EVIDENCE BRIEF

Public Banks 101: An Introduction

Key takeaways

- A public bank is a financial institution located within the public sphere.
- There are over 1100 public banks and financial institutions with $91 trillion in assets.
- Commercial, universal, and development banks are common types of public banks.
- Public banks are neither inherently good nor bad.
- Public banks can foster a global public financial ecosystem for green and just transitions.

What is a 'public bank'?

Public banks of one type or another exist practically everywhere on earth. There too is nothing new about public banks. The Taulat de Cuitat, founded in 1401 as a municipal bank in Barcelona, was the first modern public bank. Following the Second World War public bank numbers and types expanded tremendously as they supported national development strategies and independence struggles. Post-1980s market-based development put public banks in the back seat. However, since the 2008-09 global financial crisis public banks have experienced a renaissance. This is because public banks can respond to crises – like the financial, Covid-19, and climate crises – as a matter of policy rather than profit.[1]

A public bank is a financial institution that is located within the public sphere of states; performs financial intermediation and banking functions; can work according to both public and private interests; and is contested and evolving.[2] Public banks are 'public' 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 through meaningful public governance and control, or by some combination of these factors.

Traditional economic views of public banks are static. Based on fixed notions of 'public' ownership, public banks are viewed as inherently more inefficient and corrupt than private banks (as in neoclassical political views) or as inherently destined to promote economic growth in ways that private banks are unwilling or unable of doing (as in heterodox 'development' views).[3]

A dynamic view of public banks does not depend on static views of public ownership.[4] This evidence-driven conceptual view recognizes that there is nothing inherently good or bad about public banks. In the real world, public banks can be both. A dynamic political economy approach focuses on what public banks actually do (that is, how they function) and how these functions are shaped by contending social forces and global financial markets – for better and for worse. In a dynamic view, public banks are understood as being only as effective as society makes them to be in time- and place-bound contexts.

> "There is no pathway to global green and just transitions that will not pass through the world's public banks."
>
> Professor Thomas Marois,
> Director, Public Banking Project and
> Canada Research Chair in Public Banking

The scale of public banks

Globally, there are **1115 public banks and financial institutions** in 2024.[5] This number includes the world's public commercial, universal, development, multilateral, and central banks (as well as other types, like savings and postal banks). The combined assets of these 1115 public banks exceed **US$91 trillion**. This is double the 2023 GDPs of the USA and China combined. If we look only at the national and subnational public commercial, universal, savings, cooperative, and development banks, there are **914 institutions with $55 trillion** in assets.

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The types of public banks

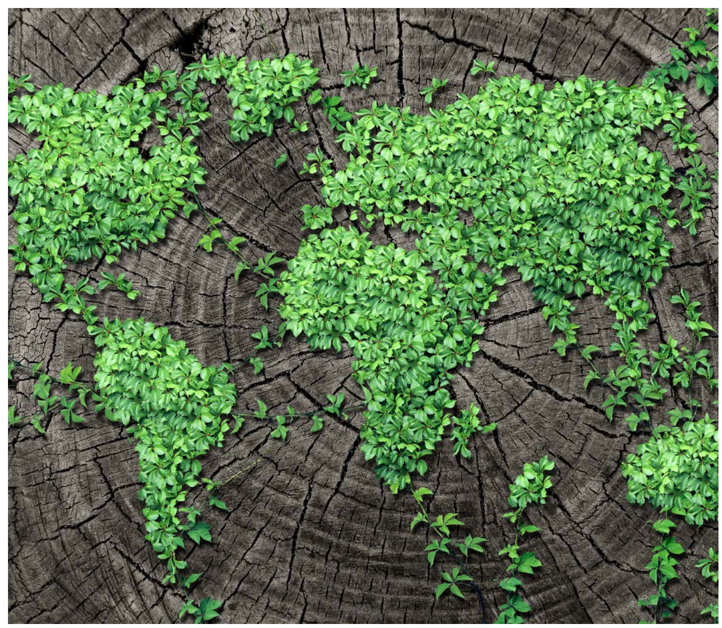
The main types of public banks include **commercial, savings, universal, development, multilateral, and central banks**. Public commercial banks offer day-to-day financial services (savings; checking; mortgages; insurance; etc.) for households, corporations, and institutions. Public savings banks are like commercial banks, but they tend to act in the interests of their stakeholders. Public universal banks combine commercial services with investment and development services. Public investment banks often provide large-scale investment loans and investment services. Similarly, public development banks (sub-national and national) provide investment loans and services, but they also tend to support public policy objectives and socio-economic development strategies. Multilateral development banks are typically owned by several national governments and finance larger development projects among member states. Central banks are the 'bank of banks' within countries, serving as the lenders of last resort, issuers of domestic currencies, and managers of financial stability and interest rate setting.

Public banks for green and just development

A dynamic view holds that public banks are not inherently good or bad – they are only as good as society makes them to be. It is thus possible to make (and re-make) public banks because they are held within the public spheres of states. For this reason, public banks have the potential (if never the necessity) to act differently than private banks. Public banks do not need to be profit-maximizers. **Public banks can function as policy-maximizers**. Accountability, transparency, and democratic governance structures are vital for preventing possible abuses of public banking capacity.

Perhaps the most significant policy challenge for public banks today is support for global green transitions – support that must also advance socially just and equitable development.[6] Public development banks are playing a lead role in supporting the 2030 Sustainable Development Goals.[7] All public banks, however, must do more, better, and faster in ways that are inclusive and democratic. Green transitions that are socially unjust will falter.

Public banks can work together to play an economically catalytic and socially inclusive role by fostering an intentional global public bank financial ecosystem.[8] Through collaboration, public banks can reduce the costs of capital and facilitate concessional loans. There will be more options for channeling official grant funding, for distributing investment and foreign currency risks, and for implementing public policy measures and developmental objectives. Knowledge and expertise can be shared and distributed in a non-competitive manner. Cooperation enables longer-term horizons and helps to overcome the economic barriers posed by competitive, short-term, and profit-maximizing strategies to green transitions.[9] Public-public collaboration among the world's public banks has the unique potential to deliver green and just financing at the pace, scale, and on the terms required.



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