

# The World of Public Banks

## Key takeaways

- Public banks can tackle global grand challenges as a matter of policy, not profit.
- There are 1115 public banks and financial institutions worldwide with combined assets exceeding \$91 trillion.
- The world of public banks is institutionally diverse.
- There are no guarantees that public banks will serve public purposes. Democratic governance is key.

## The Scale of Public Banks

The world is facing global grand challenges around equitable and sustainable development. Due to their position within the public sphere, public banks can be protected against market and profitability pressures to address these challenges. Public banks can be tasked with being **policy-maximizing institutions** rather than profit-maximizing entities.

Public banks are **financial institutions that are located with the public sphere** 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.<sup>1</sup>

There are **1115 public banks and financial institutions worldwide**.<sup>2</sup> These include public national, sub-national, multilateral, and central banks. While there is variation among countries, in many societies public banks comprise a significant, sometimes dominant, part of the financial sector.

The world's 1115 public banks have **assets totaling over US\$91 trillion**. This amount is 55 percent greater than the 2023 GDPs of the United States, China, Japan, Germany, and India *combined*.



## The Types and Functions of Public Banks

Public banks and financial institutions exist around the world. Public banks of differing types serve multiple purposes. **Public commercial banks**, like the State Bank of India and the Alberta Treasury Branch in Canada, accept deposits from and provide short- and long-term loans to households, corporations, and public authorities. Public commercial banks typically have branch networks and geographical reach. In offering a wide range of retail banking services, they often compete with other public and private banks.

**Public development banks**, like the National Bank for Economic and Social Development in Brazil and the Fonds d'Equipment Communal in Morocco, do not usually lend to individual households or businesses but instead lend to larger institutions and organizations, governments and municipalities, and to other retail banks and financial institutions. Public development banks may have specializations or targeted programs for micro-, small-, and medium-sized enterprise promotion, infrastructure, export-imports, agriculture, municipal development, and so on.

**Public universal banks**, such as Ziraat Bank (Agriculture Bank) in Turkey and the Bank for Investment and Development of Vietnam, perform the activities of commercial banks but they also provide investment and development services. Universal banks combine commercial and development activities in a single institution.

If we consider only the public commercial, development, universal, and similar types of public banks (like public postal and savings banks) at the **national and subnational scales**, there are **914 institutions**. Combined, these national and sub-national public banks hold over **\$55 trillion** in assets. This represents an increase of about \$6 trillion in total assets since 2020.

Most **central banks** are public banks. Central banks, like the Norges Bank of Norway, typically promote price stability, manage national foreign exchange reserves, and serve as a lender-of-last-resort to domestic banks. Historically, central bank functions included monitoring the domestic banking system, but this is no longer always the case. Some target full employment (like the US Federal Reserve System). Central banks issue currency and manage inter-state payments.

Public **multilateral development banks** (MDBs), like the World Bank, the European Investment Bank, and the Caribbean Development Bank, are owned and controlled by various national governments and function internationally. They tend to promote developmental goals by partnering with governments, other multilateral banks, and national development banks. Emerging powers have spearheaded the establishment of two new MDBs, the Asian Infrastructure and Investment Bank and New Development Bank, in the last decade.<sup>3</sup>

## The World of Public Banks Matters

The world's public banks matter because they have the capacity, scale, and geographical reach to confront global grand challenges as a matter of policy, not profit. However, **there is nothing inherently good or bad about public banks**. Much depends on historical background, governance, and national policy frameworks.

In our view, public banks are best understood as **dynamic institutions that are continually shaped and reshaped**

by contending power relations in society and in global financial markets.<sup>4</sup> When new challenges and pressures arise, public bank mandates, organizational structures, and actions evolve and change. As a reflection of power relations, change can be pro-public or pro-private interests. What public banks do and why should matter to governing authorities, civil society, activists, and researchers.

The world of public banks is experiencing a renaissance. Public banks helped to stabilize economies in the wake of the 2008-09 global financial crisis. Public banks provided affordable and long-term loans to help mitigate the impacts of the Covid-19 pandemic.<sup>5</sup> Public banks are also leading green transition efforts in response to the global climate crisis.<sup>6</sup> Yet civil society, policymakers, and researchers must be vigilant about what public banks do and why. Public banks can respond to crises and social disparities by being policy-rather than profit-driven, but only if commanded to do so by society. Democratic governance and accountability are key to making these powerful public institutions pro-public.



1. Marois, T. (2021). *Public Banks: Decarbonisation, Definancialisation, and Democratisation*. Cambridge: Cambridge University Press.
2. BankFocus Database, Moody's Analytics, Data Update: 05/08/2024.
3. Güngen, A. R. (2023). 'New Multilateral Development Banks and Green Lending: Approaching Scalar Complexities in the Global South', *Development and Change*. 54(2): 251-279.
4. Marois, T. (2022). 'A Dynamic Theory of Public Banks (and why it matters)', *Review of Political Economy*. 34(2): 356-371.
5. McDonald, D.A., Marois, T., and Barrowclough, D.V. (eds.) (2020). *Public Banks and Covid-19: Combatting the Pandemic with Public Finance*. Municipal Services Project (Kingston), UNCTAD (Geneva), and Eurodad (Brussels).
6. See Climate Policy Initiative data <https://www.climatepolicyinitiative.org/>.

Cite as: Marois, Thomas and Güngen, Ali Rıza (2024). 'The World of Public Banks', *PBP Evidence Brief*. No. 2024/02, McMaster University, Canada: Public Banking Project with Climate and Community Institute.

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ISSN TBD

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