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Banks' structural power and states' choices over what structurally matters: The geo-economic foundations of state priority towards banking in France, Germany and Spain

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FOUNDATIONS OF LAW AND FINANCE

LawFin Working Paper No. 26

Banks' Structural Power and States' Choices Over What Structurally Matters
The Geo-Economic Foundations of State Priority Towards Banking in France, Germany and Spain

Elsa Clara Massoc

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Banks' structural power and States' choices over what structurally matters
The geo-economic foundations of State priority towards banking in France, Germany and Spain

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Abstract: Since the 2008 financial crisis, European largest banks' size and business models have largely remained unchallenged. Is that because of banks' continued structural power over States? This paper challenges the view that States are sheer hostages of banks' capacity to provide credit to the real economy – which is the conventional definition of structural power. Instead, it sheds light on the geo-economic dimension of banks' power: key public officials conceive the position of "their own" market-based banks in global financial markets as a crucial dimension of State power. State priority towards banking thus result from *political* choices over what structurally matters the most for the State. Based on a discourse analysis of parliamentary debates in France, Germany and Spain between 2010 and 2020 as well as on a comparative analysis of the implementation of a special tax on banks in the early 2010s, this paper shows that State's Finance ministries tend to prioritize geo-economic considerations over credit to firms. By contrast, Parliaments tend to prioritize investment. Power dynamics within the State thus largely shape political priorities towards banking at the domestic and international levels.

Key words: structural power, States, banks, geo-economics, institutions

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Introduction

In the immediate aftermath of the Great financial crisis, most politicians and policymakers claimed to be on the same page as the Chief Economist of the European Central Bank, who declared in 2009 that "The simple statement that 'if banks are too big to fail, they are too big to exist' is a reasonable rule"[i]. Twelve years later, the size and business models of European largest banks' have largely remained unchallenged. Nine Eurozone banks are still listed as globally systemic banks according to the Bank for International Settlements. Those banks have for the most part maintained or even expanded their market operations on a global scale. And the trend is towards further banking consolidation. Clearly, reducing the size and complexity of the largest European banks has *not* been a political priority. Is that because of banks continued structural power over States?

Banks are the poster child of structural power as it is traditionally conceived: governments are *structurally* dependent on banks because the health of the whole economy depends on their very capacity to provide credit to firms[ii]. Banks thus typically occupy a "privileged position" in capitalist societies[iii]. The 2008 financial crisis and following bank bailouts have renewed scholarly interest in the study of structural power. Post-crash literature in international and comparative political economy has stressed the continuity of banks' structural power at the same time as it has tackled the criticism according to which the original accounts of structural power developed in the 1970s were too deterministic. Scholars have thus pointed to actors' strategic intent, varieties in banks' and governments' organization, political salience or policymakers' perception to explain the observed variations in the mechanisms and outcomes of banks' structural power across times and spaces[iv].

There is one point though where the recent literature on structural power doesn't differ from the original corpus: it continues to assume that the source of banks' structural power lies in its unique capability to provide credit to the real economy. This paper challenges the idea that

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State actors' motivation to promote their large banks lies on the "functional" role of those banks in facilitating productive investments. European banks' business models have changed dramatically. Most notably, they have significantly developed their market-based activities before the crisis, giving rise to what Hardie et. al have called "market-based banking"[v]. Yet, evidence that the development of market-based banking has increased the provision of credit to non-financial firms (especially Small and Medium Enterprises (SMEs)) or more generally foster economic growth is, at best, very scarce. As a matter of fact, evidence pointing to the undesirable social and economic implications of the growing financialization of the financial sector – in which the marketization of banking takes an important part, is accumulating[vi]. On the other side, Non-Financial Firms (NFCs) have further developed access to other sources of funding than bank credit[vii]. Finally, because they have become dependent on the markets for their own funding, banks that were formerly autonomous in their lending decision have undermined their financial power in lending to firms. The fact that large globalized banks still provide some credit to the real economy doesn't *per se* justify the benevolent position of States towards them.

This paper thus tackles the crucial question posed by Dafe et al. in the introduction of this special issue. If the power of banks is no longer (or at least less) predicated on the activity of facilitating real economic investment, what then is the basis for their continuing structural power?

A firm or an economic sector is deemed structurally powerful when, due to their sheer position in the economy, weakening them would result in weakening an essential dimension of the whole political economy. Consequently, structurally powerful actors can be said "powerful" on two accounts: first, the State spontaneously won't pass legislation that could weaken those actors, because this would equate to weakening an essential dimension of the whole political economy. Second, structurally powerful actors can leverage their structural advantage to push

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their preferences in multiple domains of the policymaking process, by threatening to withhold voluntarily the function that is deemed essential to the political economy.

This paper shifts the focus towards the geo-economic foundation of large banks' structural power. Today, large globalized banks are above all global liquidity providers. In particular, they play the role of repo intermediaries and occupy key positions within global USD supply channels[viii]. The paper argues that due to their central position in the global financial system, key State actors perceive the weakening (or strengthening) of "their" large banks as causing the weakening (or strengthening) of State power in the global political economy. The fate of large domestic banks is linked to the construction of the future prospects of the State's geo-economic position[ix]. Thus, large banks still have structural power because they are understood as a crucial tool of state-crafting. In short, while the source of power of traditional banks built on their capacity to grant credit to firms, the source of power of market-based banks rather build on their (potential) geo-economic reach.

What State actors believe needs to be done in order to preserve bank credit (which is the traditional source of structural power) sometimes conflict with what they believe needs to be done to promote the position of their banks in global financial markets (which is the geo-economic source of structural power). The second claim of this paper is that State's banking priorities largely result from *political* conflicts *within the State* over what structurally matters the most. The executives branch of the States (especially finance ministries) will prioritize geo-economic considerations over investment to real economy, while parliaments will rather prioritize investment and credit. Power dynamics *within the State* thus largely determine national banking priorities and policies.

To illustrate this claim, this paper examines the priorities towards banking in three Eurozone countries after the financial crisis of 2008: France, Spain and Germany. Those countries have different economic and political structures, the size of their economy, their growth model as

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well as their geopolitical position in the international arena differ too. But all have large universal banks operating in global financial markets: Spain and Germany have one each (Santander and Deutsche Bank) while France has four (BNP-Paribas, Société Générale, BPCE, Crédit Agricole). In these countries, national banking priorities and policies have been largely shaped by the geo-economic dimension of their largest domestic banks' structural power.

Examining how finance ministers and members of parliament (MPs) justify their position on banking policies at the national and European levels provides a good insight over what they perceive is structurally most important in banking. The paper develops a discourse analysis of parliamentary debates between 2010 and 2020 in France, Spain and Germany. The analysis shows that finance ministers justify their positions towards banking by considerations of geo-economic State power (this is true in all the countries across all parties). By contrast, MPs justify their position by considerations for credit provision to the real economy to a much larger extent (and we find more variations across countries and parties).

A comparative case study of the design and implementation of a special tax on bank in France and Germany during the early 2010s illustrates how, when political conflicts occur over what structurally matters the most, finance ministries readily sacrifice worries over SMEs funding in favor of market-banking development. In this case, ministries of finance preferred to implement a tax which design penalized credit activities to SMEs rather than the market activities of their globalized banks. Whether ministries of finance were in the end able to implement their priorities largely depended on the capacity of other actors (most prominently the Parliament) to weight in the policymaking process. In France, the Ministry of finance is more autonomous than in the German institutional setting. While the French ministry of finance was able to implement its preferred (pro-market-based banking) tax, the German parliament was able to change the initial design of the tax – which ended up more favorable to traditional credit activities.

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The next section of this paper presents the puzzle of the continuing structural power of large banks in Europe. Section 3 distinguishes between different sources of structural power: it shows that the transformations of banking have fostered the new geo-economic foundations of banks' structural power. Section 4 discusses why ministries of finance are more sensitive to geo-economic source of banks' power than parliaments. This section also discusses why the Europeanization of banking is not in contradiction with the geo-economic foundation of banks' power. Section 5 discusses insights from the literatures on growth models and on instrumental power. Section 6 presents the discourse analysis of parliamentary debates in France, Germany and Spain. Section 7 presents the comparative case study on the implementation of a special tax on banks in France and Germany in the early 2010s. Finally, Section 8 discusses the lessons of the geo-economic dimension of banks' structural power for the democratic steering of banking in an age of global/financialized capitalism.

Large Euro banks' expansion and the traditional account of banks' structural power: a puzzle

In the aftermath of the financial crisis and the massive bank public bailouts, politicians all over the world pledged that they would make "Too Big To Fail" banks a souvenir of the past. The next decade has brought a multiplicity of new standards, reforms, and complex regulation at different levels of governance. However, these reforms have not hindered the marketization of banking, the financialization of the economy or even the capacity to prevent future financial crises[x]. Many authors have observed that post-crisis financial regulation has brought no radical change to the workings of finance[xi]. In particular, the idea of "downsizing and simplifying finance" has not materialized[xii]. Most authors point to the growth of non-bank financial sector – the so-called "shadow banking" in particular. However, a decade after the great financial

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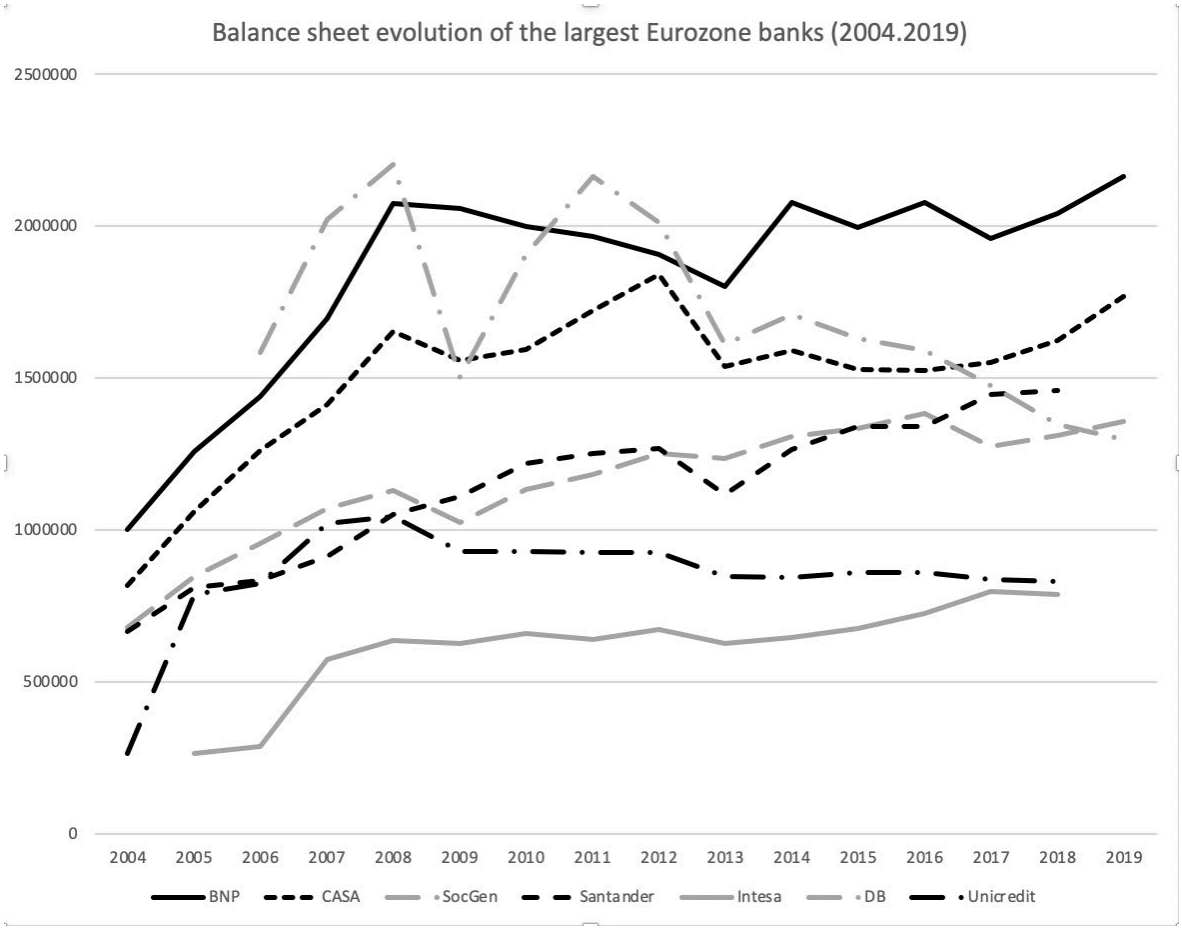
crisis, the largest Euro banks have also continued to grow. Table 1 shows the evolution of the eight largest Euro banks' balance sheets. Except for Deutsche Bank and ING, the size of large banks' balance sheet has either remained stable or grown. In particular, the three largest French banks (SocGen, BPN-Paribas and CASA) as well as the largest Spanish bank (Santander) have continued to grow. Except for one bank (Commerzbank), all the European banks that were listed by the BIS as "globally systematically important" are still on this list. European banks have also largely resumed their global market activities.

Figure 1: Balance sheet evolution of the eight largest Euro banks (m€) between 2004 and 2019



Source: banks' annual reports, author's compilation

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A variety of market and non-market factors may explain the evolution of the largest Euro banks. In particular, the European Central Bank's (ECB) so-called "unconventional monetary policies", which amounts to massive liquidity injections, have largely shaped the capacity of Euro-banks to maintain both their lending and market activities[xiii].

However, this evolution could *not* have happened if there had been a political agenda to refrain the expansion of large banks. Since the crisis the main regulatory focus has been on banks' capital requirements, with the Basel III agreement. How Basel III has impacted large banks is debated, but evidence has shown that capital requirements don't prevent large banks from growing – and to some extent promote the complexification of balance sheets. There is also evidence that their implementation has been watered down by national regulators, especially through accommodating implementation of internal models of asset risk weighting[xiv]. The European Banking Union (EBU) is another major banking reform in Europe. Its first pillar is the Single Supervisory Mechanism, which brought the largest Euro banks under the supervision of the ECB. The main objective of this Mechanism is to take the supervision of banks' balance sheets' out of the responsibility of national regulators in order to break up the so-called "doom-loop" between banks and sovereigns. The second pillar of the EBU is the Single Resolution Mechanism, which has harmonized banks' resolution rules across Europe in favor of "bail-in" procedures. The Single Resolution Mechanism is supposed to prevent further banking bailouts by the taxpayers. The degree of completion, the multiple political and economic implications of the EBU or its sheer effectiveness are much debated issues[xv]. These debates are beyond the scope of this paper. What matters for the present discussion is that the EBU framework is accommodating of the business models of large European market-based banks. Never has it been discussed within in the EBU to promote another type of (smaller and simpler) banking. On the contrary, since the establishment of the SSM in 2014, the ECB has

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been actively promoting national and cross-border bank mergers on behalf of European competitiveness and sovereignty[xvi].

However, the passing of regulations capable of challenging the size and business models of large banks would have been possible – including at the national level (policies as crucial as banks' taxation or the regulation of savings are still decided upon at the national level). Regulations at the EU level are also largely decided upon by member states. Ambitious reforms could have been passed if the political priority of national governments had been to downsize and simplify banking. The point is that it was *not* their priority. A case in point to support this claim is the failure of the Banking Structural reform in Europe. Based on the Likaanen report, the European Commission proposed in 2013 to separate retail from market activities in banking, which would have resulted in smaller and simpler banks[xvii]. Multiple pieces of scholarship have shown how European national governments actively opposed this proposal and finally prevented it from passing[xviii].

This situation rises a puzzle: large Euro banks are obviously powerful. They managed to continue growing despite the large consensus to break them up immediately after the financial crisis. An obvious explanation would to point to the structural power of those banks: bankers are able to block any ambitious reform because they can (threaten to) reduce credit on which the economy is dependent. However, large banks' evolution is *not* coherent with the source of structural power that is traditionally underlined in banking: banks' unique capacity to provide credit to the economy. As developed in the next section, the process of financialization didn't spare banking and was, as a matter of fact, largely fostered by changes within banks' business model towards market-based banking. However, there is no evidence that larger global market-based banks foster productive investment. If anything, evidence seems to be pointing in the other direction.

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There is a long tradition of linking banks and growth/development in IPE/CPE[xix]. Recent contributions also discuss the changing political and economic role of banks through the lenses of their diminishing capacity to provide loans to the economy[xx]. But this traditional vision gives us a too restrictive notion of structural power. Traditional banks drew power from providing credit to the real economy. By contrast, this article argues that large market-based banks draw their power from their geo-economic reach. The next section develops this argument.

The Changing Foundation of Banks' structural power

An actor can be said structurally powerful when, because of its sheer position in the economy, weakening (or strengthening) this actor would result in weakening (or strengthening) an essential dimension of the whole political economy. In order to understand what the source of banks' structural power is, we need to answer two questions: first, what is the essential part of the political economy banks are crucial to? Second, who within the State has the power to define what is essential in a given political economy?

My argument is twofold. First, it argues that in traditional bank-based models, banks' structural power almost exclusively resided in their unique capacity to provide credit to the economy. This unique capacity has significantly decreased with the marketization of European banks' business model. However, the marketization of banking has fostered another source of structural power for large banks: their unique position in global financial markets give them a geo-economic reach that States consider essential to state power. Second, the next section will argue that different State actors (executive branches and Parliaments) have divergent visions as to what constitutes an essential dimension of the political economy – and thus have differentiated degrees of sensitivity to the various sources of banks' structural power.

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The traditional source of banks' structural power: credit to the real economy

In capitalism, the question of who decide to allocate capital (and to whom) is key. Traditionally, banks have been described as key actors of development in Europe because of their unique capacity to provide long-term capital in the form of bank credit. Banks were able to do that because of their intermediation business model. Traditional banks draw their funds from deposits, as a result, they have ready access to the funds they need for lending. On the other side, they keep the loans on their balance sheets. This means that they are, alone, responsible for the risk associated with these loans. Because they are funded through stable (guaranteed) deposits and that they keep the loans on their balance sheets, banks are central in the decision of credit allocation. Crucially, they are able "not to pay much attention to market or price signals".[xxi]. Such bank-based systems were thoroughly analyzed by John Zysman in 1983.[xxii]. However, at the very time Zysman was publishing his book, the disruption of the institutional arrangements that he described began. For several reasons (on which authors widely disagree.[xxiii]) in the 1980's, the project of European integration became primarily a project of economic integration. Among other reforms, the lifting of capital controls and interest rates deregulation affected domestic banks, which had now to compete for deposits, leading to funding difficulties and diminishing returns. The first and second banking directives (implemented by member states in the 1980's and early 1990's) established the principle of mutual recognition of banking licenses and home country control. The opening to foreign competition coincided with the promotion of interior competition through the privatization of banks and the de-segmentation between different business lines and different types of banks (such as mutual, cooperative and commercial banks). Banks also faced new profit opportunities due to the development of the new technologies and successive flows of abundant money in

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search for profitable investment, first coming from the US, then from within Europe (with British and Dutch pensions' privatization and the adoption of the single currency in the 1990's).

However, these new challenges and opportunities did not transform bank-based financial systems into market-based systems such as defined by Zysman. It is true that stock and equity markets soared everywhere (although in different proportions), but the size of banks in terms of total financial assets has soared even more. In the growth of the European financial sector, *banks* led the way. Assets of the top 12 European banks soared from €1,400 bn. in 1990 to over €17,000 bn. in 2011 – an increase of approximately *1,114 percent* in eleven years! Banks didn't only grow, they radically changed their business models and turned to "market-based" banking.

Hardie et al. depicted the shift of European banks from traditional intermediation activities to market-based banking, which they define as (A) Banks turning themselves to non-intermediation activities (such as investment banking, wealth management), B) The increase of securitization of loans (which is the financial technique through which financial institutions convert assets (eg. Mortgage or other loans) into tradable instruments (such as ABS or asset-backed commercial paper) which institutions can sell off to raise financing)); C) The extent to which banks finance themselves from borrowing on financial markets rather than from deposits. As noted by Hardie and Howarth the globalization of banks is narrowly linked to their shift to non-traditional financial activities[xxiv].

However, the question of the consequences of these evolutions on the nature of banks' political power has been largely overlooked in the CPE/IPE literature. Banks' power is still conceived as building on their capacity to provide credit. However, there are several reasons why changes in banks' business models must have altered the sources of this traditionally conceived structural power. Market-based banks have lost their autonomy in credit allocation decisions. Far from not "pay[ing] much attention to market or price signals', they are largely dependent on markets

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for their own funding now[xxv]. In consequence, formerly strong European banks "have undermined their financial power in lending to NFCs"[xxvi].

The Geo-economic source of power of marketized banks

This section argues that States seek to promote their national banks into the club of "happy few" global banks because some actors within the State – more precisely, the executive branches of the State, perceive the position of those banks as impacting State power and national sovereignty. This is what I call the geo-economic foundation of banks' structural power. Importantly, the geo-economic sources of banks' power explain the *ambitions* of state actors to promote their banks at the global level, but they say nothing about their *success* in doing so. For example, Europeans seek to promote the position of their banks as hubs of liquidity on global repo markets, but it is not clear that European banks are or ever will be successful in challenging the dominant position of US banks in these markets.

We need to understand what global banks do now in order to understand their changing source of political power. Scholars have stressed the growth of market finance and the rise of shadow banks after the crisis[xxvii]. These trends are sometimes described as the death of banking or as processes of banking disintermediation - but they are not. On the contrary, some of the largest banks did very well coping with the financialization of the economy and the marketization of banking. Banks are growing in importance yet apparently losing in (traditional bank-based) power[xxviii]. Market-based banks still perform intermediation, but of a different kind than the traditional bank transformation from short-term deposits to long-term loans. "Disintermediated" global financial systems need the intermediation of market-based banks as providers of global liquidity[xxix]. Only very large banks with expertise in complex finance are able to become these hubs for global liquidity[xxx].

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In a private interview, a global investment fund manager vividly described the importance of large banks' intermediation in global financial markets:

> *"Today, banks are platforms. The products we deal with are listed derivatives, forex and things like that... We do everything on banking platforms .... Except that the banks don't keep them on their balance sheet. It just goes through. The banks only record a commission, or a flow, but they don't put it on the balance sheet. So when we talk about banking disintermediation, we have to be clear. It doesn't mean that the banks have a diminishing role. This does not mean that banks are less important. On the contrary. On the contrary. It's even more important to have players that provide liquidity. I only ask for one thing, to have more banks. Because having more banks means having more liquidity. And in the long run, one of the major performance factors for fund management is liquidity. Banks that can provide satisfactory services for what we do are not many. They are very large banks. As soon as you leave that club, it's over. The big sources of liquidity are a few large bank names."*[xxxi]

As stressed out by Knafo, the new workings of global finance challenge traditional conceptions of bank power that rely on the role of financiers as creditors or lenders[xxxii]. In an era no longer defined by the scarcity of financial means, power has now shifted away from lenders to those financial actors capable to turn themselves into large *borrowers*. On the liabilities side of their balance sheet, banks no longer rely (exclusively or in majority) on deposits. Through practices of so-called liability management, they borrow funds from other financial institutions. Those able to borrow more (and thus cheaper and quicker) find themselves advantaged. Importantly, large global banks have retained their power of decision over capital allocation. This contrasts with new financial giants, such as asset managers, which control an immense volume of assets

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but are not in control of capital allocation, and for which the strategy of "exit" is not an option[xxxiii].

As indicated by the total number of globally systemic important banks in table 3 and the aggregate assets by nationality of world's largest 30 banks in table 4, the club of large banks playing a central role on global financial markets is very small, and those banks are headquartered in a small number of countries.

Table 1: Number of globally systemic important banks by country

US	9
China	4
France	4
UK	3
Switzerland	2
Japan	3

Netherlands	1
Spain	1
Canada	1
Italy	1
Germany	1

Source: FSB 2019

Table 2: Aggregate assets by nationality of world's largest 30 banks

Country	Aggregate Assets (USd bn)
China	18,776
USA	9,993
Japan	9,718
France	7,710
UK	5,330

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Canada	2,218
Spain	1,703
Germany	1,456
Italy	1,058
Netherlands	1,001
Total	58,962

Source: https://www.spglobal.com/marketintelligence/en/news-insights/latest-news-headlines/the-world-s-100-largest-banks-2020-57854079

Luttwark talked about "geo-economics" to define States increasingly practicing power politics by economic means[xxxiv]. He argued that, as the relevance of military threats and military alliances waned, geo-economic priorities and modalities were becoming dominant in state actions. He warned that transnational economic exchanges should be read through the logics of conflict, in the sense that even if they play transnationally, the objective is to maximize some sort of outcome defined nationally. More recent contributions have shown that mechanisms of economic patriotism should not be reduced to protectionism. They have stressed that liberalization policies might be an effective national strategy from a geo-political (rather than strictly economic) point of view as the construction of national positions within the perceived power networks of open global markets[xxxv].

Following the same insight, Farell and Newman wrote that "States increasingly 'weaponize interdependence' by leveraging global networks of informational and financial exchange for strategic advantage. (…) Specifically, states with political authority over the central nodes in the international networked structures through which money, goods, and information travel are uniquely positioned to impose costs on others"[xxxvi]. These authors underline the importance of

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"chokepoint effect," which describes the capacity of some States to limit or penalize the use of hubs by third parties (e.g., other states or private actors). Economic statecraft resides in the manipulation of access to markets as well as in the capacity to interrupt business activities and access to funding. Because hubs offer extraordinary efficiency benefits, and because it is extremely difficult to circumvent them, states that can control hubs have considerable coercive power, and states or other actors that are denied access to hubs can suffer substantial consequences. It is especially salient regarding financial exchanges as described in the previous section and where large banks play a central role.

The geo-economic importance of different types of financial hubs (like securities exchanges[xxxvii]) or financial institutions (like sovereign wealth fund[xxxviii]) has already been underlined in the IPE literature. When the new battleground is "the interconnected infrastructure of the global economy"[xxxix], European banks may also use their financial power to disrupt liquidity provision on behalf of geo-economic consideration. Their sheer position within the network may suffice to signal power. As a consequence of the central position of their firms, some countries are able to obtain significant concessions without taking visible coercive measures[xl]. Large banks must thus be seen as signaling devices of potential practices of State power.

The geo-economic foundation of bank power has been strengthened in the context of the US making explicit use of the central position of their banks in the global financial system. US banks benefit from a privileged position in the global system for several reasons. One of them is their unlimited access to US dollars – the currency in which most financial transactions are still denominated (this access has been referred to as an "exorbitant privilege"[xli]). A second reason is their central position in the most important segments of global financial markets such as OTC derivatives trading, repo markets, foreign exchange trading or international portfolio investment[xlii]. In all of these markets, US banks are crucial nodes in global financial fluxes.

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Recently, the US government has very explicitly leveraged this central position to force foreign financial actors to abide by their geopolitical objectives – even though those financial actors were headquartered in jurisdictions that didn't share the same geopolitical objectives.

The most obvious example has been when the US government has unilaterally withdrawn from the Iran nuclear deal in 2018. Although the European governments were willing to maintain the deal, the US governments threatened to cut European banks from their access to US dollars and impose fines on them, on the ground that an important part of their market activities takes place in dollars. The threat was taken seriously, as European banks had already paid over $18.5 billion since the beginning of the 2000s for violations of U.S. sanctions on third countries. When, following US pressures, the global payment system SWIFT excluded Iranian banks from its networks, it became more conspicuous than ever that, if they were to maintain their part of the deal, European governments would need banks capable to develop an alternative payment system denominated in Euros and that were big enough to absorb potentially huge US sanctions - or have the capacity to retaliate in financial global markets. The position of banks in global markets explicitly became a dimension the geopolitical autonomy of the State.

Another source of banks' geo-economic structural power pertains to their involvement in development finance in the global South. Large banks are actively involved in development finance in a variety of ways such as lending, debt servicing, private-public partnerships, financial advice or the provision of insurance products. The mapping of global payment flows has revealed a clear pattern of core-periphery structures across the globe, whereby some of the largest Western banks function as core nodal points to peripheral territories[xliii]. The presence of domestic banks in foreign markets can be perceived as ways to monitor, or even sometimes influence, development strategies abroad. Development finance literature has shown that the search for foreign direct investment is largely shaping government's policies in emerging market[xliv]. Control over foreign direct investment through domestic banks can be considered a

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geo-economic tool. Banks have also played a role in post-colonial practices. Although they now play a lesser role, French banks have for example been central in the perpetuation of the African Franc zones[xlv].

Finally, the geo-economic foundation of banks' power also has more subjective/less tangible grounds. Qualitative evidence points to the fact that the prestige linked with having a global bank is important to State officials. Although this is not necessarily rational, they hold the idea that a geopolitically powerful nation must have a global bank. This fact became obvious to me when I was interviewing politicians and bankers for another project in 2015-2016. A German Treasury official bluntly said in the course of the interview (which revolved around regulatory issues): "It is normal for a powerful nation like Germany to have global bank"[xlvi]. Politicians often use the vocabulary of war when it comes to banking. Although this stance is not necessarily rationally supported, a global bank is perceived as a token of State power in the international arena.

Differentiated sensitivity of different State agencies towards banks' structural power and their resulting priorities towards banking

The executive branches of governments traditionally dominate domains related to foreign policy and diplomacy and war-related matters[xlvii]. This function of protecting the sovereign nation from foreign enemies and concern with State power abroad makes it more likely that executive branches are more sensitive to the geo-economic power of banks. By contrast, parliaments are directly elected and more directly accountable to constituents and their concerns over their ability to work and live in good conditions on a daily basis[xlviii]. Complains about the lack of credit for local firms may reach them more easily than ministers of finance. That would make them generally more sensitive to the "credit" foundations of banks' structural power. The analysis of section 5 shows that these assumptions are verified empirically.

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There is no linear relation, but sensitivity to certain type of power is likely to shape the substance of State actors' priorities towards banking. Sensitivity to credit provision to the real economy is more likely to translate into preference for smaller and simpler banks. Sensitivity to geo-economic power is more likely to translate into preference for largest and more complex banks. Table 4 summarizes this claim.

Table 3: the different sources of banks' structural power

Sources of structural power	**Nature of the existential threat**	**Type of bank**	**Public actor most sensitive to power**	**Likely advocated banking strategy**
Bank credit to real economy	Stop economic growth	Traditional "bank-based" banks	Parliaments (especially with regard to SMEs)	Promoting "smaller and simpler" banks
Geo-economics	Weaken state power in the international arena	Large "market-based" banks	Executive branches (especially Ministries of Finance)	Promoting the development of global market-based banks

The European Union (EU) and new practices of sovereignty

President Ursula von der Leyen has pledged to lead a "geopolitical" European Commission and the discussions about the renewal of European "sovereignty", especially *economic* sovereignty, have become more salient[xlix]. These discussions happen in a context where Europeans feel general worries about China using finance, investment and trade as means to

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build alliances and gain influence around the world[1]. The EU was long seen as ill-at-ease with issues of sovereignty- but this has changed[li].

Is there a contradiction between the EU and the national level with regard to questions related to sovereignty? In other words, is there a contradiction between the fact that national government are sensitive to the geo-economic power of "their" banks, when their banks are actually European banks? On the contrary, I would argue that, precisely, banking integration in the EU should largely been understood as the result of geo-economic considerations of its member states, worried to promote their own domestic banks globally.

Worries over the preservation of national sovereignty does not necessarily go against further integration. Nicolas Jabko stresses the changing practices of sovereignty in the EU. For example, he interprets the adoption of the single currency – which is typically seen as a surrender of sovereignty, as the result of new practices of sovereignty. By the 1980s, national currencies had become independent only in name – they were in fact constrained by the Deutsche Mark. The adoption of the single currency was a strategic move to recover some practical sovereignty over the currency through integrated governance[lii].

In banking matters, States' inclination to promote their banks supports further market integration. Banks global competitiveness would fade within strictly national borders. The EBU – even in its more ambitious version (which would entail fiscal solidarity in case of bank crises), is not in contradiction with State's promotion of their own banks on behalf of geo-economic considerations. On the contrary, recent concerns over "European sovereignty" and pushes for further integration can be seen both as a result of and as an opportunity for national governments to promote their own banks.

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Insights from growth models and instrumental power

Growth models and States' priorities towards banking

France, Germany and Spain belong to the Eurozone and share a common institutional framework regarding monetary policy and banking supervision but they differ on important dimensions usually underlined in the CPE literature. They pertain to different categories used by the literatures on varieties of capitalism and growth models. Germany is the poster child of Coordinated-market Economy (CME) or export-led model growth[liii]. Spain is more ambiguously classified as a Mediterranean variety of capitalism[liv] or as following a weak export-led growth model[lv]. France is also ambiguously described as a former state-led variety of capitalism moving towards Liberal Market Coordination or as following a domestic demand-led growth model[lvi]. In terms of their overall banking sectors, the three cases also look quite different. Germany is still characterized by its the three-pillar system, in which cooperative and public-sector banks dominate domestic retail markets to the detriment of private commercial banks[lvii]. Spain banking market has been divided between cooperative banks and commercial banks[lviii]. French banking market is characterized by the exclusive domination of its five largest commercial banks[lix]. The three countries also differ with regard to the impact of the 2008 financial crisis and sovereign crisis on their banking system[lx].

Based on these different growth models, we would expect different political priorities towards their domestic banks. In a specific growth model, large globalized banks matter sometimes more, sometimes less (because other institutions may fulfill or not core functions such as credit provision to SMEs). However, the isomorphism among the largest European banks is striking: the business model of those banks is never a derivative of a given growth model. The priorities

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of executive branches towards their large domestic banks do *not* depend on the growth model of their political economy.

Germany is a good example to clarify this claim. It is not because Germany have public and cooperative banks that the national interest of Germany is to defend them. If the German federal government often ends up protecting local banks, it is only because those banks have political allies (ie state governments), with the political capacity to defend them at home[lxi]. If there happened to be an institutional reform by which local governments would lose power, the Federal Finance Ministry would have more leeway to promote large banks to the detriment of smaller ones. There are no guarantee that public and cooperative banks would survive, just because they occupy a useful function in the German growth model. The same idea can be developed with regard to the politics of banking at the EU level. The future of European banking will be largely determined not by EU's growth model (which is very heterogeneous), but by the differentiated capacity of political actors with different priorities towards banking to shape policymaking processes.

What is the role of instrumental power in explaining State's banking strategy?

Members of Parliaments (MPs) often make the experience that Ministers of finance tend to defend their largest domestic banks. Those MPs who are more critical towards large banks often interpret the positions of their ministers (including from their own majority) towards banking as the result of banks' instrumental power[lxii]. It is true that bankers' access to Finance Ministries is especially high – a fact that holds across different political economies[lxiii]. When they meet with ministers and their team, there is little doubt that bankers highlight the geo-economic dimension of their structural power. Deutsche Bank CEO Christian Sewing recently stressed the "geopolitical importance of banks"[lxiv], while French bankers are always very keen to underline that any reform would weaken them vis-à-vis their US counterparts.

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However, it would be erroneous to think of State actors as purely "captured"[lxv]. They make autonomous choice over what structurally matter the most in banking. In their lobbying strategies, bankers underline all the sources of their structural power. It is not rare to hear to Deutsche Bank, Santander or BNP-Paribas arguing about how hurting them would hurt credit provision to the real economy. The choice over what structurally matters the most in banking is, eventually, a *political* choice, which results from conflicts between State actors. As the case study of the implementation of the bank tax in France and Germany will show in section 6: banks used their instrumental power to try and avoid the tax completely. However, not only was the tax implemented in both countries, but the design of the tax was coherent with the balance of power between the executive branch and the Parliament in the two countries.

What does structurally matter in banking for different state actors? discourse analysis of parliamentary debates in France, Spain and Germany (2010-2020)

This paper argues that the geo-economic dimension of large banks' structural power – not (only) their structural capacity to provide credit to firm - shape State actors' policies and priorities towards banking. More specifically, it argues that due to their position in the State apparatus, Ministries of Economics and Finance are more sensitive to the geo-economic structural power of large banks – and this whatever their party, growth model or variety of capitalism. By contrast, Parliaments remain more sensitive to the traditional structural power of banks (and to the types of banks that bear this structural power – which may differ across political economies).

To support this claim empirically, I have performed a discourse analysis of parliamentary debates concerning banking issued in France, Spain and Germany between 2010 and 2020. The objective of this section is to break up the sources of banks' structural power and to provide

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some measurement of the differentiated sensitivity of policymakers to the different types of structural power. Structural power is the capacity for an actor to link an essential dimension of the political economy to their own prosperity. It is thus crucial to examine what is perceived as an essential dimension of the political economy for politicians. The words that they use when they defend their political positions reveal what matters the most for them.

This analysis confirms that, across the three countries under investigation, ministers are concerned with the geo-economic power of their large banks in a much larger extent than the members of parliament, who are sensitive the more traditional form of structural power (i.e. banks providing credit to the real economy).

Discourse analysis of parliamentary debates: research process

I analyzed the minutes of the parliamentary debates in France, Spain and Germany between 2010 and 2020. There are a lot of good reasons to build on parliamentary debates to study the issue at stake. First, parliamentary debates are similar across the three countries. They contain the presentation of law projects by relevant government members, the positioning of political groups regarding said projects as well as the amendments proposed by MPs and their discussion. They also contain the MPs questions to governments and the ministers' answers. Parliamentary debates give access to homogeneous discourses by both MPs and Finance Ministers. All types of banking policies and matters are addressed, which avoids bias in the selection of policies or in issue salience. Parliamentary interventions are an exercise to justify a policy position in front of opponents, in a context where speeches can (usually) be deployed in good conditions. Actors thus develop their rationale in more details and to a larger extent than in other outlets.

On the public website of the French, Spanish and German parliaments, I searched the minutes of the plenary parliamentary debates between 2010 and 2020 to return debates containing the

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key word “bank” in the three languages. Based on these samples, I constructed a database composed of all the paragraphs containing the word “bank”. I took out paragraphs with expressions in which the word “bank” typically doesn’t refer to the financial institutions (e.g. bank of data), as well as when it refers to the central bank. Table 4 presents the number of paragraphs and the total number of words in the databases for each of the three countries.

Table 4: Database composed of paragraphs containing the word “bank” in parliamentary debates

	Number of paragraphs containing the word “bank”	**Number of words**
France	2184	159,432
Spain	1916	151,234
Germany	1650	155,873

The words that politicians use when they defend their political positions towards banking during the debates reveal what dimension of banking matters the most to them. Based on an initial reading of sub-samples of the parliamentary debates, I distinguish between four different sources of structural power that lawmakers mobilize to justify their position on any given policy: 1) Banking credit to the economy (Bank credit); 2) Employment in the banking industry (Employment); 3) Financial instability caused by banks (Systemic Risk); 4) Banks’ competitiveness on global markets and national sovereignty (Geo-economics). To each source of structural power correspond different key words. Table 5 presents these key words in the three languages, as well as their translation in English and illustrative quotes for each of the category.

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Table 5: Key words used to illustrate each type of structural power with examples

Sources of structural power	**Key words in French**	**Key words in Spanish**	**Key words in German**	**Examples of coded interventions**
Bank credit	Crédit, investissement, entreprises, prêts, PME	Crédito, inversion, empresas, pymes	Kredit, Investition, Firmen, Unternehmen, Mittelstand	« *SMEs suffer from restrictions in access to credit, because banks are too cautious»* (FR, 7/11/2012) *« Banks must be able to continue to grant loans!»* (FR, 30/11/2014)
Employment	Emploi, travail, activité	Empleo, empleos, trabajadores	Arbeit, Beschäftigung, Stellen, Arbeitsplätze	*« Banks represent 400,000 jobs and remain the only ones to hire about 30,000 people per year, half of whom are young people, even though our industry is in serious difficulty"* (FR, 14/02/2013)
Systemic risk	Crise, stabilité, épargnants, contribuables, systémique	crisis, stabilidad, sistemico, ahorradores, contribuyente	Krise, Stabilität, Sparer, Steuerzahler, systematisch	*"The wording serves as a reminder that banks are not commercial establishments like*

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				others when they take deposits from savers" (FR, 14/02/2013)
Geo-economics	Compétitivité, compétition, concurrence, souveraineté, international	competitividad, soberanía, competidores, competición, internacional	Konkurrenzgeist, Leistungsfähigkeit, Wettbewerbsfähigkeit, Souveränität, international, Konkurrenz, Unabhängigkeit	*" Today, you are being asked to ensure the competitiveness of French banks. It is in the interest of the country!" (FR, 13/02/2013)* *« Hedge funds, as has also been said, will easily find other competing banks to deal with. We would therefore be faced with a double perverse effect: the loss of sovereignty and the risk of serving the interests of certain clients"* (FR, 13/02/2013) *"That is why our financial system, our banks in particular, is not only robust but also has one of the highest levels of international competitiveness and efficiency in the world, a level of competitiveness and efficiency that effectively translates into the fact that they have been able to*

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				show significant profits in the last fiscal year." (ES, 31/10/2010) *"I think it's sensible that we don't throw out the baby with the bathwater when it comes to regulating banks, but always remember that the competitiveness of our banks depends to a large extent on their success on global markets" (DE, 15/03/2013)*

Note that the aim of the discourse analysis is *not* to study the substance of the policy advocated (for or against a given policy), but the type of rationale – building on different sources of structural power, that politicians deploy to justify their position.

Simple word counts allowed me to compare the frequency with which politicians in different state agencies build on argument that call on different sources of structural power when they justify their position regarding banking matters. I compared speeches by MPs versus speeches by Ministers. In the vast majority of time, the minister implicated in the debates related to banking issues is the Minister of Finance in France and Germany, and the minister of the economy in Spain. However, it happens that other ministers answer to questions by MPs. The second most-implicated minister usually the minister of the economy in France and Germany,

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and the Prime Minister in Spain. I also broke down speeches by political affiliation (roughly summarized as Left, Center and Right, following a conventional codification).

Results

In the three countries, ministers show significantly more concern for the geo-economic dimension of banks' structural power than MPs. Since in parliamentary debates, Ministers speak less than the MPs, words occurrence need to be pondered by the number of interventions by ministers and MPs. Table 6 shows that the proportion of key words pertaining to the geo-economic power of banks in relation to the total number of interventions is much higher among Ministers than MPs. In France, MPs mobilize the geo-economic dimension of banking 3,8% of the time, while Ministers mobilize this dimension 11,3% of the time. This means that ministers build their argumentation on the geo-economic power of banks roughly in the same proportion as they mobilize arguments related to credit or systemic risk. In Spain, both MPs and Ministers build on the credit provision dimension of banking more than in France and Germany. However, MPs mobilize the geo-economic dimension of banking 3% of the time, while Ministers mobilize this dimension 13,5% of the time. In Germany, MPs mobilize the geo-economic dimension of banking 2.5% of the time, while Ministers mobilize this dimension 11,1% of the time – roughly to the same extent as they mobilize the "Credit" dimension of banking.

Table 6: number and proportion of occurrences of typical key words in MPs and Ministers' speeches

France

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Source of structural power	MPs occurrences of typical key words	MPs Number of interventions	MPs Proportion #of key words/interventions (%)	Ministers occurrences of typical key words	Ministers Number of interventions	Ministers Proportion #of key words/interventions
Credit	172	1704	12.1	48	420	10.3
Employment	72	1704	4.2	20	420	4.8
Systemic risk	211	1704	12.4	51	420	12.14
Geo-economics	99	1704	**3.8**	47	420	**11.3**
Spain						
Source of structural power	MPs occurrences of typical key words	MPs Number of interventions	MPs Proportion #of key words/interventions (%)	Ministers occurrences of typical key words	Ministers Number of interventions	Ministers Proportion #of key words/interventions (%)
Credit	298	1412	21.1	186	504	37
Employment	126	1412	8.9	42	504	8.3
Systemic risk	278	1412	19.7	128	504	25.4
Geo-economics	42	1412	**3**	68	504	**13.5**
Germany						

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Source of structural power	MPs occurrences of typical key words	MPs Number of interventions	MPs Proportion #of key words/interventions (%)	Ministers occurrences of typical key words	Ministers Number of interventions	Ministers Proportion #of key words/interventions
Credit	194	1488	13	16	162	9.8
Employment	176	1488	11.9	24	162	14.8
Systemic risk	450	1488	30	49	162	30
Geo-economics	38	1488	**2.5**	18	162	**11.1**

Graphs 1a, 1b and 1c convey the same information as table 6 through simple bar charts. The proportions of MPs' interventions related to each sources of structural power are pictured in the left columns with dots. The proportions of ministers' interventions related to each sources of structural power are pictured in the right columns with horizontal lines.

Graph 1: graphic visualization of the proportion of typical key words related to different sources of structural power with regard to total number of interventions

Graph 1a: France

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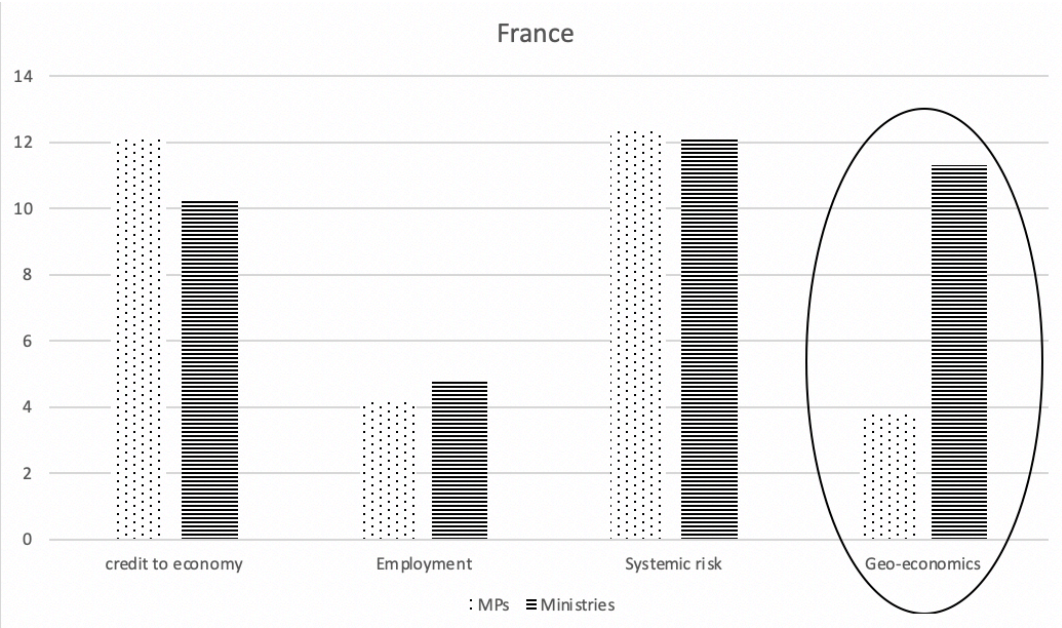
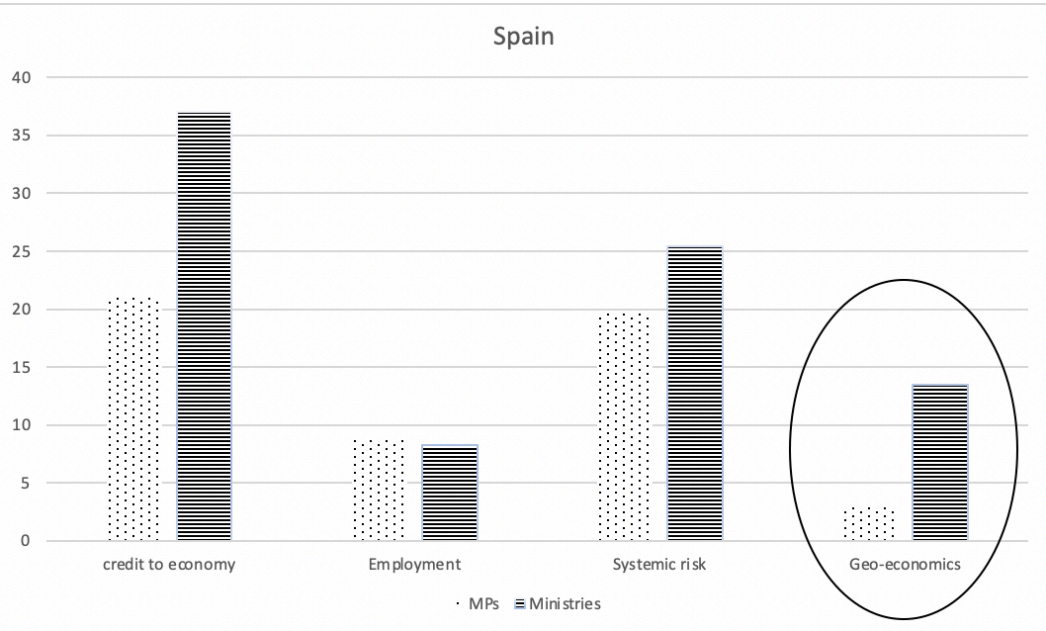


Graph 1b: Spain



Graph 1c: Germany

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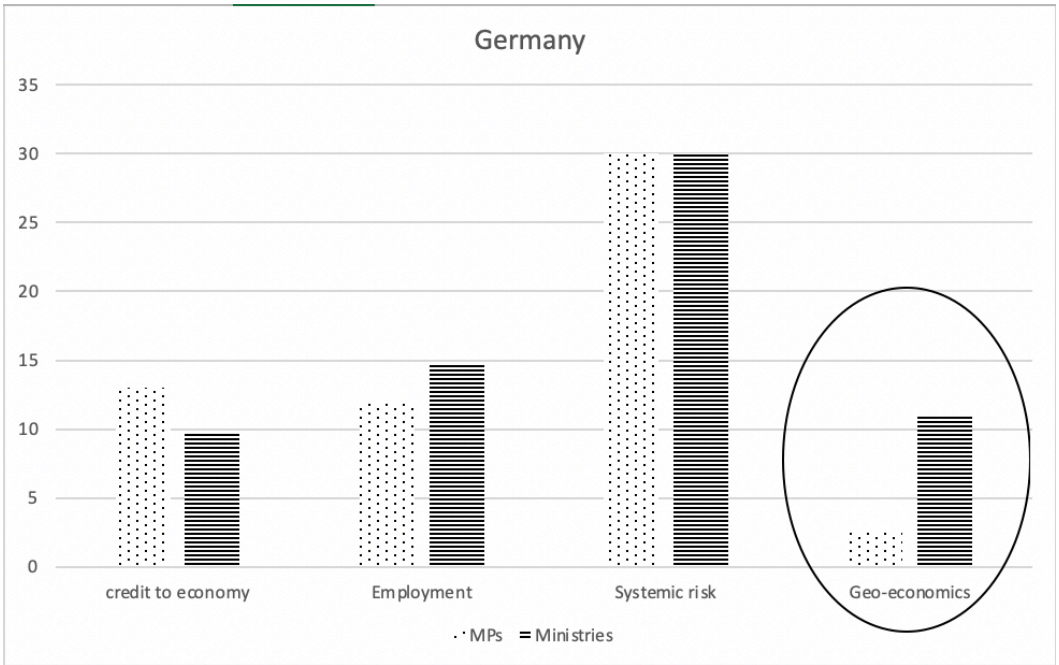

There are some variations in terms of which source of structural power matters the most to politicians in each country. Yet, there is *one constant*: ministers are significantly more sensitive to the geo-economic power of banks than the MPs.

Another interesting result is that the partisan divide between the Left and the Right shows among MPs: compared with Left MPs, Right MPs are more concerned about banks' competitiveness (but still less than Ministers). In France and Spain between 2010 and 2020, there have been governments from Right and Left majorities. In Germany, coalitions have varied and there have been ministers of finance from the Right and from the Left. But by contrast with MPs, in none of the cases does the partisan divide show among ministers. Ministers are more sensitive to the geo-economic power of banks whatever their party affiliation is.

Political conflicts over what structurally matters: the case of the special tax on banks in France and Germany

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The previous section has shown how different state actors (Ministers and MPs) are sensitive to different sources of banks' structural power. This division matters for policymaking. State priorities towards banking are largely shaped by conflicts within the State, and policy outcome result from the institutional capacity of State agencies with different priorities towards banking to weigh in the policymaking process.

This section illustrates this claim with a brief case study of the elaboration and implementation of a special tax on banks in France and Germany. The case of the special tax on banks is relevant for several reasons. First, banking tax is decided upon at the national level. Then, the design of the tax is a clear arbitrage between different bank's activities (SMEs lending or market activities).

The comparative case study shows that, although the two countries have different growth models and extremely different banking systems, both the French and the German ministries of finance were initially in favor of a tax design that would penalize the global market activities of their banks to a *lesser* extent than their traditional lending activities. In France, the central executive branch of government is dominant is the policymaking process. The tax passed with the initial design. In Germany, local governments and politicians are more powerful and have many formal and informal, parliamentary and party channels to veto policies[lxvi]. Representatives of state governments opposed the initial design of the tax. They managed to impose a design that would be more favorable to local banks. In short, Germany ended up with a tax more penalizing of its large banking groups than France[lxvii]. A comparative case study show that the different versions of the tax were the outcomes of a conflict between Ministries of Finance and the Parliament.

The German special tax on banks

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In March 2010, the Ministry of Finance made a proposal to set up a bank levy to make sure that banks participate to the costs caused by the financial crisis. The amount raised by the levy was to be used to set up a fund that could be used to stabilize struggling banks or to prevent insolvencies. According to the initial design of the tax, savings and cooperative banks would pay the tax. Second, there was a cap of 15% of earning calculated according to German commercial code Handelsgesetzbuch[lxviii]. The consensus among observers and within the German specialized press was that the design of the tax was generally much accommodating of Deutsche Bank's market-oriented business model[lxix]. This proposal triggered a strong opposition from the German cooperative and local public-sector banks[lxx]. Their main argument was that the "The levy may impair the supply of credit to SMEs"[lxxi].

But mobilization of political actors against the initial design of the tax proposed by the ministry of finance came from two fronts. First, the Bundesrat stated in its comment to the government's draft law that the beneficiaries of the resolution fund would be institutions that hold systemic risks due to their size or interconnectedness[lxxii]. They required to exempt savings and cooperative banks from the tax. Second, MPs from the Green and Social Democratic opposition wanted to increase the contributions made by Deutsche Bank. In accordance, they required that the bank levy should be based on IFRS rather than Handelsgesetzbuch earnings. They also required for derivatives to be charged more heavily and for the cap to be raised from 15 to 20 percent of earning[lxxiii].

In the first place, the federal government stood firm on its preferred version of the tax[lxxiv]. However, the CDU-led coalition did not have a majority in the second chamber of parliament (Bundesrat): they were dependent on the votes of states in which Social Democrats (SPD) or Greens were co-governors. The tax law was a so-called "Consent bill": the bill needed to be approved by the Bundesrat to be passed[lxxv]. The ministry thus needed to accommodate state politicians, but also Green and SPD MPs in the first chamber of parliament (Bundestag), who

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had the support of their political allies at the Bundesrat. The government had no other choice but to accommodate MPs' preferences if it wanted to pass any law at all. At the end of the day, banks with liabilities of up to 300 million were exempted from the tax and an upper limit of 20 percent of the annual profit was stipulated[lxxvi].

The journalists from the *Stuttgarter Zeitung* described the conflicts between the federal, the MPs and state governments regarding the banking tax as a "tug-of-war" (*Tauziehen*). The final design of the tax was more favorable to local "bank-based" banks than to large market-oriented banks. However, this outcome was not due to the government's willingness to accommodate local banks due to their contribution to the real economy. It was due to the institutional capacity of political actors with different banking priorities to weight in the policymaking process.

The French special tax on banks

The French government faced strong incentives to establish a special tax on banking. First, there were international incentives to do so[lxxvii]. Second, the State needed fiscal revenues, and third, the public opinion was keen on seeing the government "make banks pay" for the crisis. However, in France, there is only one type of banks to tax: the handful of domestic large universal banks. The ministry of finance designed a tax that would penalize their market activities less than lending activities.

Different dimensions of the tax influence its potential impact on banks' governance. Importantly for the argument developed in this paper, the base used to calculate the amount of the tax is important to determine what objectives the tax is supposed to fulfill[lxxviii]. Taxing "Asset-weighted capital ratio" consists of calculating the tax based on the risk profile of the bank. This design tends to favor market-based banking because lending activities are more highly weighted than bonds' trading. France has used this design to calculate the tax. The design is signaling a relatively permissive stance towards the expansion of banks' trading

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activities, compared to “relevant liabilities” or “potentially illiquid assets” (which is the tax base in Germany). The design of the French tax makes it “less painful” for global banks[lxxix].

It is important here to stress that banks didn’t want this tax at all (any form of it). Banks mobilized *all* their sources of power to prevent the tax. They threatened that the tax would prevent them from lending to SMEs in France: «I see it not as a bank tax but as a tax on the economy », a bank CEO said[lxxx]. They also explained that the tax would hurt employment in banking: "it should come as no surprise that hiring in French banks is also slowing down"[lxxxi]. Finally, they warned that French banks’ competitiveness with foreign competitors would decline: “A barrage of taxes that confiscate the proceeds of banks’ business will make them uncompetitive with their foreign competitors”[lxxxii]. But the banks didn’t decide on the design of the tax, the ministry of finance did.

A defining characteristic of state power in France is its extreme centralization in the executive branch. Although the formal system of government in France is semi-presidential, many authors and observers of French politics have noted the prevalence of the executive in the making of the law[lxxxiii]. The Parliament is noticeably weak and often acts only as a “registration room” because majority MPs cannot afford to upset members of government. In a majoritarian system, executive and Legislative majorities are always aligned and parliamentarian *frondeurs* are never rewarded in French politics. With no surprise, the bank tax passed through Parliament with its original design with no particular obstacle.

Conclusion

Despite the repeated commitments to do so after the 2008 financial crisis, European policymakers have not hindered the expansion of the largest Euro banks. In anything, those banks have become bigger and more complex. For many observers, this should not come as a

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surprise: banks are, after all, structurally very powerful. And yet, large banks' recent evolution towards market-based banking (the evolution that States ended up promoting) is *not* coherent with the source of structural power that is traditionally underlined by the CPE/IPE literature – i.e. banks' unique capacity to provide credit to the economy.

To explain the post-crash banking strategies of the European States, this paper has shed light on the geo-economic dimension of banks' structural power. Due to their central position in the global financial system as providers of global liquidity, the weakening (or strengthening) of large domestic banks may cause the weakening (or strengthening) of State power in the global political economy. Thus, large banks' structural power also derives from the fact that they are perceived as a crucial tool of state-crafting. The second claim of this paper is that banking strategies largely result from *political* conflicts over what structurally matters the most for the State. The executives branch of the States (especially Finance ministries) prioritize geo-economic considerations over investment to the real economy while parliaments prioritize investment and credit. Policy outcomes largely depend on the balance of power between those two.

This paper contributes to two important discussions. First, it is concerned with the democratic debates about the role of finance in society. Because politicians and social activists see it as the most important aspect of finance, these debates tend to focus exclusively on the productive investment (or lack thereof) of banks and other financial actors. Those actors may be right that it should be the case, but they miss an important point: key policymakers have other considerations in mind when they think about finance. Debates often turn out to be deaf talks because the participants don't actually talk about the same thing. In order to weight in more effectively, social actors in particular need to address and discuss the geo-economic dimension of global banks' structural power.

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The second contribution of this paper is to show how politics matters, even when the fate of very structurally powerful actors is at stake. The responsibility for detrimental policy choices is often attributed to powerful economic actors and to the incapacity of State actors to resist them. Yet, this paper has shown that banking strategies largely depend on power dynamics *within* the State. Without underestimating the importance of the structural power of finance, this paper thus underlines that important policy choices depend on the power checks and balance of political institutions.

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