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Towards a Green Public Bank in the Public Interest

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Acronyms

CSO	Civil society organization
GDP	Gross domestic product
IFI	International financial institution
IT	Information technology
KfW	Kreditanstalt für Wiederaufbau (*Credit Institute for Reconstruction)*
LCCR	Low-carbon, climate-resilient
NGO	Non-governmental organization
OECD	Organisation for Economic Cooperation and Development
SME	Small and medium enterprise
SOE	State-owned enterprise

Abstract

Four decades of neoliberal market fundamentalism and its relentless assault on the public sector and our understandings of *publicness* have generated a profound crisis of social reproduction and environmental sustainability. Private sector financial solutions and market signals have not tackled climate change at the speed and magnitude required, often instead magnifying our social, economic, political, and environmental challenges.

This paper discusses the rediscovery of public banks and their potential—to finance low-carbon, climate-resilient development, and as a public sector alternative that can overcome the shortcomings of the private sector and market approaches mentioned above. The paper suggests an ideal-type public bank that would be needed for a green transformation that is also in the public interest. The ideal type is crafted around five central features: mandated role; financial sustainability; operational strategy; democratization of governance; and integral integration of workplace and community. The defining characteristics of each feature can be found in existing public banks.

Putting forward an alternative conceptualization that focuses on the public interest, sustainability and social equity concerns, this paper contributes important insights to the current debates on sustainable development and a just and equitable green transformation.

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1. Introduction

Four decades of neoliberal market fundamentalism and its relentless assault on the public sector and our understandings of *publicness* have generated a profound crisis of social reproduction – that is, the integrated labours involved in giving life to and sustaining this and coming generations of people – and of environmental sustainability. Collective and complex problems have been often reduced to simplistic and atomistic responses. Short-term profit trumps long-term planning. Personal creditworthiness is deemed more important than contributing to the community. Today's youth have little expectation of being economically better off than their parents. Authoritarianism has reared its ugly head alongside renewed forms of racism and sexism. Many face an apparent dystopia of political inertia to confront widespread inequality and exclusion. And, if we don't dramatically change how we produce energy and use natural resources, we are in imminent danger of cooking humanity to death. In short, the competitive individualism and market-based profit imperatives of neoliberalism and financialization have failed, remarkably, to resolve long-standing developmental problems. Worse yet, such market-based approaches have magnified the social, economic, political, and environmental challenges we must now face.

But there is hope. Indeed, not only hope, but actually existing, actionable, and desirable options that offer public sector alternatives to the societal challenges faced. Environmentalists, civil society, unions, non-governmental organizations, and academics have showcased such alternatives, highlighting how the public interest can be served by providing collective responses.[1]

Yet the problem of financing a green transition in the public interest remains particularly troublesome. The 2030 Agenda for Sustainable Development and the 2015 Addis Ababa Action Agenda on Financing for Development recognize that the transition to a low-carbon, climate-resilient (LCCR) future will require massive amounts of long-term, low-cost, and supportive credits (estimates are in the $90 trillion range) alongside appropriate financial expertise. However, today's financial system is "structured around short-term frameworks and horizons … where the primary concern is typically making a fast profit" (EPSC 2017:11). This short-term, profit-oriented approach is not an accident. It reflects conventional policy frameworks that have promoted private sector financial solutions, hoping that market signals would sufficiently confront the climate financing challenge. Private finance has responded at neither the speed nor magnitude required.

In response, policy makers have rediscovered public banks. These are banks owned and controlled by the state or some other public entity governed under public law. These banks operate at the municipal, state/provincial, national, regional, and multilateral levels. And they can work differently than private banks. Whereas corporate banks must first respond to profit imperatives, public banks need not. This is because public banks are mandate-driven institutions. Their mandates may include municipal, national, or international development goals; agricultural and small trades support; water infrastructure; export trade; tourism; and so on. Public bank mandates may *or may not* include turning a profit. If mandated to profit, this may be on equal footing with other mandates. This depends on a public bank's social and political context, which differs fundamentally from the imperative to maximize profits characteristic of private corporate banks. Consequently, public banks can excel at pursuing mandates like sustainable development.

[1] McDonald and Ruiters 2012; Pradella and Marois 2015; Kishimoto and Petitjean 2017; Jones and O'Donnell 2017.

Public banks, moreover, retain significant financial capacity. Despite 40 years of neoliberal privatization efforts, public banks control some 25 percent of all global banking assets, holding $35 trillion in assets that constitute about 46 percent of global GDP (de Luna-Martínez and Vicente 2012; Orbis 2017). Most experts now agree that mobilizing these public financial resources could prove catalytic in driving alternative and green development strategies.[2]

Yet public banks are only *potentially* catalytic and there is no rock-solid guarantee that their resources will be used in the public interest. Some public banks continue to plough money into dirty oil and coal energy while others get mired in corruption scandals.[3] Public banks have had to adapt themselves to the post-1980s competitive context of neoliberal, finance-led capitalism in ways that often mimic private banking practices (Marois 2012). During this same time, market advocates and mainstream academics have undermined societal perceptions of the value of public services in general and the effectiveness of public banks in particular. Privatization was universally advocated. The ongoing crisis of climate financing, however, has demanded rethinking of public banks' potential. Here, too, there is no guarantee it will be in the public interest.

The public banking rethink has emerged over the last decade and involved key institutions like the World Economic Forum (WEF), World Bank, and Organisation for Economic Cooperation and Development (OECD). These global institutions have "rediscovered", and in turn attempted to "reclaim", public banking for their own market-based, private-sector oriented, sustainability narrative (WEF 2006; OECD 2017). The argument is that public banks should facilitate the *leveraging* of private financial resources by *absorbing* the financial and capital accumulation risks of the global green transition (WEF 2006; Smallridge et al. 2013). That is, public banks ought to wrap green investments in public guarantees to decrease private risks and increase private returns so as to make green projects "bankable" for the private sector (Levy 2017). Repackaged private interests continue to supersede the public interest.

On the one hand, we need new, catalytic financial alternatives to confront the challenges of contemporary capitalism – most notably, the challenge of a global green transition. On the other hand, the crafting of alternative financial mechanisms should not be left to conventional institutions and private interests. Critical scholars must not shy away from offering programmatic responses to real world problems. Unions, activists, non-governmental organizations (NGOs), civil society organizations (CSOs), and academics can together rethink how they have engaged public banking and the financing of the green transition.

To this end, I am concerned with the following question: What is the type of public bank needed for a green transformation that is also in the public interest? What the "public interest" might be is, indeed, tricky to define. There is no single or easy answer (*cf.* McDonald 2016). And I make no claim to offer a definitive interpretation. Yet my understanding is that the public interest is more of a historical social process than a thing in and of itself. It is about nurturing informed, sober, democratic decision making aimed at providing for one's community *before* individual enrichment and *against* bigoted practices. The public interest means respecting and protecting future generations from harm – be it social, political, economic, or environmental. Pursuing the public interest has no guarantee of success and no hope of being uncontested. It does nevertheless have the potential to promote an awareness of mutual interdependence and an ethics of

2 Smallridge et al. 2013; Cochran et al. 2014; Marois 2015; OECD 2017.

3 *cf.* Tricarico 2015; Cochran et al. 2015; RAN et al. 2017.

stewardship, mutual care, and collaboration in one's community (Wainwright 2014). The public interest is served, reflexively, by the public sector's *potential* to prioritize public benefits over private profits; to create public efficiency gains; to democratize the economy; to mobilize the useful knowledge of public workers; to work collaboratively across borders; and to promote decent jobs and working conditions for people. This paper therefore ties the public interest to any substantive green transformation.

Returning to the question of what type of public bank is needed, the answer offered here proposes an ideal-type public bank. This prototype of a green public bank working in the public interest is crafted around five central features: mandated role; financial sustainability; operational strategy; democratization of governance; and integral integration of workplace and community. As an exercise in ideal-type building, the paper remains, by design, a work in progress intended to provide a theoretically informed but concrete, if always malleable, model public bank that can confront the global green transformation, which necessarily overlaps with wider social transformation strategies. Following a section explaining how I approach an ideal-type model, the bulk of the paper then elaborates on the five core features. This is followed by a brief conclusion.

2. Arriving at an Ideal-Type: Methodological and Analytical Considerations

Critical, Marxian-inspired academic work rarely experiments with ideal-type methodologies, which are more common to Weberian scholarship – but it is not unheard of (*cf*. Cox 1987). Indeed, there are calls for radical, alternative, programmatic responses to global challenges, like climate change; and the wider failures of capitalism to resolve them have been noted (Castree and Christophers 2015). This paper is crafted with this in mind, drawing from a history of academic research and policy advocacy. This has involved a sustained critique of bank privatization (Marois 2012) and subsequent policy and NGO-oriented engagement with public sector alternatives.[4] The ideal-type features discussed below draw substantively on the Eurodad report (Romero 2017). However, this paper expands and modifies the features by employing an explicit critical political economy lens and public interest optic; by tailoring the features more closely to a green transformation; and by including public commercial (not just development) banks in the ideal-type.

The ideal-type public bank constructed relies on an inductive-like "adding up" strategy. While all features do not exist in any single public banking institution, each feature discussed is in operation in one or more public banks. The empirical basis of evidence is diverse, deriving from an extensive reading of the secondary literature; popular media; and public bank official reports. The features also draw from nearly 200 interviews with public banking and public bank–related individuals over a period of research spanning a decade. Yet the work is far from complete. As such, it is likely that the contents of this ideal-type green public bank will change (a) as I research new public banks and features and (b) as certain characteristics do not live up to their promise.

The approach here differs from the bulk of conventional neoclassical research, which is rooted in a positivist and purportedly value-neutral approach to economics (Lawson 2013). Conventional approaches see public banks as inherently inefficient and suboptimal substitutes for more efficient market-oriented private banks.[5] This approach continues to

[4] See Marois 2013; Marois and Güngen 2013; Marois 2017a, 2017b; *cf*. Romero 2017.
[5] Mishkin 2009; World Bank 2012a; Calomiris and Haber 2014.

inform conventional understandings, despite the importance now given to public banks to help overcome the climate crisis.[6] The potential of public banks is limited to filling market gaps; overcoming short-term crises; or, in some cases, making markets for private goods.

Heterodox Keynesian and developmental economics approaches differ by envisioning a more positive role. Public banks are seen as effective financiers of new investments, infrastructure, innovation, and green transformation.[7] Yet while differing in the scope for government-led financial interventions, Keynesian developmental approaches tend to share a similar normative (often overarching) concern with neoclassical economists for maximizing market growth and private investment. Private interests and market development often shape what the public interest should reflect and what the public sector should do in policy terms.

In contrast to approaches that foreground private interests, the approach proposed here aims towards a collectively and democratically determined public interest; the emancipation of workers and the poor; a substantive green transformation; and the democratization of banking. Therein, the focus on public banking institutions as a locus of progressive change is anything but common. Still, it is unlikely that any alternative to neoliberalism can avoid problems of finance, money, and debt (*cf*. Itoh and Lapavitsas 1999).

Analytically, the ideal-type draws on a Marxian-inspired "social content" approach to financial institutions like public banks. As argued elsewhere, public banks are seen as "institutionalized social relations that reflect historically specific relations of power and reproduction between the banks, other firms, the state, and labor in general" (Marois and Güngen 2016:1291). This approach incorporates both historical-structural and class-based individual and collective agent-led factors in understanding the specificity of a given financial institution (cf. Hilferding 1981[1910]; Marois 2012). Analytically, a social content approach opens to the door to concretely *changing* these public institutions and of doing so in the democratic, green, public interest.

That said, critical scholarship typically focuses on the agency of individual and class actors (political and economic) who benefit from neoliberalism – actors that are incessantly reshaping and changing neoliberal policies and institutions according to their own reproductive landscapes and self-interests (Brenner et al. 2010:202-3). Bob Jessop's critical geographical work develops this idea of institutional malleability by individual and collective actors, particularly in his notion of state spatial strategies (2016:23-24):

> These strategies refer to the historically specific practices through which state (and imperial) institutions and state managers (and the social forces they represent) seek to reorder territories, places, scales, and networks to secure the reproduction of the state in its narrow sense, to reconfigure the sociospatial dimensions of the state in its integral sense, and to promote specific accumulation strategies, state projects, hegemonic visions, or other social imaginaries and projects.

As a form of state spatial strategy Jessop adds the concept of "institutional fix" (2016:25; emphasis added):

> … a complementary set of institutions that, via institutional design, imitation, imposition, or chance evolution offer (within given parametric limits) a temporary,

[6] WEF 2006; World Bank 2012a, 2012b; OECD 2017.
[7] Thirlwall 2011; Mazzucato and Penna 2015; Griffith-Jones 2015.

> partial, and relatively stable solution to the coordination problems involved in securing economic, political, or social order. Nonetheless, *it is not purely technical* and, rather than providing a post hoc solution to pre-given coordination problems, it is *partly constitutive* of this order. It rests on an institutionalized, unstable equilibrium of compromise …

In short, the critical social sciences are conceptually strong in understanding change in sociospatial and institutional terms from the perspective of agents of neoliberalism. To be sure, the changes specified do not unfold unproblematically or always as intended, but evidently individuals and collectively have actively changed ours into a neoliberal world. By extension, we also know that conventional actors know that public banks are malleable to their interests (WEF 2006; OECD 2017). What is less known is that public institutions can also be moulded and modelled to the public interest. The problem here has been for Marxian-inspired scholarship to remain more critical than creative, being more focused on the *problematique* than being programmatic.

The approach of this paper is to turn the critical geographical framework on its head as a programmatic alternative strategy capable of advancing change in the public interest. Those seeking to transcend neoliberalism must not abandon the space of finance. As argued elsewhere, the insistence on reclaiming public banks sees the struggle for the democratized control of banks as a necessary, but not sufficient, condition for any substantive anti-neoliberal strategy (Marois 2015:27). But there is more to it than just the control over public banks (and money). Rather, the struggle for the democratized control of banking and finance has "the unique potential to connect all resistances to neoliberalism and transcend capitalism" (Marois 2015:32).

The advantage of drawing on a mix of social content and critical geography approaches is that social forces (composed of individual and collective agents) are understood as pursuing sociopolitical and spatial strategies to help realize their interests and to manage the contradictions that recurrently arise in contemporary capitalism. The institutional fixes pursued, while predominantly undertaken at the national level, are nonetheless integrally linked to global and subnational scales and processes (Jessop 2016:25). A programmatic strategy conceived in this way avoids the pitfalls of fetishizing the national scale as, on the one hand, outside the world market and, on the other hand, as not being constituted by social relations occurring at the local and subnational scales. In short, by employing a critical geographical framework one can hone in on a very specific level or scale, like the institutional focus on public banks, without sacrificing an understanding of that relation as set within other levels or scales of generality (cf. Ollman 1993:41).

Within the above framework an ideal-type public bank does not just suppose a utopian vision detached from history or context, but rather offers a theoretically, historically, and concretely informed condensation, from which the resulting model can be debated, reworked, and acted upon by social agents in the specificity of their own social, political, economic, and environmental circumstances.

3. A Green Public Bank in the Public Interest: Five Features

The following five sections – mandated role; financial sustainability; operational strategy; democratization of governance; and integral integration of workplace and community – concretely develop an ideal-type public bank. The work builds from and extends Romero (2017). It does so specifically in light of the public interest, as noted above, and of the global green transition challenge. In terms of the latter, the five features have at their core some intended contribution to confronting the green challenge. Space constraints prohibit detailed elaboration under each feature. But it is important to note that the public bank as envisioned has a core set of green financing tenets. These include the following:

- Funds low-carbon, climate-resilient projects and programmes in the public interest.
- Demonstrates a substantial reduction in carbon emissions and environmental protection in its external lending and internal operations.
- Operates in ways that are financially sustainable.
- Protects poor and vulnerable people, while encouraging sustainable means of social reproduction and employment.
- Is democratically and environmentally accountable in decision making.
- Promotes the building of a communal ethos of sustainability.
- Develops internal green transformational capacity, including innovative and creative thinking among staff.
- Assesses financial risks according to the public interest and environmental sustainability.

With these sustainability caveats in mind, we can proceed to the public bank features. These features, while appearing common-sense to many, often involve a dramatic departure from the usual practices of private corporate banks and some public banks.

3.1 Mandated Role

A public bank's mandate is the financial institution's most fundamental feature, determining its character, current operating ethos, and future orientation. It is the foundation upon which a bank's legitimacy can and should be assessed by its affected community, which includes owners and shareholders (public and possibly private); employees and management; and the citizens and social groups served. The social content of any public bank mandate is subject to social and class struggles over who benefits from the bank. The mandate is the crux of contestation, stating what the bank must do.

There are many types of bank mandates, from supporting farmers to economic development, all of which have arisen in specific historical and material circumstances. Whatever the particular policy mandate is, public bank mandates should provide authoritative direction to its operations and policy strategies.

Ideally, social forces should be seeking to ensure that public bank mandates, at a minimum, reflect a triple bottom line geared towards transformative socioeconomic change (*cf*. UNRISD 2016). For example, a "triple bottom line" mandate would include commitments to green transformation, social development, and financial sustainability. These are not economically neutral concepts, and therefore need to be democratically established vis-à-vis a public interest ethos.

Four characteristics can help support a green, social, and sustainable mandate: strength of purpose and direction; stable, long-term horizons; progressive public ethos; and a commitment to strategic public–public cooperation.

Strength of purpose and direction

Governing authorities typically build and mandate public banks with a particular societal or developmental challenge in mind, such as postwar reconstruction; providing loans to the poor; servicing small and medium enterprises (SMEs) and trades; agriculture; supporting industrialization or export promotion; building infrastructure; greening the economy; and more (*cf.* Marois and Güngen 2016). The mandate should give public banks and their managers strength of purpose and direction.

It is worth noting that public development banks tend to have narrower policy-specific mandates while public commercial or universal banks tend to have more multipurpose ones. But this is not necessarily so. Strength of purpose and direction should derive from acting consistently and accountably towards a mandate that has democratic and popular legitimacy, whatever that may include, while guarding against mandate drift. It follows that strong directionality should not be pre-emptively limited, as conventional policy makers aim to do, to simply filling market gaps left by private banks or barred from competing with private corporate banks (*cf.* Mazzucato and Penna 2015). These limitations are meant to protect private interests, not the public interest or working class interests.

Green mandates should be strong and cut across the fullness of a public bank's operations, ensuring consistency and efficacy in reducing carbon emissions in the public interest.

Stable, long-term horizons

Public banks are in a unique and powerful position because they exist within the public sphere and hence need *not* be the handmaidens of short-term profit imperatives. Instead, public banks can excel at providing finance according to a stable, long-term horizon. Long-term financial horizons can enable economic stability and support transformational socioeconomic and political initiatives like environmental sustainability, green public infrastructure, and job creation (Romero 2017:15). It is an important step towards the definancialization of social reproduction.

Likewise, public banks can be effective countercyclical lenders by increasing lending at times of economic and political uncertainty or crisis (World Bank 2012a; Brei and Schclarek 2013). Private corporate banks, by contrast, tend to act pro-cyclically during crises by reducing their lending to protect capital resources and profitability. A public bank's countercyclical function, however, must be treated critically and approached cautiously. Without democratic oversight and accountability, elite authorities can abuse public bank countercyclical lending in ways that act against the public interest; increase inequality by privileging the needs of capital over labour; and act against popular interests by reinforcing unequal economic systems like neoliberalism (Marois and Güngen 2016). Countercyclical lending is not *necessarily* a good thing, but it can be if mobilized in the public interest, to promote low-carbon alternatives, and to support social equity goals.

Progressive public ethos

The *sine qua non* of an authentically public bank is that it must pursue public policy for the public interest. That is, its service standard must be qualitatively different than private corporate banks insofar as it is in the public interest. Yet there is nothing essentially progressive about "the public" or easy about "making" the public, as a public institution's ethos depends on the historical and social forces shaping it (*cf.* McDonald 2016). There are of course today public banks that act very much like private, profit-oriented banks with little regard (or mandate) for serving the public interest. For public banking mandates to be progressive in *fact* and *practice,* they must be transformational in ways that benefit the public interest. This is no simple task and not easily measured. Beginning with the triple bottom line is a solid baseline measure for projecting a public ethos – as is a commitment to public–public cooperation.

Commitment to strategic public–public cooperation

Public banks and public institutions are well positioned to facilitate the building of sustainable local, national, and international coalitions of willing public sector entities that cooperate for the public interest and not on competitive profit-oriented grounds (*cf.* Wainwright 2014; Mazzucato 2015). This is possible if and when social forces pressure governing authorities to do so. There are examples. Locally, nationally, and internationally, governing authorities mandate public banks to fund municipal, national, and regional infrastructure; public banks supporting local governments by purchasing public bonds; public development banks underwriting developmental loans distributed by public commercial banks; public banks funding community associations and cooperative projects; public banks funding the greening of existing public buildings; public banks as repositories of public sector savings and pensions; among others. This type of cooperation not only thwarts the narrow logic of market discipline but also goes some way to recreating a public ethos so maligned under self-interested neoliberal strategies of development.

3.2. Financial Sustainability in the Public Interest

Financial sustainability is required if public banks are to serve in the public interest. Yet as a concept, financial sustainability is subject to contested and ideologically charged interpretations. Mainstream approaches narrow financial sustainability to maximizing returns, using private banks' experiences as the touchstone. An alternative approach considers how public banks can aim to guarantee the efficient, long-term, political and economic reproduction of their core mandated services, democratically and in the public interest. Positive financial returns or break-even remain a key consideration, but not the only consideration. Financial sustainability in this way recognizes that public banks are also public institutions with public mandates that should contribute to overcoming societal challenges. One might think of this as a fundamental duty of care over society's collective, public financial resources. It follows, then, that a progressive sustainability strategy, furthermore, should not place excessive financial risks or costs onto the public sphere when those risks are fundamentally in the private interest (for example, bailouts and socializing private sector losses).

Operationally, the financial sustainability of public banks depends on their particular mix of (a) not-for-profit and loss-making *concessionary* lending, and (b) for-profit *non-concessionary* lending (*cf.* Cochran et al. 2015; Romero 2017). Financial sustainability must further balance itself against generating returns versus reinvestment or the remittance of returns to authorities; balancing risk and innovation in lending; and balancing operating costs and a public ethos. These are discussed in turn.

Balancing bank returns with reinvestment and public remittances

Historically most public banks were not mandated to earn returns but rather to support development, often at an operational loss. Today, demands on public banks to generate returns and to remit these to government are more common, driven in large part by the post-1980s emergence of neoliberalism. Neither strategy is neutral in class terms or understandable outside of contesting power relations over access to credit. A progressive public bank must internalize, make transparent, and democratize these struggles for the bank to be able to work in the public interest.

Operationally, public banks can and do continue to accept lower levels of returns in order to privilege concessionary and not-for-profit lending for mandated programmes. In cases where mandated lending generates real losses for the bank, financial sustainability requires that either (a) governing authorities directly compensate the public bank for incurred losses or (b) that the bank establishes an internal cross-subsidy (that is, non-concessionary lending covers concessionary). Both support financial sustainability.

When a public bank generates annual positive returns, it can also use these returns for reinvestment (including cross-subsidization) or it can remit them to its public shareholders. Some argue that public banks ought *only* to reinvest returns into mandated programmes: if a government derives monetary benefits from a public bank's operations then this may create an incentive to abuse the bank as a source of public revenue (cf. Griffith-Jones 2016; Romero 2017). This is possible, but it is not necessarily so. Many public banks have worked sustainably for decades while transferring returns into government coffers. The point is to define a legitimate process by which any such transfer occurs.

Balancing risk and innovation

Financial sustainability is closely tied to a public bank's approach to risky, long-term, and/or innovative lending. Such investments and lending can involve major time commitments, substantial levels of non-performing loans, and potentially hard losses. But such investments can also generate long-term public benefits, developmental achievements, and innovative breakthroughs (Mazzucato 2015). In this way financial sustainability does *not* involve public banks *only* supporting projects with guaranteed returns on investment, but ones that can embody the public interest and long-term environmental sustainability. A public interest optic is diametrically opposed to the general thrust of that being typically promoted by international institutions like the World Bank and OECD. For these institutions the investment risks absorbed by public financial institutions should first and foremost enable private interests and accumulation via public sector de-risking and profitability support programmes.[8] The approach is not unlike oft-failed, but nonetheless resilient, public-private partnership model (cf. Bayliss and Van Waeyenberge 2017).

Balancing risk and reward also involves the issue of fractional reserve banking. This system enables banking institutions to take deposits and hold reserves, and then to offer loans in excess of these amounts. For example, commercial banks can lend out at least 10 dollars for every one dollar held in reserves for a 10:1 ratio. Development banks tend to operate more conservatively, with a lending ratio of about 3:1. In this way banks can mobilize financial resources in ways exponentially greater than if investments received direct government funding (a ratio of 1:1) (von Mettenheim 2010:11, 21-22). This is one of the chief ways in which "green" public banks can serve as catalytic financial drivers of the LCCR transformation. Multiplying financial reserves, however, carries risk and thus needs to be carefully planned for by public banks and responsible authorities.

Balancing operating costs and a public ethos

A bank's operating costs, which include fixed capital, IT, and staff costs, significantly affect its "bottom line" and long-term financial sustainability. On the one hand, public banks must provide the necessary infrastructure (fixed and IT) to compete and provide competent services relative to private competitors. There is no escaping the competitive market in this regard. On the other hand, public banks must retain qualified staff to operate effectively. Both issues need to be balanced against the public bank pursuing a triple bottom line and operating in the public interest. For example, technological investments

8 WEF 2006; World Bank 2012b; OECD 2017.

can reduce costs and increase efficiencies just as infrastructure greening can help make banks "carbon neutral". Similarly, staff must be compensated competitively, but compensation must not reinforce runaway compensation and high-risk reward structures driven by private sector "casino"-like accumulation imperatives. Rather, non-monetary incentives associated with working in the public sector (for example, better work-life balance) and for the public interest (that is, contributing to society positively) can be mobilized alongside transparent fixed pay ratios between the highest and lowest paid employees (not unlike set ratios in cooperatives like Spain's Mondragón or in more unionized bank sectors such as in India or Costa Rica where pay extremes are less common). Formalizing staff input into a public bank's governance structures, too, can internalize public ethos commitments to the bank, to one's community, and to the public interest.

3.3 Operational Strategy

Operational Strategy refers to a bank's core financial intermediation processes. As linked to lending and fractional reserves above, financial intermediation involves collecting savings, magnifying them, and then allocating these monetary resources as credit to those who require it. That is, banks channel money from the "capital rich" to the "capital poor" for a *price*. The "price" is the cost of borrowing, which is largely reflected in the interest rate, fees, and commissions.

It is important to keep in mind that money is far from neutral. Money and the credit system are integral to the reproduction and expansion of capitalist accumulation, which is a class-based system of exploitation and development (Itoh and Lapavitsas 1999). Decisions over credit allocation can drive increased profitability for capital; help build infrastructure; feed financial speculation; create public services; support farmers; or any number of things. No lending or investment strategy is socially neutral but instead deeply political in its economic and social implications. An environmentally and socially just operational strategy should expose its lending decisions to popular oversight to avoid abuse.

Two operational strategies vis-à-vis intermediation need singling out: (a) acquiring sources of finance capital and (b) investing finance capital.

Acquiring sources of finance capital

To protect their capacity to operate in the public interest, public banks should ensure that their primary sources of finance are public in origin (Romero 2017). If a public bank relies disproportionately on private sector decisions to access its lending capital, its capacity to operate in the public interest will be structurally undermined. Private finance withholds needed resources and withdraws funding as and when it is in their private (not public) interest (this is reflected in the procyclical lending of private banks discussed above). Having a solid foundation of public money can also assist public–public cooperation while mitigating the threat of private interests crowding out the public interest.

These public sources may or may not involve borrowing (*cf*. OECD 2017:4). Sources of *non-borrowed* public funds (assets) involve a range of conventional and innovative sources. These include: dedicated or reallocated funds from annual budgets; an allocated percentage of tax revenue; grants; retained earnings; direct capital injections from government or other public sector entities; and official callable capital (that is, official promises to pay should funds be requested). Some less conventional but innovative "green" sources include carbon levies and taxes; emissions trading revenues; and utility bill or energy efficiency surcharges.

Some sources of *borrowed* or repayable public funds (liabilities) include the following: deposits from the public sector [state-owned enterprises (SOEs); employees]; bonds sold to other public sector enterprises or central banks; loans from national, regional, and multilateral public banks; loans from the government; and investments from public pension funds. Some sources of repayable private finance capital are also widely available to public banks, including individual deposits; loans; and bonds issued in national and international markets, including green or climate bonds as well as some impact bonds.

Public banks that retain access to public money to generate stable, low-cost, and long-term forms of finance in the public interest can significantly reduce or eliminate market pressures to maximizing profit over mandated priorities. This is an indispensable element of any long-term green transformational strategy conceived of in the public interest (*cf.* EPSC 2017).

Investing finance capital

How public banks invest their financial resources should follow from the bank's mandate (as opposed to simply being driven by profit imperatives) and have substantive links to democratically determined and accountable national development plans. As noted, such investment strategies can be done at below market concessionary (break-even or loss-making) and non-concessionary market (return-generating) terms. Green strategies, it follows, should ensure substantive transformation towards a LCCR future in the public interest. This should, too, counteract emerging *green-washing* strategies of accumulation.

A wide range of financial instruments are available for public banks to invest, allocate, and mobilize their financial resources. They include the following:

- **Grants:** do not need to be repaid, and may be tied to government or donor programming.
- **Standard loans**: must be repaid by the borrower, at concessional or non-concessional rates.
- **Development loan:** often concessional and repayable, may combine sources of government or donor funds.
- **Official donors**: directly from donors, but channelled through the public bank as intermediary.
- **Equity investment**: involves taking a direct ownership stake in a project or company.
- **Public–private partnerships**: involves assisting the private sector to undertake public works backed by official risk and profit guarantees.
- **Public–public partnerships**: involves public sector collaboration in undertaking public works where risks are shared within the public sector.
- **Risk sharing**: agreements that involve guarantees, or structured financial agreements.
- **Technical assistance:** agreements to provide supportive expertise and assistance at little or no cost to the recipient.
- **Green bonds**: for those who want to channel funds into sustainable development projects.

Not all of the above are intended to work in the public interest, for example public-private partnerships, and should not be treated as equal from a public interest optic. It is more likely that subsidized concessionary lending and non-repayable grants will facilitate equitable development and green priorities (UNRISD 2016:126; Romero 2017). That said, the issue of non-concessionary or return-generating public bank lending is controversial. On the one hand, conventional and heterodox economists often assert that public banks should not compete with private banks or operate in ways that may "crowd out" private banks (Ratnovski and Narain 2007). This position advocates that public banks abandon operational areas where they might earn positive returns. But such earnings can be used to effectively cross-subsidize other operations, so why allow only private banks to benefit? On the other hand, proponents of public banking for the public interest may be uncomfortable with any operations being explicitly oriented towards generating returns, as this might undermine the public interest mandate. Yet if returns fund otherwise unfundable priorities, is this not in the public interest too? The resolution, or compromise, cannot be predetermined but must be found within the affected community that owns the public bank.

Investing also involves the use of official guarantees, which is yet another contentious issue. The financial stability and sustainability of public banks often rely on direct and indirect official government guarantees. Official guarantees tend to enhance a public bank's credit rating and stability prospects relative to similar private banks. On the one hand, official guarantees enable public banks to access cheaper and longer-term sources of public and private finance capital, whose savings can be passed along to clients, public and private. On the other hand, official guarantees also enable public banks to take a longer-term perspective, and one less reliant on profit imperatives or market conditions. Both functions can help to mitigate the volatile effects of neoliberal financialization on society and the environment. Yet caution must be exercised, as official guarantees can be abused for lending that is not fit for purpose, that contradicts the public bank's mandate and mission, or that renders the bank financially unsustainable. This risk is perhaps greatest with countercyclical lending at times of financial crisis when governing authorities absorb, or socialize, private sector debts (Marois 2014; Trumbo Vila and Peters 2017). Hence, powerful democratic oversight and governance processes must be in place to ensure appropriate use of official guarantees for the public interest.

Finally, there are pros and cons to public banks drawing on private sources of finance capital. Because public banks are backed by a sovereign guarantee (implicitly or explicitly), they can access private bond markets at favourable conditions. Public banks should be able to access greater amounts of cheaper loanable capital, which can be then directed to mandated projects. This is no doubt useful. In addition, arguably, by absorbing private capital for the public interest public banks can help to "definancialize" and "decarbonize" existing pools of private finance capital.[9] That is, by leveraging private finance in the public interest and for democratically determined projects, public banks can ease the competitive, profit-maximizing structural pressures that characterize most contemporary global finance and development processes and ensure these funds are not invested in instability-generating sectors or carbon intensive industries. Of course, there is no necessary reason for public banks to do this. Yet given a democratic mandate and oversight, public banks can drive these two positive trends.

Spatial strategy in the public interest

Spatial strategy, drawing on our socially constructed and constitutive theorization above, refers to the geographically local, national, and international operations of public banks and how the banks engage with governing authorities at these scales of activity. The issue of scale is not straightforward. In some cases, public banks are local in constitution and only engage locally (for example, most municipal and some state-level banks). In other cases, national public banks operate locally, nationally, and internationally. And while it is true that the core spatial strategies of public banks most often prioritize local and national development strategies, in some cases public banks reach out internationally (that is, promoting domestic exports; supporting national companies abroad; as part of the bank's profitability and expansion strategies; and/or supporting international

[9] *cf*. Tricarico 2015:13; NCE 2016:51; Romero 2017:17.

development). These programmes will have stronger and weaker links to public banks' different mandates, and need to be assessed accordingly for fit. Where spatial strategies risk the public interest, are anti-democratic, or privilege the private over public interest, they ought to be abandoned.

How public banks navigate their spatial operations can have significant developmental, governance, and risk implications. For example, governance and autonomy issues may arise between local projects or foreign aid beneficiaries being funded by large national public banks that may wish to determine the nature of the project over local interests. Given this complexity, public banks should support democratically elected authorities at the scale at which the authorities are responsible (for example, at the municipal, provincial or state, and national levels) so long as these projects conform to mandated priorities.[10] There is a significant need for more inclusive and democratically driven processes, and in particular so that public banks' spatial strategies do not favour or reproduce already existing spatial, class, and gendered inequalities, environmental degradation, and unequal relationships or power and privilege (*cf*. Romero 2017:16). In other words, public banks operating in the public interest can play a central role in the construction of more equitable and environmentally resilient community spaces.

Spatial strategies must also take a hard look at problems of financial risk and responsibility (particularly vis-à-vis internationalization). Public banks are usually backed by public guarantees, which raises the problem of whether theirlending activities exceed the government scale ultimately responsible for any losses incurred. What happens if a national public bank operates globally and incurs substantial losses in its international operations (as during the 2008-09 global financial crisis)? Who will or should absorb the losses? The spatial strategies of public banks, therefore, should not exceed a magnitude where should things go wrong it jeopardizes the public interest of the community ultimately responsible.

Finally, it needs emphasizing that spatial strategy involves questions of national coverage and aspects of financial inclusion (to use World Bank [2014] jargon). Public banks' spatial operations should consider societal needs, for example, the need to provide dispersed financial services in a modern economy; to protect at-risk environments; to target poverty alleviation, both domestically and internationally; among others. The heterodox rediscovery of public banks has focused almost exclusively on policy or development banks (Barone and Spratt 2015; Mazzucato and Penna 2015). Yet public development banks typically have few branch locations, and these are often in central urban locations. By contrast, public commercial, universal, and cooperative banks may be widely dispersed, and hence useful for achieving dispersed coverage. While little discussed, a strategy of financial collaboration between commercial and developmental public banks can effectively combine assets and expertise to reach spaces in need. In this regard, public banks have been historically adept at overcoming spatial challenges and facilitating integration.

3.4 Democratization of Governance

An underlying premise of this paper is that for public banks to be *substantively* green, their governance (that is, ownership and control) structures must also be democratized and oriented towards the public interest. This includes considering how to democratically

[10] The question of public bank governance and democracy is obviously complicated by real world cases where the governing regimes have been or are monarchies, authoritarian, totalitarian, or fascistic. In this paper, I assume that where representative democracy is present, the public banks operating therein should work collaboratively and transparently with their governing authorities.

align public bank operations with national and local development plans (Romero 2017:15). By no means is it the case that historically "successful" developmental projects and associated public bank interventions have necessarily been democratic in orientation or particularly concerned with social, environmental, or workers' rights. On this front, the much-heralded East Asian developmental model stands out, as much of its economic achievements were premised on the suppression of worker and socio-political rights (as well as environmental) (Radice 2008; Chang 2013). This is not the ideal model to follow from a public interest, environmental, gendered, or worker's optic. National authorities and public banks must be held to a higher standard if they are to sustainably contribute to a green and equitable future. Popular social forces must be able to protect against public banks being abused by powerful elites for their private interests. This entails democratization; transparency and accountability; and insulation from undue pressure.

Democratizing public banks

Public banks need clear democratic governance mechanisms in place that enable the public to shape and steer mandated operations, while being armoured against undue and undemocratic influence (below). In short, private interests must not be equated with or allowed to malign the public interest. There is no denying that private interests have at times overridden the public interest in public banking for very real and historically specific reasons. Presently, there is a real risk of this re-occurring within the global "green" revolution. International financial institutions (IFIs) and other market advocates have calmed their calls for bank privatization but, in lieu, advocate that public banks underwrite and absorb the risks of private investment in (ideally green) infrastructure (WEF 2006; OECD 2017). Should this proceed unchallenged, private interests will supplant the public interest and likely exacerbate the already grave problems of achieving a LCCR future. Democratic governance must guard against challenges like this by opening public banks up to inclusive popular control and oversight.

Two broad models of democratic governance currently predominate among public banks: corporatized and representative democratic. A third model can be seen among cooperative banks: inclusive democratic.

The corporatized governance model has become more prevalent under neoliberalism, and it is the one preferred by conventional economists as a second-best option to privatization. Corporatization refers to the tendency of public companies to behave like private companies, wherein decision-making processes are firewalled from direct government and democratic influence (*cf.* Shirley 1999). Typically, corporatized public entities provide some form of essential public service, but then operate primarily around private-oriented financialized performance indicators, cost-reflexive pricing, and competitive outsourcing rather than in the public interest per se (McDonald and Ruiters 2012). That said, even within corporatized public enterprises there are variants – as some respond more to public service priorities than market imperatives. In a corporatized model, nevertheless, ownership does not necessarily translate into effective public control of a public bank, even though there will be mechanisms by which governments retain control over key appointments of often independent board directors.

A representative democratic form of governance remains common among public banks. In this model, the government as majority shareholder will have legal rights to representation (often in controlling degrees) in the Board of Directors. In many instances, specified government ministers assume positions of power and authority. For example, a minister of the economy will be specified as the Chair and the ruling government or legislature will have the right to appoint members to the Board. Here ownership tends to involve substantive political control over the mandate and strategic direction of a public bank, which then shapes its day-to-day operations. As expected, there are varieties of more top-down and bottom-up configurations, which reflect more or less democratic and accountable variants. While governments employ the range of variants to exercise control, conventional economists argue any such control politicizes the bank and renders it inefficient and corruptible (La Porta et al. 2002; Boehmer et al. 2005).

An inclusive democratic model is more characteristic of cooperative banks, including ones constituted under public law or backed by state authorities (*cf.* Périlleux and Nyssens 2017). In this model, cooperative associates and representatives of the bank's wider community will form part of the bank's governing assembly. The governing assembly sets the bank's overall strategic direction and appoints members of the Board of Directors. This model of governance tends to be the most democratic, with the most substantive ties to its affected community.

Of these three models, the representative and inclusive forms are the modes of governance most amenable to democratic oversight and accountability, which can then enable the bank to function legitimately in the public interest. This process should involve specific means of drawing in public concerns and interests via different types of actors and representatives within the bank's governance. Democratization here is not meant to "depoliticize" the bank's decision-making processes, but to insulate it from individual political abuse by opening it up to democratic deliberation. As Romero suggests, "it is important to recognise that institutions governed on the basis of a truly democratic governance structure should find ways of including other actors – not just governments – in the decision-making process" (2017:21). This is not just wishful thinking, as characterized by conventional economists. Indeed, the democratic credentials of well-run public services are making their way back into popular discourse (McDonald 2016). According to Ben Tarnoff of *The Guardian*,[11]

> … public services offer a more equitable way to satisfy basic needs. By taking things off the market, government can democratize access to the resources that people rely on to lead reasonably dignified lives. Those resources can be offered cheap or free, funded by progressive taxation. They can also be managed by publicly accountable institutions led by elected officials, or subject to more direct mechanisms of popular control.

While the potential is there, it must be remembered that these credentials are the result of social struggle and democratic protections, which must find institutional footing within public institutions and law.

Strong transparency and accountability

Democratization requires strong transparency and accountability mechanisms that ensure and protect open communication, feedback, and inclusive decision-making processes as a matter of standard practice. At the most basic level, this demands reversing past institutional practices that have enabled bank secrecy and impunity, both public and private. In this way, the public can help ensure that the practices and projects that are unfit for purpose are ended.

Public bank *transparency* should be founded on the right to access information held by public authorities on public banks (Romero 2017:23). Following the work of Eurodad,

[11] "How privatization could spell the end of democracy", 21 June 2017, https://www.theguardian.com/technology/2017/jun/21/privatizing-public-services-trump-democracy.

the right of access to information should be substantive. Internally, public banks should automatically disclose all key documentation and prepare publicly accessible reports on their activities. This includes core information on public banks' clients, subclients, and end-use of public funds offered. That is, transparency must be present along the full chain of public lending activities. Furthermore, transparency requirements should be built into contractual agreements. The public must have the right to request and receive information, data, and contractual agreements. That said, effective, administrable procedures must be put in place so as not to overburden public banks and their employees, especially smaller public banks, with potentially onerous freedom of information requests. The most desirable and easiest way is simply to make public banking data open access (without violating individual security). Finally, transparency must also involve access to decision-making processes in order that the public can hold Board and Assembly members accountable.

Public bank *accountability* in turn enables multiple actors to hold public bank decision makers to account (Romero 2017:23). Reasonably, these actors should include affected governments, parliaments, civil society and non-governmental organizations, alongside local communities and social sectors (unions, teachers, environmental groups, and so on). Public banks and authorities should allocate sufficient resources to have regular and independent evaluations of the banks' operations. Finally, public banks need to have established, user-friendly, and independent complaints mechanisms that protect complainants and whistle-blowers.

Insulation from undue pressure

By nature of ownership and control, public banks can be and are subject to undue political and elite pressure. This threat is magnified by the control public banks have over money. There are several ways governments and powerful interests have abused public banks in the past for reasons not in the public interest. For example, public banks have extended questionable "related" loans to Board members or government elites. Public banks have increased lending as elections near, arguably to support the ruling government. Similarly, public banks have been instructed to support government pet projects that lack substantive justification. The World Bank, itself a state-owned bank, has documented many such abuses.

There are also other contentious and less clear-cut ways in which undue government pressure can cause public banks to act against a triple bottom line of green transformation, social development, and financial sustainability. For one, there are the risks associated with countercyclical lending at times of crisis, as discussed in 1.2 above. For another, public bank rescues of certain enterprises (public and private) deserve extreme scrutiny vis-à-vis the public interest. Finally, undue government pressure can include wider measures that undermine the democratic expression of the public bank itself. For example, national governments can subject public banks to international treaties that undermine their capacity to fulfil their mandates and work in the public interest (for example, EU Competition Law and emerging treaties like the Trade in Services Agreement [TiSA]) (Marois 2017a). Likewise, national legislation can also prohibit public bank workers from legally taking strike action, which is contrary to basic worker rights. To recognize the need to insulate public banks from undue pressure (public and private) is not to say that public banks are, by nature, corrupt, as claimed by conventional economists. Rather it is to acknowledge the historically specific and malleable social content of public banks and the significant power associated with their ability to allocate credit.

3.5 Integral Integration of Workplace and Community

Public banks and their employees, by nature of their financial intermediation functions, are integrally connected to their communities in economic terms, but this must also be made so in socio-political terms. It is important, therefore, that these public financial institutions seek to build a strong public ethos – or duty of care – both within the institution and through the institution into its community via its financial activities and spatially constitutive operations. Through a culture of public service, public bank mandates ought to serve the public interest by promoting the triple bottom line. Integrating a culture of public service requires internal institutional promotion, support, and training. Only by modelling the public interest internally can it be effectively instilled externally.

Right for employees to unionize and to collective action

As an integral element of the public interest, public banks must uphold the basic right for their employees to be able to self-organize into unions in order to advance and represent their interests as workers in the workplace – that is, the right to collective action and to strike. A public bank cannot serve the public interest if its own employees cannot exercise basic human rights. Nor can public ethos characterize a public bank's operations if its employees cannot develop or articulate their own collective interests. Unfortunately, today the right to strike for bank workers remains nowhere near universal.

Build internal expertise and capacity

Neoliberal advocates have championed the debasement of the public sector, seeing ideals of public service as naïve.[12] Rebuilding and reclaiming public expertise and capacity is the key to rebuilding public trust (Wainwright 2014). To this end, public banks should be committed to the betterment, advancement, and empowerment of their employees. This involves having a long-term strategic outlook towards employee benefits and capacity building such that internal capacity and expertise are developed. This must entail training specific to the public sector, to a public ethos, and to long-term and equitable environmental goals: it is not the case that corporate or private sector training should be grafted directly to public sector operations. Where public banks have built up expertise and capacity there are knock-on benefits for the community, other public services, and the government as such knowledge and expertise can be shared more easily in non-competitive public–public cooperation and in support of governing capacity.

Effective communal integration and outreach

As raised above in terms of spatial strategy, finance is a common aspect of everyday life in most communities, connecting disparate individuals, collectives, and communities. Yet the rise of neoliberalism has brought with it intensified financial capitalism and economic instability (Lapavitsas 2009; Marois 2011). The associated competitive imperatives pit individuals and communities against each other in a race to the bottom of regulatory, environmental, social, and economic rule in the name of capital accumulation and maximizing returns. This conflicts with the needs of a common, public interest and with the needs of a green transformation (*cf*. EPSC 2017).

Public banks, like other public institutions, can practice non-competitive cooperation as a matter of mandate and good public practice in ways that promote common efficiencies over private accumulation (*cf*. Kishimoto and Petitjean 2017; Marois 2017a). For example, the integral integration of public banks into their affected communities can help promote solidarity and cooperation between workers, community associations,

[12] Megginson 2005; Publication Barometer 2015; Barth et al. 2006.

bureaucrats, politicians, NGOs, end users, and with other public services (health, water, electricity, roads, other) and/or between other levels of service delivery. This cooperation can be geared towards collectively addressing societal challenges like climate change, essential services provisioning, and social inequality, which necessarily demands the sharing of knowledge, trust, and promising "best" practices. As institutions connected across the social and economic spheres, public banks also can engage in outreach programmes that can support development capacity and a cooperative public ethos. This outreach need not be limited to the immediate community, but in some cases may expand abroad. In short, the social content of public and cooperative finance can promote collective solutions to common challenges.[13] The answer is as much socio-political as economic.

4. Conclusion: Towards a Green Public Bank in the Public Interest

The global environmental crisis and the need to finance a radical transformation in how we reproduce ourselves globally, notably via a transition to a LCCR future, have pushed the question of public banks to the forefront of international debate. Yet the narrative around public banks has been largely captured and shaped by market-based development advocates who are demanding that public banks be mobilized in the private interest. Alternative strategies and conceptualizations must be put forward, and these need to be crafted around the public interest, long-term sustainability, and social equity concerns. To this end, this paper has proposed an ideal-type public bank, which has been elaborated around five core features: mandated role; financial sustainability; operational strategy; democratization of governance; and integral integration of workplace and community.

While technical in appearance, the features and associated characteristics presented exist in real world cases, having been drawn from multiple public banks from around the world (*cf.* Marois 2013). For example, specific features have been taken from the French Caisse des Dépôts; the Turkish IlBank, Ziraat, and Halkbank; Finland's Kuntarahoitus; the China Development Bank; the Nordic Investment Bank; the US Bank of North Dakota; the Development Bank of Southern Africa; various European savings banks; the State Bank of India; the Vietnam Bank for Social Policies; the German North Rhine-Westphalia Bank; the Dutch Nederlandse Waterschapsbank; the Philippines LandBank; among many others. Some of the most promising (if imperfect) public banks, from a green transformational and equity perspective, include the German public development (or "promotional" bank), the KfW, and the Costa Rican retail bank, Banco Popular y de Desarollo Comunal. These two examples combine a number of promising features, such as democratic governance and financial sustainability, with gender, equity, and sustainability mandates.

Each characteristic presented is defendable (if not bulletproof!) from a public interest, equity, and green transformational perspective. If asked for an alternative vision for public banks, the one envisioned here is worth debating.

Across the features and through the various characteristics, this paper has also put forward three interrelated and underlying claims. First, for a public bank to be in fact sustainable, green, and in the public interest it must also be democratic. Non-democratized public banks are more easily corruptible and susceptible to abuse for private interests. Second, public banks need reconceptualizing away from conventional approaches that have

[13] Marois 2013; Butzbach 2016; Périlleux and Nyssens 2017.

portrayed them as inherently corrupt and inefficient, regardless of time or place. What public banks are and do instead depends on the historical social, political, and economic power relations defining them as institutions. Progressive public banks exist because progressive values have gone into them. As importantly, existing banks can be changed for the better. Third, while reclaiming public banks for the public interest is a *necessary* condition in the struggle for a progressive green transformation, it is not *sufficient*. Public banks will only work in the public interest within a wider economic and political shift towards a just and equitable strategy of social reproduction. But this is a reflexive relationship. Societies committed to green, socially just goals are more likely to have similarly mandated public banks. Likewise, such mandated public banks are more likely to support the reinforcement of green, socially just societies. In other words, public banks cannot be divorced from the society in which they exist, nor can societies committed to green, socially just ends hope to fulfil these without powerful public financial institutions able and willing to support them.

There is now a global acceptance of the potential green catalytic role of public banks. But the potential of their role is being skewed towards providing for private interests over and above the public interest, especially regarding climate finance. There is an urgent need to reclaim public banking for the public interest in order to effect a just and equitable green transformation. We need not idealize these public financial institutions, but we must propose justifiable, sustainable, and equitable alternatives if we hope to reclaim them for the collective public interest.

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