
Democratizing Finance: Contested Meanings, Contentious Histories, and Paths Forward

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Résumé

While different financial projects aim to "democratize finance", this notion is polysemic. It can refer either to the "re-regulation" of finance by an elected government (Hockett 2022; Pettifor 2017), the financial inclusion of social strata excluded by private finance (Palladino 2022), or the transition towards a post-capitalist economy (Block and Hockett 2022). Within post-capitalist perspectives, some advocate for the gradual development of public banks and credit unions parallel to the private financial sector (Blakeley 2019; Block 2022b; Epstein and Ugurlu 2020), while others privilege accelerated bank socializations (Panitch and Gindin 2010). The modes of governance of these public financial institutions may oppose those privileging representative models or direct democracy. Cross-class power blocs excluding "rentiers", or mass movements against the business class, reflect different strategies to win these reforms.

However, public ownership of financial institutions on its own does not necessarily lead to progressive outcomes (Marois 2022). For example, public financial institutions participate in the privatization of public infrastructures (Skerrett et al. 2017). Banking nationalizations often operated on a technocratic governance model at best regulated by electoral democracy and at worst led to the socialization of huge amounts of private debts (Morin 2020). Alternatively, contemporary proposals have explored different governance structures that could best achieve a socialization of finance, ranging from democratic workers assemblies, deliberative mini-publics, and democratically mandated diverse governing boards (Marois 2021; McCarthy 2022).

This panel will present case studies of social conflicts over financial institutional change that result in contested histories over the substantive meaning of the "democratization of finance". This panel will survey various contemporary proposals to socialize finance according to their economic democratic merits and their strategic political underpinnings. It will also assess how these proposals, beyond the sphere of finance, can democratize the economy as a whole.

Democratising Public Banks in Theory and Practice: A Dynamic Approach to Just Transitions

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Given the pace and scale of financial resources needed, there is no pathway to financing the United Nations 2030 Sustainable Development Goals (SDGs) that will not pass through the world's public banks (UN 2023a/b; G20 SFR 2021; G20 SFWG 2022). More financing is required. But not just any finance. Who stands to benefit? There is a need for appropriate finance that will not only advance global climate transitions but do so in ways that are socially just and equitable (Newell 2021; UNCTAD 2021). Public banks are a viable option that have been, and will continue to be, at the forefront of SDG financing (Marois 2021; UNDP 2021/22). Relatively little is known, however, about how the more than 900 public banks commanding over \$49 trillion in assets worldwide function. Nowhere is this knowledge gap more pronounced than in governance, wherein the finance and economics literature has relied on polarised interpretations of public banks as inherently good or bad by virtue of ownership form (La Porta et al. 2002; Marcelin and Mathur 2015; Cull et al. 2017; Marshall and Rochon 2019; 2022). There is now recognition that public banks need to be understood on their own terms rather than in comparison to or as a deviation of private financial institutions (Cassell 2021; Marois 2021; Marodon 2022; Marois et al. 2022; Mertens et al. 2021; Griffith-Jones et al. 2023; cf. Schmit et al. 2011).

This presentation argues that democratised public banks offer the most practical and potent pathway to financing the 2030 SDGs in ways that are socially just. Empirically, the study demonstrates existing global financial and institutional public banking capacity, while identifying specific promising democratic practices and frameworks within powerful public banks. Conceptually, it builds on a dynamic theory wherein public banks are not conceived as inherently good or bad. Rather, what public banks do (i.e., how they function) is shaped by contending social forces (racialised; gendered; class-divided) that shape and re-shape the evolving meaning of being a 'public' bank. (Marois and Güngen 2016 & 2016b; Marois 2017; Marois 2021; Marois 2022; McDonald and Marois 2023; cf. McDonald 2023). The argument points towards effective and accountable public-public financial collaborations in place of the World Bank's 'cascade' approach – or the use of public money to leverage private investments as the pathway to financing global green transitions.

Putting the "Public" in Public Banks: Exploring Progressive Motivations and Grassroots Mobilisation for Proposed Banks in California, USA

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The US has recently seen the emergence of a small but strong public banking movement with numerous initiatives across the country proposing to create public wholesale banks to take back control of local public financing from the mainstream of private corporate banking. Proposed banks have a strong focus on fulfilling social and environmental mandates in the face of multiple crises including the climate emergency, growing poverty and economic inequality, racial and indigenous injustice, as well as local pressures, e.g. around affordable housing provision. Campaigns in California, in particular, have seen key successes after the state passed the Public Banking Act (AB-857) in 2019. This paper draws on research conducted across California in 2022 to investigate how activists have shaped debates on the socialisation of finance, looking back at the movement's roots and exploring its contemporary configurations. Framing the movement as a grassroots, cross-class, and racially-diverse set of mobilisations, the paper investigates how public banking initiatives create possibilities for the development of alternative economic values and institutions in response to, and going beyond, the current polycrisis. The paper explores how activists envision these new public financial institutions and their wider impact, and how they are inextricably bound up in a broader pro-public moment. However, the paper also reveals critical fault lines and fissures, reflecting on the multiple dimensions of struggle the movement faces against political and economic elite interests and actors, both within the corporate banking and financial establishment as well as in the institutions, practices, and actors of the local state.

Democratizing Quebec Finance? Debates, Histories, and Perspectives

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In Quebec, many authors highlight the existence of financial institutions that have developed alternative financial practices diverging from the maximization of profits. For example, the *Fiducie du Chantier de l'économie sociale* – a finance initiative to support Quebec's "social economy", and the *Fonds de solidarité* (FSFTQ) – a labour investment fund – are considered vital components of a network of "responsible and solidarity finance" pursuing social and ecological objectives beyond high returns (Bourque, Mendell, and Rouzier 2013). For these authors, this financial network is animated by a democratic financial logic favouring social inclusion and enhancing the participation of Quebec citizens to economic life.

These advocates of the "Quebec model" of finance rely on a narrow conception of the "democratization of finance", limited to a project to "reembed" finance as a servant of a "plural economy", cemented by neo-corporatist governance structures. Alternatively, this paper locates this current as part of a wider Quebec history of competing financial democratization movements: ruptural democratization, symbiotic democratization, and interstitial democratization (Block and Hockett 2022; Wright 2010; 2021). These categories help evaluate reform projects and institutions which aimed to whether socialize finance, complement the private financial sector in order to improve it from within, or create financial spaces outside the pressures to maximize returns.

This paper recovers past union struggles and demands oriented towards the socialization of Quebec finance, assessing their contributions and shortcomings in light of the evolution of Quebec capitalism and the transformations of the union movement. Recovering this moment in Quebec's financial history can inform a new project to democratize finance which breaks with the contradictory practices of Quebec finance during the neoliberal period.