to reverse the neoliberalization of social reproduction and build the capacity of workers, women, racialized and marginalized communities to resist market-oriented structural adjustment and to explore decommodified – even anticapitalist – alternatives.<sup>6</sup>

The agenda of this essay is to begin by illustrating the important – and most often neglected – scale of contemporary public banking capacity, and by locating public banks within a history of socialist thinking on the transformation of banking and finance. In turn, we then explain why public banks are central to an ecologically-just transition by providing examples of emergent movements and practices among them that can contribute to definancialization and to cracking open spaces for struggles over the democratization of capitalist economies.

### PUBLIC BANK ASSETS

Public banks are financial institutions that are often, but not always, owned by national states (so ‘state-owned’ banks). Yet sub-national and municipal public authorities and public enterprises also own banks, making them public. Banks can also be made public via legally binding public interest mandates and meaningful public governance. That is, a bank can be public through ownership, mandate, governance or any combination of these factors.<sup>7</sup> As illustrated below, there are many institutional types of public banks, including central banks, multilateral banks and postal banks, as well as retail, universal and development banks at national and sub-national scales.

Public banks have a long history.<sup>8</sup> The first emerged over 600 years ago, a municipal bank founded in Barcelona in 1401 – the Taulat de Cuitat.<sup>9</sup> But historical data on public banking numbers and assets are sparse. Public banks achieved their zenith in the 1970s (outside the soviet economies). At that time, they controlled 40 per cent of the largest banks' assets in the developed world, and in the developing world, 65 per cent of the largest banks were public.<sup>10</sup> During four decades of subsequent neoliberalization, public banking declined with many examples privatized. But today public banking is experiencing a resurgence, exemplified by new institutions such as the Canada Infrastructure Bank, opened in 2017, and the Scottish National Investment Bank, opened in 2020. Across the US, there are multiple state-level legislative processes underway to create new public banks. In 2023, Congresswomen Rashida Tlaib (MI-12) and Alexandria Ocasio-Cortez (NY-14) introduced the second version of the Public Banking Act, much of it premised on democratic governance. In 2024, the Environmental Protection Agency of the US government awarded \$5 billion to the Coalition for Green Capital to create a new national green bank.

Yet the scale of public banks has long been underappreciated. In 2012, the World Bank estimated that public banking assets were worth around \$2 trillion, while a 2017 OECD climate finance report pointed to 250 public development banks with assets of around \$5 trillion.<sup>11</sup> In 2019, the United Nations Inter-Agency Task Force on Financing for Sustainable Development affirmed the OECD report's assessment.<sup>12</sup> However, new research conducted within the Finance in Common Summit (the network of public development banks) framework has dramatically improved empirical estimates, identifying over 530 public development banks in existence as of 2024 (excluding commercial banks) with \$23 trillion in assets, accounting for about 10 to 12 per cent of annual global investments.<sup>13</sup>

Nevertheless, most multilateral agencies continue to underestimate the number and scale of public banks by counting only public 'development' banks. Our approach, however, is to identify total combined public banking assets held within commercial, development and universal forms of public banks. In brief, public commercial banks are retail deposit-taking institutions that lend to households, corporations and governments, providing a full range of day-to-day banking services (savings, chequing, credit cards, mortgages and so on) through branch and online networks. Public development or investment banks mostly do not provide daily financial services or accept personal deposits, but rather specialize in large-scale and long-term projects and on-lending to other banks. Their sources of funding usually come from government, international development agencies and bond issuances.

Public universal banks perform both commercial and development banking functions, marrying deposit taking with investment making.

As of mid-2024, there are 914 public commercial, development and universal banks and financial institutions at the national and sub-national scales.<sup>14</sup> These public banks hold \$55 trillion in combined assets. Put in context, public banks control assets 10 per cent greater than the 2023 GDPs of the US, China and Germany *combined*. Furthermore, the total number of assets held by these banks increased by \$6 trillion from 2020 to 2024.<sup>15</sup> And if you add to these banks the multilateral development banks (like the World Bank and Asian Development Bank) and the apex domestic entities (the central banks), then there is a total of 1115 public financial institutions worldwide that command over \$91 trillion as of 2024.<sup>16</sup> Public banks are of a material scale that must not be ignored by progressive forces.

Our primary concern in this essay is with the national, sub-national and smaller regional public banks – institutions that have not garnered near the same attention as the large multilateral and central banks. National and sub-national public banks are ubiquitous, diverse and closer to local and national communities than their multilateral corollaries. The financial capacity of this set of 900 plus public banks far outstrips that of the multilateral banks (which have about \$4.5 trillion in assets in 2024). They include sub-national banks, such as municipal public banks like the commercial Banco de Ciudad de Buenos Aires in Argentina (est. 1878), the German North Rhine-Westphalia (NRW, est. 2002) development bank, and the Canadian commercial provincial bank the Alberta Treasury Branch (est. 1938). At the national scale, they include development banks like India's National Bank for Agriculture and Rural Development (NABARD, est. 1981), the Fiji Development Bank (est. 1967) and Brazil's BNDES (est. 1952). Based on our research and expertise, the more inspiring examples of progressive public banks already functioning in the public interest are located at the local and national scales. There is potential for these banks to function as pro-public entities working to advance the collective interests of communities.

#### SOCIALIST THINKING ON BANKING AND FINANCE

Socialist researchers have often struggled to understand public banks within specific social formations and capitalist development or as a potential financial alternative. Critical political economy and Marxian studies have thoroughly explored the structural effects of capitalist development and finance.<sup>17</sup> Yet this research has been 'slow to develop its theoretical treatment of banking' in general, and of public banking in particular.<sup>18</sup> One of the problems has been the assumption that all banks are privately owned entities. In his magisterial

*The Limits to Capital*, David Harvey leaves us only with the note that ‘banks are also private institutions in competition with each other’.<sup>19</sup> Such limiting assumptions even extend to discussions of contemporary climate finance. Brett Christophers’ incisive critique of the limits of profit imperatives in renewable power generation proceeds as if all energy investors are private when they are clearly not, and often benefit from public banks of various kinds.<sup>20</sup>

A great deal of socialist writing on finance has also tended to focus on higher level abstractions of money capital within the circuit of capital.<sup>21</sup> These studies have analyzed how the amassing of ever-larger pools of available money capital enables more aggressive accumulation and competitive processes, often at the expense of workers. They build on Marx’s insights on how with the consolidation of capitalism the credit system became ‘a new and terrible weapon in the battle of competition’ and was transformed into an ‘enormous social mechanism for the centralization of capitals’.<sup>22</sup> Hilferding further drew socialists’ attention to the credit system, emphasizing how the system ‘socializes other people’s money for use by a few’ to accelerate capitalist production by overcoming barriers to investment.<sup>23</sup>

Since the 1990s, there has been an explosion of debates and studies on the financialization of the global economy. In the late 1990s, Paul Sweezy identified the ‘financialization of the capital accumulation process’ as integral to late monopoly capitalism.<sup>24</sup> John Bellamy Foster later identified how financialization creates instability and crises. Costas Lapavistas, Paulo dos Santos and Ben Fine have provided fine-grained analyses of structural changes in the financial incomes of large firms within leading capitalist states and resulting crisis tendencies.<sup>25</sup> These studies illustrate that one of the consequences of financialization is that (private) banks have developed new ways to extract income from households and workers through financial services. Fine emphasizes how economic and social reproduction are more deeply and structurally tied to the financial system, intensifying the processes of neoliberal restructuring.<sup>26</sup> Others have turned their attention to the devastating consequences of financialization in sectors such as food systems, water and housing, as well as the forms particular to the global South, such as the rich discussions around subordinated financialization.<sup>27</sup>

Yet despite socialists’ many contributions to our understanding of finance and financialization, not many have meaningfully grappled with concrete alternatives at the level of banking and credit systems.<sup>28</sup> A few examples suffice to make the point. Stephen Maher and Scott Aquanno demonstrate that contemporary finance is a necessary but contradictory process whose crises are often worked out through the development of new forms of

financialization, yet they leave to others the work of specifying what types of banks and credit functions would be necessary to confront intensified financialization. Adrienne Roberts highlights the problems of contemporary approaches to understanding the role of gendered narratives in mainstream finance and development tropes, but does not reflect on what kinds of responses and institution are needed to create the conditions in which women and gender non-conforming folks could empower themselves. David McNally analyzes the links between global money and the bloody histories of colonial conquest and slavery, but says little about the struggles of contemporary public banking movements seeking economic justice for racialized and marginalized communities. Both Peter Newell as well as Gareth Bryant and Sophie Webber offer much-needed clarity on the need for an increase in climate finance at a massive scale, but their proposals only tinker at the margins of existing private sector and smaller-scale institutional arrangements with little appreciation for existing public sector financial capacity, which is a necessary component of any wider systemic transformation.<sup>29</sup> More also needs to be done to excavate the diverse untold stories of radical left financial programmes, both in and out of government.

This lacuna in contemporary socialist thinking and practice is unfortunate, given that revolutionary movements of the early twentieth century took it as given that any project of societal transformation requires exerting democratic control over finance. Nationalizing the banks was a prime objective. For example, Lenin was deeply concerned with the role that banks can and must play in the Russian Revolution. As he wrote in October 1917:

Capitalism has created an accounting apparatus in the shape of the banks, syndicates, postal service, consumers' societies, and office employees' unions. Without big banks socialism would be impossible. The big banks are the 'state apparatus' which we need to bring about socialism, and which we take ready-made from capitalism; our task here is merely to lop off what capitalistically mutilates this excellent apparatus, to make it even bigger, even more democratic, even more comprehensive. Quantity will be transformed into quality. A single State Bank, the biggest of the big, with branches in every rural district, in every factory, will constitute as much as nine-tenths of the socialist apparatus. This will be countrywide book-keeping, country-wide accounting of the production and distribution of goods, this will be, so to speak, something in the nature of the skeleton of socialist society.<sup>30</sup>

Lenin further wrote in December 1917 that workers' control depends on controlling the banks:

The first step towards the emancipation of the people from this penal servitude is the confiscation of the landed estates, the introduction of workers' control and the nationalisation of the banks. The next steps will be the nationalisation of the factories, the compulsory organisation of the whole population in consumers' societies, which are at the same time societies for the sale of products, and the state monopoly of the trade in grain and other necessities.<sup>31</sup>

Reflecting on the Paris Commune, he went on to state that 'we have learned much since the Commune, and we would not repeat its fatal errors, we would not leave the banks in the hands of the bourgeoisie'.<sup>32</sup> The mistake of not taking over financial power was powerfully dramatized by Brecht in his play on the Paris Commune. He delved into communard debates on whether to leave the Bank of France independent (and thus ultimately in the hands of the counter-revolutionaries) or to seize its assets to push forward revolutionary aspirations. You do not need to see the play to know it ends badly.

Bank nationalizations also figured prominently in national independence struggles and various developmentalist projects of the twentieth century. Post-revolutionary governments in China and Cuba nationalized the banks.<sup>33</sup> While diverse in cause and outcome, nationalist movements in Algeria, Costa Rica, Egypt, India, Korea, Libya, Tanzania and Vietnam took existing banks under state control and/or established new public banks in order to achieve greater domestic political autonomy.<sup>34</sup> In the global South, resisting imperial expansion and establishing national sovereignty requires the ability to issue debt in local currency, and thus gain control over domestic lending.<sup>35</sup> It should therefore be of no surprise that today renewed activism for economic and political sovereignty among First Nations peoples in Canada include calls for creating a new Indigenous Development Bank.<sup>36</sup>

As Marx famously argued, to only think about the world is wholly inadequate since the point is to change it. This adage is truer now than ever in the face of the extinction-level challenge of financing a global green and just transition. We urgently need to rapidly expand the body of critical problem-driven and praxis-oriented emancipatory research on how to address both the depth and scale of the climate crisis – one that provides an actionable alternative to the dominant pro-private narrative.<sup>37</sup> Building on existing public banking capacities may be one entry point to alternatives.

## NO GREEN TRANSITIONS WITHOUT PUBLIC BANKS

Mainstream strategies for financing climate transitions, embodied in the United Nations' 2030 Sustainable Development Goals (SDGs), over-rely on private investors as the solution. This stems from deep-seated and class-based beliefs in the power of markets and private capital to resolve all social, economic, political and ecological problems.<sup>38</sup> This bias shaped the 2015 Financing for Development 'Addis Ababa Action Agenda' and, more significantly, the World Bank's 'Billions to Trillions' development finance plan of the same year, which advocated for market-based and private-sector led development and climate solutions.<sup>39</sup>

Driven by shareholders' demands for maximum profit, private investors are structurally unequipped to finance the world's green infrastructure needs. No amount of de-risking for private investors through 'blended finance' or the formation of public-private partnerships will move the needle at the pace, scale, or on the terms needed.<sup>40</sup> There are structural reasons for this. Private corporations that commit resources at the start of the circuit of capital (be it green or otherwise) must augment their money investments either through the sale of some product or via returns on financial transactions. Failure to do so results in investment losses or business collapse. Private corporate entities are thus profit maximizers due to fiduciary duties to increase shareholder returns.<sup>41</sup> Climate action, socially just transitions and equitable development only matter to the extent that they produce shareholder returns, that is, that they increase surplus value. As such, environment, social and governance commitments that hamper profit are quickly sacrificed in the interest of the bottom line.<sup>42</sup> Despite evidence to the contrary, those interested in maintaining the status quo continue to argue for the expansion and intensification of private investment into green capitalism.<sup>43</sup>

Yet cracks in the edifice are growing. The United Nations recognizes that the international financial architecture has been 'unable to support the mobilization of stable and long-term financing at scale for investments needed to combat the climate crisis and achieve the SDGs'.<sup>44</sup> The United Nations Conference on Trade and Development (UNCTAD) argued that, as of 2023, \$30 trillion would be needed over the following eight years in order to meet SDG targets, highlighting the role that public development banks must play in financing a Global Green New Deal.<sup>45</sup> A recent op-ed summarizing research published by the G20 – co-written by none other than former Chief Economist of the World Bank and US Treasury Secretary Larry Summers – suggested that the turn to blended finance has been 'disastrous' and has slowed investment in development to a trickle.<sup>46</sup>

Private investors have badly underperformed, even at sheer quantity. Table 1 shows tracked global climate finance data from 2017 to 2022. In 2022, private investors provided \$463 billion (or just under 33 per cent) of total climate finance (almost all of which came from commercial institutions and corporations). Public institutions, however, accounted for \$730 billion, or almost 52 per cent. More than four-fifths of this amount came from public banks, financial institutions and enterprises.

**Table 1: Global climate finance by household, private and public sources (billions USD)<sup>47</sup>**

Source	2022	2021	2020	2019	2018	2017
Households/individuals	222	147	59	51	65	41
Private investors*	463	418	274	252	215	227
Public institutions**	730	549	332	337	261	340
<b>Total</b>	<b>1415</b>	<b>1114</b>	<b>664</b>	<b>639</b>	<b>540</b>	<b>608</b>

\* Includes commercial financial institutions; corporations; funds; institutional investors; and others.

\*\* Includes bilateral development financial institutions; export credit agencies; government; multilateral climate funds; multilateral development financial institutions; national development financial institutions; public funds; state-owned enterprises and financial institutions.

In other words, public institutions are far outperforming private investors in climate investments. This record is despite the fact that private investors hold about 80 per cent of the over \$281 trillion in total global financial assets (public and private).<sup>48</sup> Moreover, private climate finance is concentrated in the sectors with the highest return, such as energy and transport, and in wealthier zones of the world economy – that is, they invest practically nothing in the highly indebted countries of the global South or in rural areas and poorer municipalities in the global North.<sup>49</sup> Practically speaking, moreover, public banks and financial institutions already possess the institutions, material capacity and investment trajectories needed to lead on global green transitions.

Given their potential public purposes and social development mandates, public banks are also uniquely positioned to play a key role in pushing for a pro-labour and gender equity transformative approach to financing for development. This is especially the case in the provision of essential infrastructure and services, such as those related to housing, transportation, household electricity, health, education, water and sanitation, and climate

change adaptation.<sup>50</sup> Significantly, public spending on physical infrastructure reduces the burden on women and allows them to devote more time to both paid work and leisure activities. Social spending that promotes gender equality in education and health improves productivity and income throughout the economy, and most importantly, enhances well-being. For example, improved water supply and sanitation, especially in lower-income countries, reduces the time spent searching for water as well as time lost to illness, important factors that increase the burden of unpaid work in these countries.<sup>51</sup> Improved transport connectivity reduces time spent supplying the household and facilitates access to essential services and labour markets.<sup>52</sup>

If mandated to do so, public banks can respond to the call of feminist civil society organizations and trade unions that have been advocating for investment in public goods and services since the early days of neoliberal structural adjustment.<sup>53</sup> International worker organizations, such as Trade Unions for Energy Democracy, Public Services International and the Services Employees International Union, as well as national examples like the Canadian Union of Public Employees and the Korean Public Service and Transport Workers' Union, have taken increasingly strategic positions on public banks for advancing workers' rights and aspirations, including pro-worker green transitions.

#### PRO-PUBLIC PUBLIC BANKING CAN BE BUILT ON

Public banks are not inherently pro-public entities. But neither do they present immutable barriers to realizing green and just transitions. Quite the opposite. There is a plethora of promising practices in the public banking world that are the result of the struggles of workers, women and racialized communities which might further collectivist aspirations to build a more sustainable and livable world. A few examples might serve as indicators of what pro-public public banking advocates can build on.

In 2016, a municipally owned hydropower plant located in Norway, Helgeland Kraft, was awarded 'Public Winner' of the Architecture and Sustainability category at the Architizer A+ Awards.<sup>54</sup> The power installation is considered the world's most beautiful hydropower plant. Its public owners were motivated by a desire to build a power station that was visually appealing and adapted to its surroundings, in order to encourage visitors and build support for public renewable energy. The public regional development bank, the Nordic Investment Bank (NIB, est. 1975), co-financed the project via a public-public collaboration. The project reflects the relatively early turn of the NIB to financing sustainable transitions, a turn that was codified in the bank's updated Sustainability Policy in November 2021. In the words of NIB

Head of Sustainability and Mandate, Luca De Lorenzo, the policy ‘reflects that we are running out of time, and that we really need to step up efforts to decarbonise the energy sector. So, we are taking a very clear stance, we will not finance any fossil fuel-based energy generation.’<sup>55</sup> The NIB is not alone, as there are a range of public banks in the Nordic countries, including municipal banks, that provide local governments infrastructure financing at long-term and affordable rates.<sup>56</sup>

FONPLATA is a public regional development bank formed by Argentina, Bolivia, Brazil, Paraguay and Uruguay in 1971, and it has been engaged in an innovative public-public partnership to promote the universalization of water and sanitation services in the Greater Buenos Aires region of Argentina.<sup>57</sup> Following the renationalization of the water authority in the context of Argentina’s financial meltdown in 2001, the government sought to expand services to poor and marginalized areas. They did this via the integration into the service area of the periphery that had been neglected by the previous private operators of the authority. In order to meet the dual goals of expanding services and creating jobs for marginalized communities – and in the context of the unemployed workers’ movement – the public water company hired local worker cooperatives to help with the work of digging trenches, laying the pipe, and so on. In its initial years, the Water + Work and Sewage + Work programs were financed by the national treasury. In 2019, they secured a loan from FONPLATA to finance their continuation. The loan promotes the socio-economic goals of the previous program, including expanding the number of household connections and creating local employment by hiring local cooperative members. The terms of the loan also promote gender equality goals by stipulating that half of the jobs created by any new cooperatives joining the program must go to women.

In Turkey, the sub-national public development bank, Ilber Bank (or Ilbank; Bank of the Provinces, est. 1933) has its roots in financing municipal reconstruction and development following the 1919 to 1923 Turkish War of Independence.<sup>58</sup> Ilbank is owned by local authorities (the municipalities and provinces) and supports mid-size municipality and village infrastructure and development. By law, Ilbank receives a recurrent source of monthly capital injections equal to two per cent of the total tax incomes of the provincial authorities and municipalities. Its lending is further bolstered by retained earnings and borrowing from foreign institutions. For example, Ilbank has received World Bank and European Investment Bank funding for Turkey’s national ‘Sustainable Cities’ projects. Ilbank specializes in providing appropriate, long-term financing to cities. According to one Ilbank staff

member involved in municipal water finance, ‘no one can compete since no one dares to lend more cheaply’ – including private financiers.<sup>59</sup> While there are substantive benefits of a purposively designed public bank, the research on Ilbank also highlights the importance of ensuring effective, accountable and transparent governance.

A critical dynamic view of public banks holds that ‘publicness’ is not only or solely determined by quantitative ownership levels.<sup>60</sup> That is, to be ‘public’ does not necessarily mean that an institution is owned by government. Rather ‘publicness’ is a socio-historical determination that must consider mandate, mission and governance arrangements in the service of contested notions of the public good. Historical functions shape ownership form. Such is the case with certain worker-owned banks that, while privately owned by their members or constituents, have an evident public purpose.

In Japan, we see this in the Rokin Labour Banks (RLBs), founded in 1953. Yasunori Nishida, President of the National Association of Labour Banks, states that the ‘Labour Banks were founded ... as financial institutions for and by working people’.<sup>61</sup> There are thirteen independent commercial RLBs and a central coordinating body, the Rokinren Bank.<sup>62</sup> The RLBs are neither owned by government authorities nor governed by the state, but they have a legally-defined public purpose to contribute to the ‘improvement of the economic status of workers’ and to do so without being profit-maximising entities.<sup>63</sup> They are further distinguished from for-profit banks by their social links to trade unions and worker-led democratic governance. The RLBs, moreover, collaborate with public agencies to deliver public policy objectives, such as affordable housing. They have the institutional and material capacity to do this given they command assets of around \$190 billion, based on a constituency of about 12 million individuals who bank with them.<sup>64</sup> In 2019, the RLBs introduced the Labour Bank SDGs Action Guidelines to incorporate environmental, social and governance (ESG) factors into bank decisions.<sup>65</sup>

In Costa Rica, the Banco Popular y de Desarrollo Comunal (BPDC) is a 100 per cent worker owned bank that is also run by and for the working class of the country. Founded in 1969, the idea was to fight usury and to democratize credit for workers. The BPDC is a public-like universal bank, meaning it engages in both daily financial services and development projects. It is the third (sometimes fourth, depending on the day) largest bank in Costa Rica, with over \$6.6 billion in assets.<sup>66</sup> It is likely the world’s most democratic bank, with its mandate determined by an elected Workers’ Assembly. The Workers’ Assembly was formalized in public law in 1986, constituting the bank’s highest decision-making forum.<sup>67</sup> Ten social and economic sectors

(artisanal; communal; cooperative; self-managed; independent; teachers; professional; as well as the confederated, non-confederated, and solidarity syndicates/trade unions) designate 290 representatives to the Assembly. In turn, the Workers' Assembly designates four representatives to serve on the seven-member National Board of Directors. The other three members are appointed by the national government. The BPDC not only institutionalizes democratic decision-making – it also subjects its decisions to gender equity requirements. In all major decision-making forums in the bank, from the local and regional committees to the national level, at least half the participants and appointees must be women. Moreover, the Workers' Assembly is responsible for integrating recommendations made by the Permanent Commission for Women, a separate oversight body within the bank.

Overall, the BPDC is guided by three strategic missions (gender equity, accessibility and environmental responsibility) and a triple bottom line (the economic, the environmental and the social), which were the outcomes of a nation-wide consultation the mid-2010s.<sup>68</sup> The BPDC is, it must be said, a profit-maximising bank that competes directly with private banks and other public banks in the country. However, at the same time, it uses these financial returns to fund its not-for-profit social bank arm and to provide concessional lending for community development projects, such as social housing, communal water infrastructure, energy efficiency and biodiversity.<sup>69</sup>

#### TOWARDS DEFINANCIALIZATION AND DEMOCRATIZATION

None of these – or any other – public banking cases are free of contradictions. Rather, these and other diverse cases from the global North and South illustrate that public banks have the financial and institutional capacity to promote public policy goals and social justice ends. So, too, do public banks have the resources necessary to finance green transitions in distinct global contexts. But in whose interests will public banks act? How can we ensure that green transitions will be just? Just as public banks can shield workers, women, the poor and the environment from financialized market imperatives, they can also be made to shield finance capital, investors, carbon capital and elites from any threat to their wealth and privilege.<sup>70</sup> For public banks to internalize pro-public interests, social forces must be at least as well organized (if not far better) than pro-private forces.

The future of pro-public public banking will depend on popular classes' ability to definancialize and democratize these institutions. Financialization has intensified the interconnectedness of capitalist social relations and circuits of capital, so that the essence of life-making and social reproduction is ever more subordinated to the interests of private accumulation. Neoliberal state restructuring has sought to 'de-politicize' economic decision-making by

insulating the state apparatuses regulating finance and money from democratic pressures in ways that working classes and marginalized communities have yet to successfully resist and reverse. The task of socialist and progressive forces is, then, to reverse the neoliberal financial revolution by building pro-public financial capacities that can direct banking functions toward collective democratic interests and, in particular, to addressing the climate emergency.

Definancialization can be materially advanced through public banks. For those of a more Keynesian orientation, definancialization means confronting global (private) finance to roll back excessive financialized motives, markets, actors and institutions.<sup>71</sup> This move is necessary, but it is only a start. Socialist strategies need to be more ambitious, seeking to build capacity to control flows of capital, slow them, direct them and, ultimately, to collectively own them. Definancialization should not have the political and policy agenda of merely shrinking the total mass of finance capital or as simply re-regulating global markets. Rather, definancialization should be understood as building ‘the pro-public financial capacity to democratically overwhelm the undemocratic and exploitative motives and practices of financialized capitalism over social reproduction’.<sup>72</sup>

Outright public (and public-like, as in cooperative and community) ownership is the only viable and realistic option at present.<sup>73</sup> Strategically, building pro-public public banking capacity also avoids a direct frontal confrontation with the most powerful fraction of capital today, finance capital. That is a struggle that we are at present ill-prepared to win. Yet public banks already exist and persist within the public sphere. If we are able to summon the collective power necessary to (re)set the mandate of public banks, we have the potential to definancialize them. And by doing so, we open up new and critical pathways to economic democracy.

Democratization must therefore be advanced at one and the same time in and through public banks. Harvey succinctly identifies the problem: ‘the raw money power wielded by the few undermines all semblances of democratic governance’.<sup>74</sup> Reversing this structural trend means building capacity for people to demand of the state ‘public goods for public purposes’.<sup>75</sup> Channeling investments to address social need rather than profit requires social control over public banks and their investments. Public bank democratization ‘is about the rights of citizens, workers, women, popular classes, and the most marginalized to command a representative, meaningful, free, prior, informed, binding, and accountable say over how public banks use public resources to tackle common challenges’.<sup>76</sup> It is about advancing economic democracy, meaning institutionalizing the collective ability to bring societal needs to the foreground of economic planning.<sup>77</sup> Public banks

can advance this goal by combining economic and financial power with political power, and they can do so democratically.

Nothing in what we have written should be taken as naively asserting that public banks will achieve pro-public ends merely for being 'publicly owned'. We have had to rethink public banks (just as we have the institutions that deliver public services more broadly) as dynamic entities that often institutionalize difficult contradictions.<sup>78</sup> In this Marxian-informed view, public banks 'are institutionalized social relations that reflect historically specific relations of power and reproduction between the banks, other firms, the state, and labor in general'.<sup>79</sup> This conceptual framework allows for the 'qualitative integration of agency and power struggles into an analysis of how change occurs at the level of banking institutions'.<sup>80</sup> In consequence, public banks are understood as being only as good or as bad as contending social forces make them, albeit within the confines of gendered, racialized and class-divided capitalist societies and a financialized world market. Yet to rethink public banks as dynamic and contested institutions within the public spheres of states within capitalism is to open up real possibilities, if not inevitabilities. A dynamic rethinking of public banks provides both a theoretical and practical alternative capable of financing pro-public green and just transitions.

In terms of strategy, there are practical yet transformational strategies that need collective action. First, educate. Critical scholars, activists, trade unionists, civil society organizations and social forces must explore and understand the material and institutional public banking capacity within their communities. Second, engage. Public banks, especially at the sub-national and national scales, are not 'out there'. They are in our communities and are often governed by people around us. Municipalities can propose useful programmes, environmental groups and social justice organizations can demand meaningful safeguards, trade unions can ask for a seat at the governing table, and so on. Fundamentally, pressure must be put on public banks' public owners to democratize the institutions and green their mandates. Third, resist. Behind the pro-public potential of public banks lurks pro-private interests that are well-organized and -resourced. The resurgent neoliberal agenda of de-risking private finance and of advancing public-private partnerships needs to be critiqued and countered. In our view, this is best done by advancing critically-informed and forward-thinking transformative green and just proposals for public banks. There is no green future that will not pass through the world's public banks, but the struggle remains as to who will stand to benefit.

## NOTES

- 1 World Meteorological Association, 'July Sets New Record Temperatures', 13 August 2024, available at: <https://wmo.int/media/news/july-sets-new-temperature-records>.
- 2 World Economic Forum, 'The Global Gender Gap Report', 17 December 2019; and 12 June 2024, available at: [www.weforum.org](http://www.weforum.org).
- 3 Peter Newell, *Power Shift: The Global Political Economy of Energy Transitions*, Cambridge: Cambridge University Press, 2021; Gareth Bryant and Sophie Webber, *Climate Finance: Taking a Position on Climate Futures*, Newcastle upon Tyne, UK: Agenda Publishing, 2024; United Nations, *Our Common Agenda Policy Brief 6: Reforms to the International Financial Architecture*, May 2023.
- 4 Thomas Marois, *Public Banks: Decarbonisation, Definancialisation and Democratisation*, Cambridge: Cambridge University Press, 2021.
- 5 Thomas Marois, 'A Dynamic Theory of Public Banks (and Why It Matters)', *Review of Political Economy*, 34(2), 2022, pp. 356–71.
- 6 Lucia Pradella and Thomas Marois, eds, *Polarising Development: Alternatives to Neoliberalism and the Crisis*, London: Pluto Press, 2015.
- 7 Marois, *Public Banks*.
- 8 Devin Case-Ruchala, 'An Old, Novel Idea: Introducing G-Pub, an Original Dataset of Public Bank Formation', *Review of International Political Economy*, 31(4), 2024, pp. 1271–97.
- 9 Laura Miquel Milian, 'The Taula de Canvi of Barcelona: Success and Troubles of a Public Bank in the Fifteenth Century', *Journal of Medieval Iberian Studies*, 13(2), 2021, pp. 236–53.
- 10 Eduardo Levy Yeyati et al., 'A Reappraisal of State-Owned Banks [with Comments]', *Economía (Washington, D.C.)*, 7(2), 2007, pp. 209–13.
- 11 World Bank, *Global Financial Development Report 2013: Rethinking the Role of State in Finance*, Washington: The World Bank, 2012, p. 120; OECD, *Investing in Climate, Investing in Growth*, Paris: OECD Publishing, 2017, p. 273.
- 12 UN IATF, *Financing for Sustainable Development Report*, New York: United Nations Inter-Agency Task Force on Financing for Development, 2019, p. 143.
- 13 See: Finance in Common Summit, available at: <https://financeincommon.org/summit>.
- 14 BankFocus, online database inquiry, 5 August 2024, *Moody's Analytics BankFocus*, 2024, available at: <https://login.bvdinfo.com/R0/BankFocus>.
- 15 These calculations are based on 2020 Bank Focus data, cited in Marois, *Public Banks*, p. 43.
- 16 BankFocus online database inquiry, 2024.
- 17 David Harvey, *The Limits to Capital*, Oxford: B. Blackwell, 1982; Leo Panitch and Sam Gindin, *The Making of Global Capitalism: The Political Economy of American Empire*, London: Verso, 2012.
- 18 Costas Lapavistas and Paulo L. Dos Santos, 'Globalization and Contemporary Banking: On the Impact of New Technology', *Contributions to Political Economy*, 27(1), 2008, p. 34; Thomas Marois, 'A Dynamic Theory of Public Banks (and Why it Matters)', *Review of Political Economy*, 34(2), 2022, pp. 356–71.
- 19 Robert Guttman, *How Credit-Money Shapes the Economy: The United States in a Global System*, New York: M.E. Sharpe, 1994; Mike Hall, 'On the Creation of Money

- and the Accumulation of Bank Capital', *Capital and Class*, 16(3), 1992, pp. 89-114; Lapavistas and Dos Santos, 'Globalization and Contemporary Banking'; Paul M. Sweezy, *The Theory of Capitalist Development: Principles of Marxian Political Economy*, New York: Monthly Review Press, 1970 [1942]; Harvey, *The Limits to Capital*, p. 247.
- 20 Brett Christophers, *Why the Market will Never Solve the Climate Crisis*, London: Verso. 2024.
- 21 Harvey, *The Limits to Capital*; François Chesnais, *Finance Capital Today: Corporations and Banks in the Lasting Global Slump*, Boston, MA: Brill, 2016; and Thomas Marois, *States, Banks and Crisis: Emerging Finance Capitalism in Mexico and Turkey*, Cheltenham, UK: Edward Elgar, 2012.
- 22 Karl Marx, *Capital, Vol. III*, London: Penguin, 1990 [1976], p. 778.
- 23 Rudolf Hilferding, *Finance Capital: A Study of the Latest Phase of Capitalist Development*, trans. by Morris Watnick and Sam Gordon, London: Routledge, 2006 [1910], p. 180.
- 24 Paul M. Sweezy, 'More (or Less) on Globalization', *Monthly Review*, 49(4), 1997, p. 3.
- 25 John Bellamy Foster, 'The Financialization of Capital and the Crisis', *Monthly Review*, 59(11), 2008, pp. 1-19; Costas Lapavistas, 'Financialised Capitalism: Crisis and Financial Expropriation', *Historical Materialism*, 17, 2009, pp. 114-48; Paulo dos Santos, 'On the Content of Banking in Contemporary Capitalism', *Historical Materialism*, 17, 2009, pp.180-213; Ben Fine, 'Locating Financialisation', *Historical Materialism*, 18, 2010, pp. 97-116.
- 26 Fine, 'Locating Financialisation'.
- 27 Jennifer Clapp and S. Ryan Isakson, *Speculative Harvests: Financialization, Food and Agriculture*, Winnipeg: Fernwood, 2018 ; Nadine Reis, Germán Vargas Magaña and Santiago Vélez Villegas, 'Water, Finance and Financialization: A Review', *Water Alternatives*, 17(2), 2024, pp. 266-91; Susanne Soederberg, ed., *Risking Capitalism*, Bingley: Emerald, 2016; Ilias Alami et al., 'International Financial Subordination: A Critical Research Agenda', *Review of International Political Economy*, 30(4), 2023, pp.1360-86.
- 28 For exceptions, see: Marois, *States, Banks and Crisis*; Marois, *Public Banks*.
- 29 David McNally, *Blood and Money: War, Slavery, Finance, and Empire*, Chicago, Illinois: Haymarket Books, 2020; Stephen Maher and Scott M. Aquanno, *The Fall and Rise of American Finance: From J.P. Morgan to Blackrock*, London: Verso, 2024; Adrienne Roberts, 'Gender, Financial Deepening and the Production of Embodied Finance: Towards a Critical Feminist Analysis', *Global Society*, 29(1), pp. 107-27; Newell, *Power Shift*; Bryant and Webber, *Climate Finance*.
- 30 Vladimir I. Lenin, 'Can the Bolsheviks Retain Power?', in *Collected Works*, Moscow: Progress Publishers, 26, 1972, pp. 87-136.
- 31 Vladimir I. Lenin, 'How to Organise Competition?', in *Collected Works*, 26, 1972, p. 407.
- 32 Vladimir I. Lenin, 'The Russian Revolution and Civil War They Are Trying To Frighten Us With Civil War', in *Collected Works*, 26, 1972, pp. 28-42.
- 33 Becky Chiu and Mervyn K. Lewis, *Reforming China's State-owned Enterprises and Banks*. Cheltenham, UK: Edward Elgar Publishing, 2006; Central Bank of Cuba, available at: [www.bc.gob.cu](http://www.bc.gob.cu).

- 34 Bank nationalizations can equally constitute a form of working-class subordination by capital via the socialization of private investors' risks and debts within specific historical and class formations. See: Thomas Marois, 'Emerging Market Bank Rescues in an Era of Finance-Led Neoliberalism: A Comparison of Mexico and Turkey', *Review of International Political Economy*, (18)2, 2011, pp. 168-96.
- 35 Peter Gowan, *The Global Gamble*, London: Verso, 1999.
- 36 FNFMB (First Nations Financial Management Board), *RoadMap Project Chapter 4: Unlocking Economies*, 2022.
- 37 Milan Babic and Sarah E. Sharma, 'Mobilising Critical International Political Economy for the Age of Climate Breakdown', *New Political Economy*, 28(5), pp. 758-79.
- 38 Bertrand Badré, *Can Finance Save the World? Regaining Power Over Money to Serve the Common Good*, Oakland, CA: Berrett-Koehler Publishers, 2018.
- 39 Adrian Murray and Susan Spronk, 'Blended Financing, Canadian Foreign Aid Policy, and Alternatives', *Studies in Political Economy*, 100(3), 2019, pp. 270-86; Marois, *Public Banks*.
- 40 Eurodad, 'Financing for Development and the SDGs: An Analysis of Financial Flows, Systemic Issues and Interlinkages', Eurodad, 2018, available at: [www.eurodad.org](http://www.eurodad.org); Bryant and Webber *Climate Finance*; Christophers, *Why the Market Will Never Solve the Climate Crisis*.
- 41 TNI, "'Green' Multinationals Exposed: How the Energy Transition is Being Hijacked by Corporate Interests', Transnational Institute, 2023, available at: [www.tni.org](http://www.tni.org).
- 42 EPSC, 'Financing Sustainability: Triggering Investments for the Clean Economy', *EPSC Strategic Notes*, issue 25, Brussels: European Political Strategy Centre, European Commission, 8 June 2017.
- 43 See, for example: 'World Bank Group Timeline', available at: <https://timeline.worldbank.org/en/timeline/eventdetail/3381>; The Global Commission on the Economics of Water, available at: <https://watercommission.org>; The Glasgow Financial Alliance for Net Zero, available at: [www.gfanzero.com](http://www.gfanzero.com).
- 44 UN, *Our Common Agenda*.
- 45 UNCTAD, 'SDG Investment: Trends Monitor, United Nations Conference on Trade and Development', Issue 4, Geneva: UNCTAD, September 2023; UNCTAD, *Trade and Development Report 2019, 'Financing a Global Green New Deal'*, Geneva: UNCTAD, 2019.
- 46 Lawrence H. Summers and N.K. Singh, 'The World is Still On Fire', *Project Syndicate*, 15 April 2024.
- 47 CPI, *Global Landscape of Climate Finance: 2023*, London: Climate Policy Initiative, 2023, updated 12 January 2024.
- 48 Marois, *Public Banks*, p. 40.
- 49 CPI, *Global Landscape*; Bryant and Webber, *Climate Finance*.
- 50 FiC Joint CSO Statement, 'Public Development Banks Must Deliver on the World We Want', 10 November 2020, available at: [www.eurodad.org](http://www.eurodad.org); David A. McDonald, Thomas Marois and Susan Spronk, 'Public Banks + Public Water = SDG 6?', *Water Alternatives*, 14(1), 2021, pp. 117-34; Thomas Marois, 'The Potential of Public Banks to Fund Local Quality Public Services: A Policy Brief for Workers and Trade Unions', Geneva: Public Services International, 2023.

- 51 UN Women, *World Survey on the Role of Women in Development 2014: Gender Equality and Sustainable Development*, New York: United Nations, 2014.
- 52 Stephanie Seguino, *Financing for Gender Equality in the Context of the Sustainable Development Goals*, Discussion Paper No. 11, Geneva: UN Women, 2016.
- 53 Gita Sen and Caren Grown, *Development, Crises and Alternative Visions: Third World Women's Perspectives*, London: Earthscan, 1988; Corina Rodríguez and Masaya Llavenaras Blanco, eds, *Corporate Capture of Development: Public-Private Partnerships, Women's Human Rights, and Global Resistance*, London: Bloomsbury Academic, 2023.
- 54 Nordic Investment Bank, 'World's Most Striking Power Plant Wins Architecture Prize,' 28 September 2016, available at: [www.nib.int](http://www.nib.int).
- 55 NIB, 'NIB to Update Its Sustainability Policy', Helsinki: Nordic Investment Bank, 2021, available at: [www.nib.int](http://www.nib.int).
- 56 Petri S. Juuti, Riikka P Juuti and David A. McDonald, 'Boldly Boring: Public Banks and Public Water in the Nordic Region', *Water International*, 47(5), 2022, pp. 791–809.
- 57 Melina Tobías and Devin Case-Ruchula, 'The Hard Work of Progressive Public Lending: FONPLATA and Financing the Sustainable Development Goals in Buenos Aires', in David A. McDonald, Thomas Marois and Susan Spronk, eds, *Public Banks and Public Water in the Global South*, London: Routledge, 2025.
- 58 Ali Rıza Güngen, "'No One Can Compete since No One Dares to Lend More Cheaply!': Turkey's İlbank and Public Water Finance', *Water International*, 47(5), 2022, pp. 771–90.
- 59 Güngen, "'No One Can Compete'", p. 774.
- 60 Marois, 'A Dynamic Theory'.
- 61 Rokin Labour Bank (RLB), *Annual Report 2022*, Tokyo: National Association of Labour Banks, 2022, p. 3, available at: <https://all.rokin.or.jp/en>.
- 62 Akira Kurimoto and Takashi Koseki, 'Rokin Banks: 70 Years of Efforts to Build an Inclusive Society in Japan Through Enhancing Workers' Access to Finance', Paper No. 76, Geneva: International Labour Organization, 2019, p. 12.
- 63 RLB, *Annual Report 2022*, p. 7.
- 64 RLB, *Annual Report 2022*.
- 65 See: RLB, 'Labour Bank SDGs Action Guidelines', March 2019, available at: <https://all.rokin.or.jp/file/The%20Labour%20Bank%20SDGs%20Action%20Guidelines.pdf>.
- 66 Susan Spronk, Karina Valverde and Thomas Marois, 'Democratic Patient Finance: The Banco Popular and Community-Based Water Operators in Costa Rica', in David A. McDonald, Thomas Marois and Susan Spronk, eds., *Public Banks and Public Water in the Global South*, London: Routledge, 2025.
- 67 Marois, *Public Banks*, p. 211.
- 68 Marois, *Public Banks*, pp. 214–5.
- 69 Spronk et al., 'Democratic Patient Finance.'
- 70 Marois, *Public Banks*, p. 147.
- 71 Ewa Karwowski, 'Towards (De-)Financialisation: The Role of the State', *Cambridge Journal of Economics*, 43(4), (2019), pp. 1001–27.
- 72 Marois, *Public Banks*, p. 154.
- 73 Thomas Hanna, *The Crisis Next Time: Planning for Public Ownership as an Alternative to Corporate Bank Bailouts*, Washington: The Democracy Collaborative, 2018; Lavinia Steinfort and Satoko Kishimoto, eds, *Public Finance for the Future We Want*, Amsterdam:

- Transnational Institute, 2019.
- 74 David Harvey, *The Enigma of Capital and the Crises of Capitalism*, London: Profile Books, 2010, p. 220.
- 75 David Harvey, *Rebel Cities: From the Right to the City to the Urban Revolution*, London: Verso, 2012, p. 88.
- 76 Marois, *Public Banks*, p. 186.
- 77 Gregory Albo, 'The World Economy, Market Imperatives and Alternatives,' *Monthly Review*, 48(7), 1996, pp. 6-22; Henri Lefebvre, *Marxist Thought and the City*, trans. by Robert Bononno, Minneapolis: University of Minnesota Press, 2016[1972], p. 132.
- 78 Gregory Albo, 'The Public Sector Impasse and the Administrative Question,' *Studies in Political Economy*, 42(1), 1993, pp. 113-127; David A. McDonald and Greg Ruiters, eds, *Alternatives to Privatization: Public Options for Essential Services in the Global South*, New York: Routledge, 2012.
- 79 Marois, *States, Banks and Crisis*, p. 29.
- 80 Marois, *States, Banks and Crisis*, p. 29.