Chapter 1

Diana Barrowclough
Thomas Marois
David A. McDonald

INTRODUCTION: PUBLIC BANKS MATTER AT A TIME OF COVID-19

Covid-19 has had a devastating impact on lives and livelihoods around the world. Lockdowns and public health measures have decimated the economies of most countries, leading to dramatic state interventions to stem the fallout. Governments have been on the frontline of this economic defence, as have public banks. Nobody expected the private sector to take the lead. Corporate shareholders took no proactive stance towards bailing out struggling businesses, households or governments. Rather, governments and public banks have charted the path to recovery. There are good reasons for this, and the future of stable, sustainable and equitable societies will depend on building on the lessons now being learned.

This book focuses on the role that public banks have played in managing the economic crises of Covid-19 to date. Researched and written between May and October of 2020, it is a 'rapid response' effort to document and critically reflect upon public bank actions and policies in the initial stages of Covid-19 in different parts of the world. Working with researchers on every continent, the book is the most ambitious effort to date to explore and document the ways in which public banks have responded to Covid-19. It sheds light on public bank policies and actions and assesses the challenges they face. We make a preliminary assessment of their effectiveness in achieving their goals and stemming the economic impacts of the pandemic.

This has been no easy task, as the ground was constantly shifting: programmes announced were not always put in place directly; some seemingly “new” programmes were really just being fast-forwarded; bold new policies were surpassed just weeks later by even bolder ones, and so on. Nevertheless, the chapters provide a useful snapshot of a tumultuous time. Based on desktop analysis of bank media statements and reports, financial databases and government news releases, as well as interviews with leading bank personnel (carried out virtually), the book provides a unique perspective of what some are calling the most damaging global crisis in more than a century. The lessons learned from these contributions should contribute to a better understanding – both theoretical and empirical – of how public banks can be better supported for the future and how they can help to ensure that this pandemic does not lead to another “lost decade” (UNCTAD 2020).

Two other contextual factors are important to help gain an understanding of the contributions of these chapters. The first is that Covid-19 did not strike upon a world economy that was otherwise stable and in good shape. On the contrary, many have long been worried that the last few decades of excessive de-regulation, hyper-financialization, privatization and globalization had left the world economy in an unbalanced, inequitable and precarious state. Covid-19 served to pull back the curtains and shine a light on this fragility, but it did not create it. Second, the coronavirus is widely believed to be related to global warming and climate change, as it was caused by a zoonotic transmission that emerged in the intensifying clash between humans and our environment. Further human-made disasters can therefore be expected, all of which must be addressed through just processes and with more equitable outcomes. This future makes it all the more important to learn the lessons from the experiences of Covid-19.

Our introductory chapter begins by tracing the path of coronavirus and its concomitant economic impacts, highlighting the liquidity blockages and fractures created in the flow of money that necessitated such a rapid and special response from public banks. Next, it draws on our contributors' findings to highlight five promising lessons of how public banks responded to the Covid-19 emergency. It then turns to the underlying question of '*why public banks*', exploring what is important and distinct about them. We conclude by considering the potential of public banks to 'build forward better for people and the planet' and how to deal with the coming backlash against rising public debt and a premature return to an obsession with austerity.

FROM HEALTH CRISIS TO A FINANCIAL AND ECONOMIC CRISIS

When Covid-19 struck, for most governments the only response was either 'gradual stop' or 'sudden stop' through policies of social distancing and eventual lockdown. If economies can be thought of as supertankers – charting a course across oceans involving millions of moving parts and requiring time, distance and technical expertise to change course – it was as if these massive boats had hit an iceberg. Within days of turning off the engines, consumer demand and supply dried up simultaneously, even in countries that did not lock down their economies. This sparked record flows of capital in and out of equities and foreign exchange markets and interrupted productive processes and employment everywhere (Aum et al. 2020; Anderson et al. 2020; Correia et al. 2020). No country was spared the economic effect of the contagion, even if they had no confirmed cases of the virus (such as in the Pacific islands).

Ideally, in such times, governments lead the way with responses that are rapid, bold, generous and crisis-facing. Political will is essential, as is the fiscal space or economic capacity to finance the blockages in the flow of finance, to fund increased health sector bills and unemployment benefits, and to underwrite the firms, households, public services, local authorities and even banks that are reeling as the flow of money is interrupted. What individual countries did varied according to their fiscal resources and the contexts of their unique political economies. Even as late into the crisis as October 2020, when this chapter was finalized, it is notable that the poorest countries of the world were struggling as they had less capacity to face Covid-19 than their wealthy counterparts. While rich countries could devote tens of billions of dollars (equalling as much as 50% of Gross Domestic Product – GDP) on their fiscal and monetary packages, many poor countries could spend amounts worth only a few per cent of GDP. By August 2020, Japan had spent as much as 52.6% of its GDP on a variety of fiscal and monetary packages; Germany had spent 38.5%, Canada 30% and the United States 27.5%, while even the large and higher income developing countries had spent only a fraction of this (UNCTAD 2020).

Some country differences in the financial scale and type of response also reflect the extent to which societies would comply with the measures of social distancing and lockdown; but even in those countries where compliance was highest, additional finances still needed to be directed to the Covid-19 effort (for example, China spent almost 18% of GDP on a variety of fiscal and monetary policies alongside high levels of social compliance). While the international financial institutions such as the International Monetary Fund (IMF) and the World Bank augmented their resources and scaled up their capacities to help, many have criticized their responses for being too little, too conditional and unevenly distributed (Kentikelenis 2020).

These international financial institutions (IFIs) are not the focus of this volume, however. Instead, the book highlights the role of national and regional public banks, which are too often overlooked and under-studied despite their extremely significant roles in development, in supporting government policies, and in providing public financial capacity. Here we focus on how they functioned to 'keep the ship afloat' amidst a global pandemic wave, and what lessons we need to draw from this as we think forward.

FIVE PROMISING LESSONS OF PUBLIC BANKS FACING COVID-19

The contributions to this book make one thing clear: Public banks have not stood idle in response to the economic and social damage wrought by the onset of the Covid-19 pandemic. Rather, public banks have emerged as dynamic financial institutions capable of responding to the needs of their societies. Five overarching and promising lessons stand out: public banks have the potential to **respond rapidly**; to fulfill their **public purpose mandates**; to **act boldly**; to **mobilize their existing institutional capacity**; and to build on **'public-public' solidarity**. In short, public banks are helping us navigate the tidal wave of Covid-19 at the same time as private lenders are turning away.

These promising lessons are drawn from the case studies in this volume, but this is not to say that every public bank responded in the same way or to the same extent. For some, it is more about the *potential* of positive actions than actual *practice*. Nonetheless, the lessons remain real, and are visible across a diverse public bank landscape.

Rapid responses: In bank after bank, country after country, one thing stands out: public banks responded rapidly to the onset of the Covid-19 pandemic and to the sudden stop in economic activity. The significance of this must not be under-emphasized. Because public banks are within the public sphere, they can work with public authorities at times of crisis and react quickly as a matter of policy.

Public purpose mandates: Where the mandates of public banks reflect a clear public purpose, these banks were able to fulfill their mandates in responding to the Covid-19 crisis. The most promising cases are where their mandate is unambiguously supported by the political authorities. Where political authority support was ambiguous, fractured or even hostile to public banks, the responses have been much less effective.

Bold, generous and crisis-facing action: In many cases, public banks have responded to the challenge of Covid-19 with bold and generous actions that faced the crisis head-on. Central banks have pumped hundreds of billions of dollars into the economy to provide financial liquidity, relax financial regulations and support national financial responses. Public banks have crafted unprecedented responses to allow micro-, small- and medium-sized enterprises (MSMEs), large businesses, public entities, governing authorities and households time to breathe, time to adjust and time to overcome the worst of the crisis. Typically, this meant offering liquidity with generously reduced rates of interest, preferential repayment terms and eased conditions of repayment. For the most vulnerable in society, public banks offered non-repayable grants.

Existing institutional capacity and historical legacies: Public banks took advantage of having built-up expertise, capacity to coordinate with others and existing lines of communication and decision-making systems. In many cases, these capacities fit within a long historical legacy of the public bank working with and in society in vital and credible ways. These historical legacies cannot be created suddenly at times of crisis. Where they already exist, it has tended to be advantageous to Covid-19 responses, placing governments in a stronger position. This is most evident in public banks with clear and accountable public mandates.

Public-public solidarity: Be they in the global north or south, public bank responses to the Covid-19 pandemic demonstrated the advantages of non-competitive public-public solidarity among public financial institutions (PFIs) – between public banks and other public entities and governing authorities. Public-public solidarity can be guided by political direction and it can occur as a result of already existing institutional linkages and collaborative public sphere legacies. While we see notable central bank and public bank cooperation in most cases, there is evidence of public solidarity extending to the responses of sovereign wealth funds and public pension funds, as well as among national public banks and between public banks in different countries.

Finally, we have witnessed a broad range of tools and instruments that public banks have used to carry out their roles, depending on their mandated function, their position within the overall financial system, the level of political support and the depth of their pockets. Table 1.1 provides a rough summary of what is possible in the face of Covid-19.

Table 1.1: ***Public bank functions and actions in response to Covid-19***

General functions	**Specific actions taken**
Liquidity	• Public banks, notably central and multilateral banks, have created new flows of finance to channel them into cash-strapped households, economic sectors and governments
Lending	• Increased lending to public and private clients, as well as to national and sub-national governments • Emergency lending programmes • Reduced and concessional interest rates • Increased or unlimited credit ceilings • Fast processing • Broader client base • Repayment holidays and deferrals
Grants	• Non-repayable financial resources provided to poorer countries, communities and public service providers
Loan guarantees	• Governments backing public bank lending • Public banks backing further on-lending by other public and private banks
Regulatory support	• Central banks and governments re-regulating financial rules to support increased lending and to support public and private banks' balance sheets

Debt relief and aid provisioning	• Deferred payments on loans • Debt forgiveness • Grants • International development programme support
Advisory services	• Information and advice to clients about the crisis • Assistance with the development of government policy • Provision of technical expertise for debt restructuring • Provision of sector-specific technical expertise (e.g. health, water, MSMEs)
Social and equity-oriented services	• Provision of income support and transfer payments • Emergency personal loans • Easing of eligibility criteria • Concessionary loans and grants • Support and subsidies for essential services
Retail banking services	• Enhanced online services and digitalization services • Reduced service fees • Mortgage and personal loan holidays and deferred payment options • Dissemination and application of public health and safety protocols • Enhanced financial and technical support for customers
Collaboration with other public banks and public financial institutions	• Syndicated and solidarity public-public financing • Loan guarantees and on-lending support programmes • Bond purchases by public financial institutions • Mandated sharing of capital resources and deposits among public banks • Cross-subsidies to cover concessional services • Coordinated sharing of information, best practices and programme lending
Collaboration with private banks	• Syndicated financing • Loan guarantees and on-lending support programmes
Supporting government ministries	• Enacting support and financial aid programmes announced by governments • Provision of technical expertise • Offering emergency response coordination assistance nationally and internationally

Source: Compiled by authors.

WHY BANKS?

The promising lessons and specific actions undertaken by public banks in response to the Covid-19 pandemic underscore the importance of banks in general. This is because banks are themselves unique financial institutions that specialize in creating money, as well as managing it. Banks have acquired the political right to create and circulate new money as credit within the economy and in society. This is an incredibly powerful function – by managing money to make credit, banks can create money itself, and they can create money through credits well in excess of the actual money held in their reserves (McLeay et al. 2014; Pettifor 2016).

In other words, banks are financial intermediaries that can magnify existing money resources (Spratt 2009). This is a function that governments cannot perform. Governments must acquire money resources before spending them. This can be done via taxation, receipts from public enterprises or from money raised in borrowing from others. But this is at a ratio of 1:1. The money governments raise (from taxes, enterprises and borrowing) equates to the money they spend. Banks, on the other hand, can magnify money resources three- to thirty-fold via 'fractional reserve' banking where institutions need only hold onto a portion of the money lent out.

WHY PUBLIC BANKS?

Because banks can magnify existing money resources, they have become one of the most important institutions in society. It is also one of the historical reasons why governments founded *public* banks and why public banks persist as credible financial institutions. A public bank is a bank that can be understood as located in the 'public sphere'. This can happen in different ways. A bank can be *owned* publicly – that is, by a government, public authority or public enterprise; or it can be *controlled* publicly – that is, governed according to a legally binding public interest mandate, or according to public law, or by meaningful public representation on the governing board, or by some combination of these governance factors. Either or both situate a bank within the public sphere and as a *public* financial institution (Schmit et al. 2011; OMFIF 2017).

Can public banks function differently from private banks?

Being located within the public sphere opens up the *potential* for public banks to function differently from private banks. Private corporate banks are directly exposed to competitive market imperatives and to the short-term profit-maximizing horizons of shareholders. Public banks need not follow these imperatives. The public sphere can shield public banks from 'the market'. They are not *necessarily* shielded – some public banks compete with private banks and governments mandate them to be profit-maximizing – but they can be as a matter of political will, and they can have a mandate that is complementary to, rather than competitive with, private banks. Consequently, public banks can offer loans, credits and grants in ways that are otherwise impossible for private, profit-seeking banks. In turn, public banks can and do operate according to a much wider variety of logics than private ones. Contributions to this book from the regional public bank associations are evidence of this, as are the 'social' mandates of the Council of Europe Development Bank (CEB) and the small- and medium-sized enterprise (SME)-focus of public banks in Argentina, China, Italy and others described in this volume. Yet other banks focus on supporting local governmental institutions as well as business.

How are public banks made accountable?

Public banks can also function differently because they can be democratically governed. That is, control over the bank need not be limited to shareholders alone but can extend to include societal representatives, as is done in the German development bank, KfW. In turn, decision-making can be rendered transparent and accountable via publicly accessible debate and available documentation. There is no causal link, however. Just as public banks can be made democratic, so too can they be made less-than representative, undemocratic or even authoritarian. In this respect, Covid-19 has also exposed less than ideal public banking and governing authority practices, notably in the cases of Turkey and India, where a long history of public banking has been turned in a different direction by government, as well as in Mexico. This strength or weakness of public bank governance ultimately depends on social forces in time- and place-bound historical contexts. What public banks do and how they evolve are the results of recurrent power struggles among and between contending public and private interests within capitalism (Marois and Güngen 2016). In fact, far from being *meant* to finance market development or being *destined* to fall victim to political corruption, public banks are much more 'dynamic' and indeterminant institutions whose functions are shaped and reshaped by class-divided social forces in the shadow of contemporary financialized capitalism (Marois forthcoming).

Aren't public banks minor players?

Public banks continue to comprise a large and diverse part of the global financial sector to a degree that often surprises people. As of mid-2020, there were 910 public development, commercial/retail and universal banks worldwide with nearly US$49 trillion in combined assets (McDonald et al. 2020). As we see in China, there are many massive 'commercial' public banks tasked with responding to Covid-19. Likewise, with Argentina's Banco de la Nación. In Brazil, too, there is a widespread public banking sector that includes all types of public banks: commercial, universal and development.

Recent research indicates that, if we include public central banks and multilateral banks, then institutional numbers reach 1,160 and combined assets exceed US$66 trillion. Going one step further to include public pension and investment funds, there are some 1,651 public financial institutions commanding just under US$82 trillion in public financial assets (Marois forthcoming). Other estimates similarly show that public banks are much more significant in number and scale than previously recognized (Xu et al. 2019).

This underscores the enormous *existing* capacity of financial institutions within the public sphere. But it also exposes the paucity of existing research and debate. Some World Bank and United Nations documents have systematically underestimated global public banking capacity at somewhere between US$2 and $5 trillion in assets (see de Luna-Martínez and Vicente 2012; UN IATF 2019, 143). Other researchers prefer only to focus on public *development* banks, with estimated institutional numbers in the range of 400 to 500 globally, with combined assets of just over US$11 trillion (Xu et al. 2019; FiC 2020).

It is worth emphasizing, too, that the Covid-19 crisis has led to a general increase in public banking activity and assets held. For some contributors to this book, this crisis moment is an opportunity to create new public banking institutions and local alternatives focused on supporting community development and more equitable economic opportunities (both in the global north, particularly in the USA, and in the global south).

What's the difference between types of public banks?

Public banks come in many different institutional types. In this book we mostly focus on development, commercial/retail and universal types of public banks, but we also include central banks and multilateral/regional banks. While they are all public financial institutions, there are some distinguishing features and functions. *Central banks* are positioned at the zenith of national financial systems and are unique for issuing currency, holding national reserves, setting base interest rates, having regulatory and supervisory control over other domestic banks, and for acting as a lender of last resort to other banks. The chapter on central banks in this volume details the extent to which Covid-19 has contributed to a sea-change in their actions, with operations, if not mandates, becoming much more directly supportive of government policy needs.

Multilateral banks are owned by a group of countries to raise capital, lend capital, plan investments, provide expertise for members, and, sometimes, play a lender-of-last resort role at times of crisis. In addition to the Council of Europe Development Bank, this volume also describes the different experiences and orientations of Covid-19 interventions of the European Investment Bank (EIB), Inter-American Development Bank (IADB) and the Commonwealth Development Corporation.

Central and multilateral public banks often work closely with national and sub-national level development, commercial/retail and universal public banks. *Development* banks, also known as investment, promotional, policy, or as second tier banks, tend to focus on providing long-term, 'patient' finance for economic and social development purposes and will have considerable specialized knowledge on sectors like infrastructure, rural development, MSMEs, corporate finance, exports, public services and so on. These banks will often 'on-lend' to other commercial/retail and local development banks as well as directly to governments, large industry and non-profit organizations.

Commercial banks, also known as retail or first tier banks, accept short-term deposits from individuals, households, small businesses, corporations and public sector agencies for use as loanable capital. These banks provide retail financial services, from savings to insurance, chequing to investments, mortgages to car loans, and do so via sometimes quite local and sometimes quite extensive national and international branch networks. Other types of public banks that provide similar retail services include savings banks and postal banks. Finally, universal banks take what both development and commercial banks do and combine them into a single institution to offer retail and development/investment services.

Where do public banks get capital to make loans?

Different sources of capital, as well as size, shape what public banks can do. Most public banks are usually 'capitalized' by governing authorities, which provide the bank's initial paid-in equity and 'callable' capital (the latter being a government's promise to pay if and when the bank calls for additional capital). To grow and expand operations, public banks must access new and recurrent sources of capital. Some public commercial and universal banks do this by accepting savings and deposits from society at large (as in Turkey, Argentina, Brazil and China). Public development and multilateral banks will often raise new capital by issuing bonds in domestic and international bond markets (as in Germany and with the EIB, IADB and CEB). For all types of public banks, governments can directly inject new capital to boost lending capacity. Often, government contributions are made to support mandated lending to MSMEs, farmers, green transitions and so on. Financial regulations may require state, municipal and local authorities to make financial contributions or to deposit their receipts with public banks, both of which boost lending capacity (keeping in mind for every dollar deposited banks can lend multiples more).

Like all banks, public banks borrow from other banks – public and private, domestically and internationally, including from the central bank – to meet their financial commitments. Other public financial institutions like sovereign wealth funds, insurance providers and pension funds will also channel money capital into public banks, potentially constituting a form of public-public financial solidarity (Barrowclough and Gottschalk 2018). There is strong evidence of public sphere collaboration in response to the Covid-19 pandemic, with pension funds and central banks supporting development banks, and development banks in turn supporting public commercial banks, health authorities, municipalities and so on (Marois forthcoming).

Are public banks naturally better at responding to crises like Covid-19?

Public banks are *not* naturally better or worse at responding to crises than private banks. However, because they exist within the public sphere, public banks do not *need* to function according to market-based and profit-maximizing imperatives. This opens up a world of possibilities. As a consequence, many public banks operate very differently from private ones. As noted above, this has contributed to rapid and directed interventions at times of crisis, such as with Covid-19. The ability of banks to create credit means that money can be invested before it has been saved (McLeay et al. 2014). Another way of looking at it is that banks, be they public or private, can make money available *now* to be repaid in the *future*, thus commanding "a power to make available time" (Konings 2018, 79). But only through the public sphere can banks command time and money in the public interest in ways that can be transparent and accountable. The Eurodad contribution to this book reinforces this message and challenges us to rethink and reclaim public banks for a sustainable and socially equitable future beyond Covid-19.

BUILD FORWARD BETTER FOR PEOPLE AND PLANET

Public banks of all types are actively engaged in the question of how to build back better, even if the crisis of Covid-19 has meant many are concentrating on immediate recovery. Central banks have been behaving in ways that would have been unthinkable in recent decades, harking back to their former role when they were an essential partner in support of national development goals. Even those that are evolving the least are nonetheless revising their financial models and regulatory approaches to include health and environmental stress-testing and risk disclosure. Sustainability criteria for public banking has passed from niche debate to increasingly mainstream action across the globe, in low-income countries just as much as in wealthy ones (UNCTAD 2019; Barrowclough 2020).

This is happening across the spectrum of financial institutions: just as central banks are showing renewed interest in their financial capacity to create and guide flows of money towards greener activities and away from fossil fuels, so too are other public banks and funds. National and sub-national public development, retail/commercial and universal banks are, in many cases, already advanced towards greener and more just transitions. Over the last 10 to 15 years, public banks have integrated green mandates and are acting to fund explicit decarbonization activities and environmental sustainability (Marois forthcoming). The United Nations' Sustainable Development Goals (SDGs) have provided a global narrative and orientation for these lending activities and many public banks are actively reappraising their mandates and work programmes to better align with them (for example, the Islamic Development Bank insists the SDGs should guide both their lending programmes and technical assistance to member countries).

There is a risk, however, that the more market-oriented and neoliberal orientations of the IFIs and some multilateral development banks (notably the World Bank) could undermine the policy space and credibility of national and sub-national public banks to effect pro-public and socially-equitable alternative transformation. Also, as public institutions have necessarily taken on increased debt to combat Covid-19, there is the threat of an austerity backlash, with critics dusting off their timeless criticisms of what they argue to be the inherent inefficiencies of public banks (La Porta et al. 2002; Barth et al. 2006; Cull et al 2017). They will likely raise the spectre of the politicization of public banks, arguing that public banks follow political mandates (ignoring that this constitutes a foundation of effectiveness in cases like Germany's KfW). All this will be resurrected not to suggest ways to make public banking better, or for them to more effectively catalyze a green and just transition, but rather as a bludgeon to force through bank privatizations that will further concentrate financial capacity in the private sector.

To argue that public banks should lead efforts to build forward better for people and the planet is not, however, to naively suggest that a bank is necessarily better by virtue of being publicly owned. There is no innate purpose or essential policy orientation that is common to all public banks. This is because public banks are contested and pulled between contending public and private interests. They are also just one element within the landscape of all financial institutions, which is nested within a global environment that is created by national and international economic and political forces.

To ensure a pro-public orientation of public banks, many things and social forces need to be aligned – or at the least not actively *misaligned* (Eurodad 2017). If public banks are to make a significant contribution to the post-Covid world, they can be most effective when they are part of a pro-public and socially just development articulation, with democratic central banks at the apex, supported by a diverse mixture of financial institutions with differentiated and distinctive roles. This in turn needs to be positively integrated with broader government policies and national development goals that are subject to substantive democratic structures.

To support public banks in the wake of Covid-19, three broad organizing strategies are needed within banks themselves and in the wider political economic landscape in which they exist. They include definancialization, decarbonization and democratization (Marois forthcoming; UNCTAD 2019,143-177). We outline each of these in turn.

First, public banks offer a potential path towards **definancialization**; that is, a path away from the short-term, speculative and often predatory practices of the hyper-financialized hyper-globalized world that emerged from the 1980s, as financial markets were liberalized and cross-border capital flows were completely unregulated. The global financial crisis revealed the waste and damage that excessively financialized markets can generate, and many countries established new public banks and funds or strengthened existing ones in recognition that private banking had failed to do enough for development.

Ideally, the entire financial system would be re-regulated so as to be less highly concentrated, more competitive and less vulnerable to banks that are ‘too big to fail’, but even without this public banks can be a bastion for change. They can be shielded by the public sphere so they need not operate only in narrowly financial terms and can do more to provide catalytic and ‘patient finance’ that provides long-term public benefits in the public interest (UNCTAD 2019; Macfarlane and Mazzucato2018). Instead of short-term profit-maximization, solidarity-driven public banks can help each other to coordinate lending to reduce the cost of borrowing and generate cost savings for governing authorities (ALIDE 2018). Through the use of a fractional reserve system, public banks can also offer a powerful fiscal advantage to state authorities (von Mettenheim 2010). This can help to reduce dependencies on foreign, private, market-based finance and the monopoly control of private bankers over public policy (Scherrer 2017; Marshall and Rochon 2019).

Second, public banks offer a potential path towards **decarbonization**, the urgency of which has not diminished with the Covid-19 crisis. Widespread agreement around the failure of private banks to respond to the financing needs for mitigating global warming has made room for the potentially catalytic role of public banks to respond in new and innovative ways (Campiglio et al. 2017; Carney 2015; Scott et al. 2017; UNCTAD 2019). There is now a very long list of central banks, public banks and public financial institutions that have taken on board the need to restructure and reorient themselves in line with the decarbonization challenge (Dikau and Volz 2020; Mazzucato and Semieniuk 2017; FiC 2020; Marois forthcoming; UNCTAD 2019). Empirical evidence suggests that public investors are the main reason that renewable energy finance grew at all in the years following the global financial crisis (Mazzucato and Semieniuk, 2018).

Finally, public banks offer a potential path towards **democratization**; that is, for society to have a meaningful say over how financial resources are deployed (Epstein 2010; Block 2014). Democratization of bank governance and decision-making is a process that can, among other things, drive innovation alongside social inclusion and equity through internalizing the public interest and mobilizing towards identified societal priorities. The democratization of finance is a central and recurrent demand made by academics and community groups critical of financialized capitalism. At the same time, public banks cannot exist as an island of democratic governance within a broader sea that follows other, non-democratic principles and this is a challenge that needs to be addressed going forward if public banks are to be able to contribute effectively in the Covid-19 building forward better phase.

FUTURE RESEARCH

This book is the first study of public bank responses to Covid-19 and raises as many questions as it answers, highlighting the need for further case study and empirical work. How effective have their policies been? Who benefitted and why? What can make their policies and actions more equitable and democratic?

Research will need to systematically identify where the money came from that enabled public banks to respond rapidly and at scale. Capital markets played a role, but it is not evident that they played a dominant role. Where else did monetary resources come from? What role did different private and public sources play? Importantly, did these different sources of finance differentially affect how public banks *could* respond to the Covid-19 crisis?

It is also not clear that Covid-19 financial responses have been able to underwrite a 'green' recovery. If not, why not? Moreover, what can be done to ensure future responses to crises deliver sustainable and just recoveries? Related to this, public services have been on the Covid-19 pandemic frontlines, notably in the health, water, sanitation, transportation and education sectors. Have public bank emergency responses provided effective and appropriate support for these essential public services?

The Covid-19 crisis has also shone a light on otherwise hidden public bank coordination networks and collaborative practices. These public-public networks need to be better understood and expanded, with knowledge sharing and capacity support building being critical to a more sustainable global public banking network.

One of the biggest black holes in our understanding of public banks is around representative governance structures. There is an urgent need to examine and rethink public banks' accountability and transparency practices. As global ambitions mount over the future role of public banks funding green transitions, so too must our demands to democratize the processes of financing such structural change. At the same time, we need to come to grips with the coming economic and political implications of ramped up public bank Covid-19 lending. There is no avoiding future losses and a heavy strain of the balance sheets of public banks. This will have political ramifications. How can we prepare public banks for this as well as their government shareholders and affected communities, both in terms of dealing with the economic losses and the political fallout?

Finally, there is an opportunity to rethink public banks as dynamic and contested institutions. This means finding alternative means of pro-public assessment. It is unacceptable that private sector performance indicators (such as profitability as a proxy for efficiency) are grafted onto public banks that function according to very different operational mandates (for a parallel argument in the water sector see McDonald (2016)). Determining and implementing appropriate alternative criteria may well prove the difference between public banks functioning in the public or private interest.

LAYOUT OF THE BOOK

When we initially reached out to potential contributors in April 2020, shortly after the declaration of a global pandemic, it was not clear who would be able to participate and what kind of information they would be able to collect. We provided authors with a standardized list of questions to investigate in their locale – including background information on the bank, a summary of the pandemic outbreak in the study location, key actions taken by the bank to respond to Covid-19 and their intended beneficiaries, the effectiveness of these bank actions, collaboration with other public service providers and public banks, and the impact of Covid-19 on longer-term operations. However, the constantly shifting nature of the crisis, combined with very different personal and geographical contexts of the researchers, made consistency across the chapters difficult.

But it is perhaps the eclectic nature of this book that is its greatest strength, illustrating both a universality of public bank experiences as well as their diverse realities. Collectively, they offer a set of insights that must be fully sampled to appreciate the overall flavour. In this respect we encourage readers to review a broad selection of chapters, from different locations and different perspectives. We have therefore intentionally placed the case studies in this book in random order to promote geographical and institutional exploration (with the exception of the chapters written by the public bank and development finance institution associations, which are clustered together).

Lastly, we want to remind readers that this is a 'rapid response' project, which means that the authors and the editors were working under very tight timelines to release the findings, as were the copyeditors and designers. We therefore ask our more diligent readers to forgive us any minor formatting, citation or typographical errors.

REFERENCES

ALIDE 2018. *Innovación financiera para el desarrollo local y territorial*. San Isidro, Peru: Asociación Latinoamericana de Instituciones Financieras para el Desarrollo (ALIDE).

Anderson, A.L., Toft Hansen, E., Johannesen, N. and Sherifan, A.. 2020. Pandemic, shutdown and consumer spending: lessons from Scandinavian Policy Responses to Covid-19, University of Copenhagen and CEBI paper. https://arxiv.org/abs/2005.04630 (accessed November 16, 2020).

Aum, S., Sang Yoon, L. and Yongseok, S. 2020. Covid doesn't need lockdowns to destroy jobs: the effect of local outbreaks in Korea. NBER working paper No 27264. http://www.bis.org/publ/bisbull20.htm.

Baldwin, R. and Weder di Mauro, B. 2020. Economics in the time of Covid-19. CEPR Press: Vox EU.org, eBook.

Barrowclough, D. and Gottschalk, R. 2018. Solidarity and the South: Supporting the new landscape of long-term development finance. UNCTAD Research Paper, No. 24 UNCTAD/SER.RP/2018/6.

Barrowclough, D. 2020. Banking on a Greener future: Public Banks and the Path from Crisis to Prosperity for All. UNCTAD Research paper, UNCTAD/GDS/MDP/2020/1.

Barth, J. R., Caprio, G. and Levine, R. 2006. *Rethinking Bank Regulation: Till Angels Govern*. Cambridge University Press.

Block, F. 2014. "Democratizing Finance", *Politics & Society*. 42(1): 3-28.

Campiglio, E., Godwin, A., Kemp-Benedict, E. and Matikainen. S. 2017. "The tightening links between financial systems and the low-carbon transition." In Arestis, P. and Swayer, M. (Eds), *Economic Policies Since the Global Financial Crisis*. Palgrave Macmillan: Basingstoke: 313-356.

Carney, M. 2015. Breaking the tragedy of the horizon – climate change and financial stability. Speech by the Governor of the Bank of England and Chairman of the Financial Stability Board. London. 29 September 2015.

Correia Sergio, Luck, Stephan and Verner, Emil. 2020. Pandemics depress the economy, public health interventions do not: evidence from the 1918 flu. SSRN paper, SSRN. https://ssrn.co./abstract=3561560

Cull, R., Martinez Peria, M.S. and Verrier, J. 2017. Bank Ownership: Trends and Implications, IMF Working Paper. WP/17/60, Washington: International Monetary Fund.

De Luna-Martínez, J. and Vicente, C.L. 2012. *Global Survey of Development Banks*. Washington: World Bank Group.

De Luna-Martínez, J., Vicente, C.L., Arshad, A.B., Tatucu, R. and Song, J. 2018. *2017 Survey of National Development Banks*. Washington: World Bank Group.

Dikau, S. and Volz, U. 2020. Central bank mandates, sustainability objectives and promotion of green finance, SOAS Working Paper 232.

Economist. 2016. Trending-Blending, 23 April. https://www.economist.com/finance-and-economics/2016/04/23/trending-blending

Epstein, G.A. 2010. "The David Gordon Memorial Lecture: Finance without Financiers: Prospects for Radical Change." In *Financial Governance Review of Radical Political Economics.* 42(3): 293-306.

Eurodad. 2017. Public development banks: towards a better model. April 2017. European Network on Debt and Development: Brussels.

FiC 2020. *Finance in Common: The first global summit of Public Development Banks*. Conference Booklet. Available online at: https://financeincommon.org (accessed July 24, 2020).

Griffith-Jones, S. and te Velde, D.W. 2020. Development finance institutions and the coronavirus crisis, ODI Briefing Papers. Available online at: https://www.odi.org/publications/16844-development-finance-institutions-and-coronavirus-crisis (accessed October 20, 2020).

Kentikelenis, A., Gabor, D., Ortiz, I., Stubbs, T., McKee, M., and Stuckler, D. 2020. Softening the blow of the pandemic: will the International Monetary Fund and World Bank make things worse? *The Lancet Global Health*. 8. 10.1016/S2214-109X(20) 30135-2.

Konings, M. 2018. *Capital and Time: For a New Critique of Neoliberal Reason*. Stanford University Press.

La Porta, R., Lopez-de-Silanes, F. and Shleifer, A. 2002. "Government ownership of banks," *The Journal of Finance*. 57(1): 265-301.

Macfarlane, L. and Mazzucato, M. 2018. "State investment banks and patient finance: An international comparison," UCL Institute for Innovation and Public Purpose, Working Paper Series (IIPP WP 2018-01). https://www.ucl.ac.uk/bartlett/public-purpose/wp2018-01 (accessed September 3, 2019).

Marois, T. and Güngen, A.R. 2016. "Credibility and Class in the Evolution of Public Banks: The Case of Turkey," *Journal of Peasant Studies.* (43)6: 1285-309.

Marois. T. (forthcoming). *Public Banks: Decarbonisation, Definancialisation, and Democratisation*. Cambridge University Press (ISBN: 9781108839150).

Marshall, W.C. and Rochon, L-P. 2019. "Public Banking and Post-Keynesian Economic Theory," *International Journal of Political Economy*, 48(1): 60-75.

Mazzucato, M. and Semieniuk, G. 2017. "Public financing of innovation: new questions," *Oxford Review of Economic Policy*. 33(1): 24-48.

Mazzucato, M. and Semieniuk, G. 2018. "Financing renewable energy: Who is financing what and why it matters." *Technological Forecasting & Social Change*. (127): 8-22.

McDonald, D.A. 2016. "The weight of water: Benchmarking for public water services." *Environment and Planning A: Economy and Space*, 48(11), 2181-2200.

McDonald, D. A., Marois, T., & Spronk, S. 2020. Public Banks+ Public Water= SDG 6?. *Water Alternatives*, 14(1), 1-18.

McLeay, M., Radia, A. and Thomas, R. 2014. "Money in the modern economy: an introduction."

Bank of England Quarterly Bulletin. 54(Q1):4-13. https://www.bankofengland.co.uk/quarterly-bulletin/2014/q1/money-in-the-modern-economy-an-introduction.

OMFIF. 2017. *Global Public Investor 2017*. London: Official Monetary and Financial Institutions Forum.

Pettifor, A. 2016.The production of Money: How to Break the Power of Bankers. Verso. London.

Scherrer, C. (ed.) 2017. *Public Banks in the Age of Financialization: A Comparative Perspective*. Cheltenham, UK: Edward Elgar Publishing.

Schmit, M., Gheeraert, L., Denuit, T. and Warny, C. 2011. *Public Financial Institutions in Europe*. Brussels: European Association of Public Banks.

Scott, M., van Huizen, J. and Jung, C. 2017. The Bank of England's response to climate change. *Quarterly Bulletin*. Q2:98-109.

Spratt, S.. 2009. *Development Finance: Debates, dogmas, and new directions*, London: Routledge.

UNCTAD. 2020. *From Global Pandemic to Prosperity for All; Avoiding Another Lost Decade. Trade and Development Report 2020*. United Nations: Geneva and New York.

UNCTAD. 2019. *Financing a Global Green New Deal. Trade and Development Report 2019*. United Nations: Geneva and New York.

UN IATF. 2019. *Financing for Sustainable Development Report*. New York: United Nations Inter-Agency Task Force on Financing for Development.

von Mettenheim, K. 2010. *Federal banking in Brazil*. London: Pickering and Chatto.

Xu, J., Ren, X. and Wu, X. 2019. Mapping development finance institutions worldwide: Definitions, rationales and varieties. Research Report No. 1. Institute of New Structural Economics. Peking University.