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Institut Arbeit  
und Technik

**Science Unit Innovative Spaces**

**International Conference  
on  
Globalisation of Financial Services**

**German Savings Banks and their  
Effects on Regional Development in  
Context of Spatial Innovation System and Cohesion**

Stefan Gärtner  
Tel: ++49 (0)209 - 1707 164  
mail: gaertner@iatge.de

Stefan Gärtner

Institute for Work and Technology

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German Savings Banks and  
the Effects on Regional Development

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**Content**

- German Savings Banks and impacts
- New forms of structural policy:  
growth versus cohesion
- Different views on financial systems
- Final remarks

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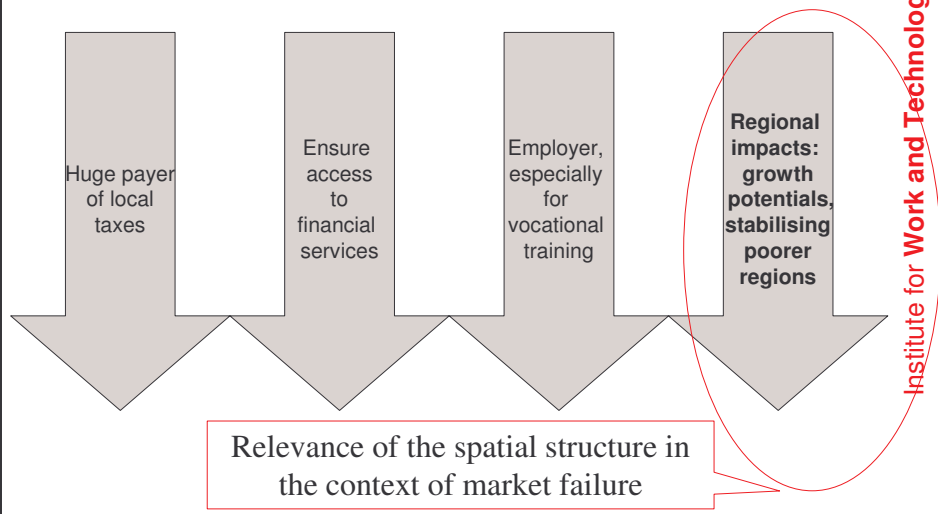
## I. German Savings Banks and impacts



### German Savings Banks: General Characteristics

- Unique system of decentralised banks who are offering a public service
- Legal form: owned by themselves
- Dividend payouts are transferred to the municipality (charity issues)
- Economically independent in each region: very flexible
- Using the national wide system for the back office
- High market shares and very efficient
- Conflict with private banks
- Function is similar to the system of cooperative banks (Volks- und Raiffeisenbanken)

## The general effects of German Savings Banks



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### German Savings Banks: Impacts from a regional perspective

- Public service at any location
- Each bank is independent and bounded to the regional level by public law
  - Reinvestment of the accounted savings has to take place in the banks' own territory
    - Reducing the back-wash-effects of capital
    - Regional capital cycles in theory
  - Important promoters of the regional economy in their own interest: can only grow with the region
    - They are deeply involved in local and regional economy
    - Huge knowledge of regional economy
  - Decentralised system of branches in the region
    - Spatial focal points for local supply
    - Very important in deprived poorer town districts
- Without public funding

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## II. New Forms of Structural Policy: Growth Agenda versus Cohesion

## Regional economic development concepts

### ■ Competence based approaches

- New Economic Geography (Krugman)
  - Creative Milieus (Camagni)
  - Production Cluster (Porter, Rehfeld)
  - Industrial Districts (Marshall)
  - Territorial Innovation Models (Moulaert /Sekia)
- Concentration and specialisation in a spatial sense:  
endogenous interregional competences,  
which are competitive on sub-national level

**Table: Spatial impact according to different  
phases of economic geography – part 1 –**

Theories	Equilibrium mechanisms	Intervention	Conclusion	Financial Service/Spatial Structure
<b>I Supply- and demand oriented equilibrium theories</b> <ul style="list-style-type: none"> <li>Neoclassical growth theories</li> <li>Export base theory</li> </ul>	Equilibrium by market forces	Minor intervention. Increase in mobility of production factors and support of export bases	Few reasons for structural policy to pursue balanced development	Spatial structure of financial system is irrelevant (Market Failure in postkeynesian perspective)
<b>II Polarisation theories</b> <ul style="list-style-type: none"> <li>Hierarchical spatial models e.g. growth pole concept</li> </ul>	Equilibrium through redistribution	Investment in infrastructure. Incentives for inward investment. Focus on growth poles.	High financial burden and unsustainable effects. Due to regional competition and lack of investors not applied.	Focus on growth poles or World Cities

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**Table: Spatial impact according to different  
phases of economic geography – part 2 –**

Theories	Equilibrium mechanisms	Intervention	Conclusion	Financial Service/Spatial Structure
<b>III Endogenous regional development (self-reliant)</b> <ul style="list-style-type: none"> <li>Alternative approaches</li> <li>Complementary approaches</li> </ul>	Equilibrium through activation of endogenous potentials	Support of intra regional circuits. Reduction of bottlenecks in order to utilise regional potentials. Intra regional income multiplier.	Only partial utilisation of internal and external savings. Limited spatial division of labour. Lack of knowledge transfer in case of regional insulation	Spatial structure of financial system matter. Strong regional money cycling is claimed
<b>IV Competence based approaches</b> <ul style="list-style-type: none"> <li>Industrial District</li> <li>Production cluster</li> <li>Innovative Milieus</li> </ul>	Equilibrium through growth and concentration (indirect)	Support of networks, knowledge production, specialised infrastructure and specialised inward investment	Favourable development in some regions (marginal utility). Still in search for Redistribution mechanism and differentiated spatial image.	Financial system as part of the regional institutional framework. Proximity is important (institutional approach)  <i>Stabilising less advanced peripheral regions if spread effects do not take place.</i>

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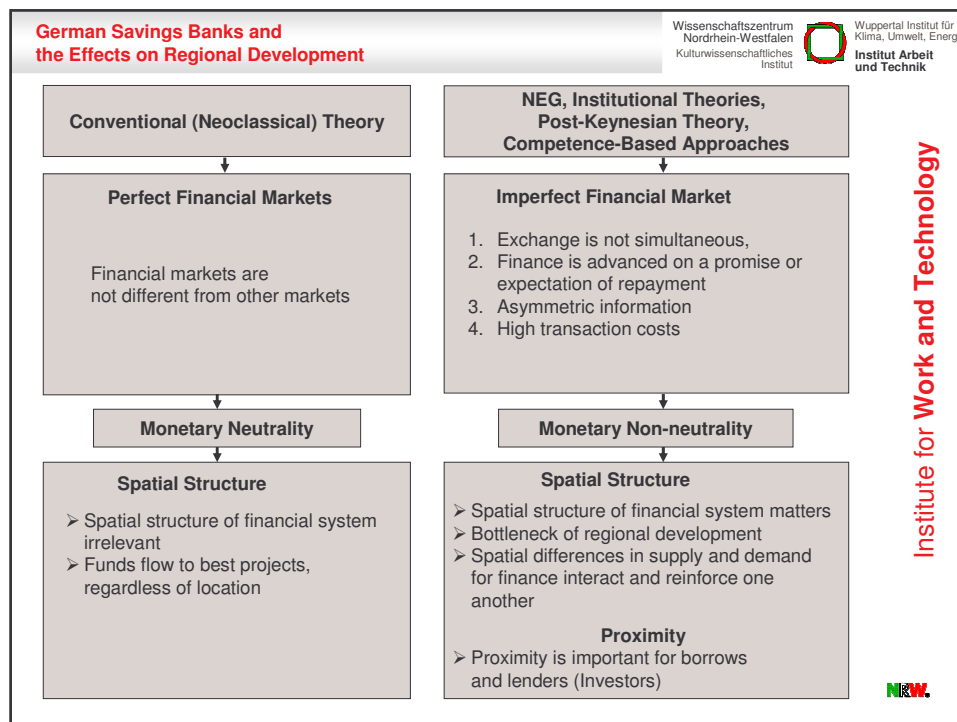
### III. Different views on financial systems



#### Remark

Liberalisation and Globalisation  
of financial and banking services:

*Capital and banking markets are  
fundamentally different from most other markets*



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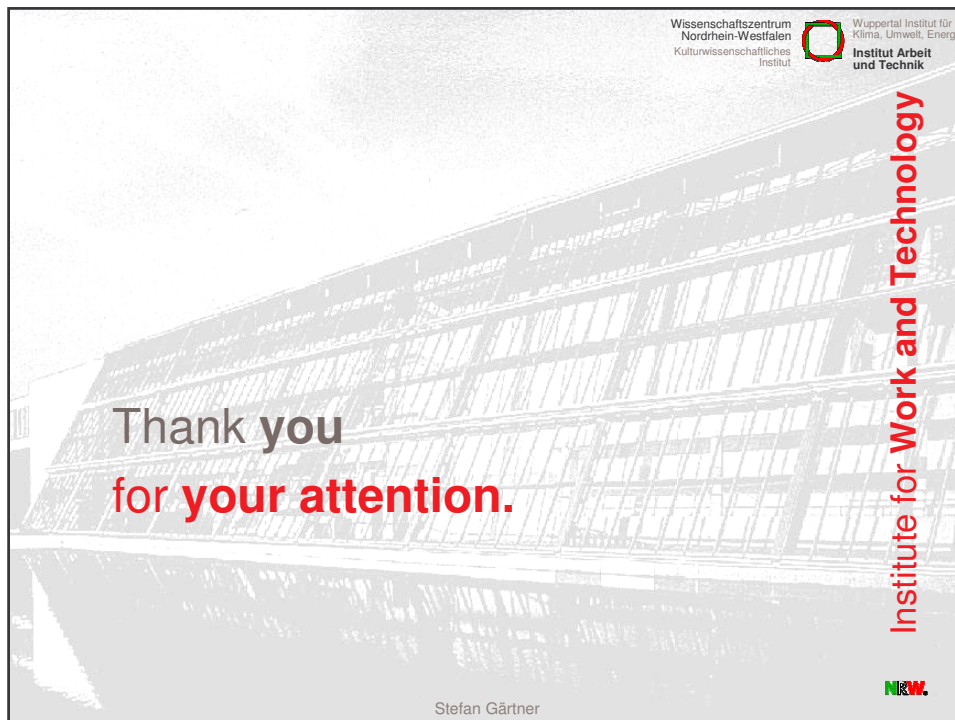
## VI. Final Remarks

- Savings banks are quite important
  - Support competitiveness (Lisbon Agenda)
  - Cohesion
  - Conflict with EU Competition Commission about the legality of public banks shows the polarity of the EU Policy in some fields
- Model for transformation countries as well as for developing countries

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Thank you  
for **your attention.**

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