Government and Opposition, Vol. 49, No. 3, pp. 426–451, 2014
doi:10.1017/gov.2014.5

*Cornelia Woll**

Bank Rescue Schemes in Continental Europe: The Power of Collective Inaction

Comparing bank rescue schemes in France and Germany during the banking crisis of 2008–9, this article argues that collective inaction is a little-studied aspect in the exercise of power in business–government relations. Contrary to studies that focus on lobbying, structural power or the influence of beliefs, the comparison highlights that governments depend on contributions from the financial industry during crisis management. In the negotiations to design bank support schemes, some countries, such as France, succeeded in engaging their financial sector collectively. Such public–private burden-sharing arrangements alleviate the public budget and increase mutual surveillance between banks during government support. In other countries, such as Germany, a collectively organized industry response failed, which forced the government to design an entirely public support scheme. The German government reacted to this perceived imbalance by imposing tighter banking regulation to avoid a repetition of the impotence it experienced in 2008.

THE FINANCIAL CRISIS HAS REMINDED EVERYBODY OF THE POWER OF the financial industry. Although it had been discussed extensively in both academic and popular writings for centuries, many seemed to have forgotten the extensive reach of finance into our everyday lives and the political support the industry has received over the past decades. At the very least, politicians did not heed warnings of scholars such as Susan Strange (1997: vii), who had called attention to the 'destructive powers for evil of money'. In every advanced economy that was threatened with a banking crisis, governments rushed in to support their financial sector, often with considerable consequences for the public budget. Even though governments were genuinely trying to avoid a potentially more disastrous situation, the financial industry has clearly proven more powerful than the taxpayer.

* Cornelia Woll is Professor of Political Science at Science Po, Paris. Contact email: *cornelia.woll@sciences-po.fr*.

© The Author 2014. Published by Government and Opposition Limited and Cambridge University Press

https://doi.org/10.1017/gov.2014.5 Published online by Cambridge University Press

Analyses of these events have called attention to the different faces of power (see Johal et al. 2014; Moran and Payne 2014). Some have highlighted the resources that the financial industry wields, insisting on the most immediate interactive kind of power where A is able to force B to do something he otherwise would not do (for example, Igan et al. 2011; Luechinger and Moser 2012; Renick Mayer et al. 2009). Most observers agree that such a behaviourist perspective is insufficient. The power that finance derives from its role in the economy – its structural power – has repeatedly been highlighted, both within and outside of Marxist perspectives (for example, Bell 2012; Harvey 2011). Again, others have underlined that the financial industry influences political decision-making, not just through coercion, but also by shaping the beliefs of policymakers (for example, Johnson and Kwak 2010; Kwak 2013). According to work done in the social studies of finance, this can operate through mechanisms that are extremely subtle. Regrouped under the Foucauldian heading 'governmentalities', scholars in this tradition call attention to the rationalities and technologies that 'perform' finance as we know it today (for example, MacKenzie 2006; MacKenzie et al. 2008). Referred to by some as 'productive power' (see Barnett and Duvall 2005), such analyses reveal that the evolution of meaning in financial regulation is tilted in favour of the financial industry because most areas are highly technical and require a high level of expertise to participate in the discussion (cf. Admati and Hellwig 2013). All these different dimensions seemingly work together in creating a very potent financial sector in all countries that have developed financial markets.

The picture that arises from these distinctions helps us to understand why bank bailouts were such a pervasive response to the recent crisis. Indeed, given the similarities in structural power of finance and the diffusion of financial logics across countries, we would not expect much variation in government relationships with financial institutions. However, a close comparison of bank rescue schemes in different countries reveals differences that are rather unexpected. Although all governments supported their industries during the difficult times in one way or another, and although most devised national rescue schemes for the entire sector, the designs of these arrangements differed. While some support schemes were rather favourable towards the banking sectors, others imposed punitive conditions on participating financial institutions. Some were entirely

© The Author 2014. Published by Government and Opposition Limited and Cambridge University Press

https://doi.org/10.1017/gov.2014.5 Published online by Cambridge University Press

government led, while others called upon the financial sector to carry part of the burden (Woll 2014). By presenting the differences in the bank rescue schemes in France and Germany, this article analyses the nature of finance–government relationships that underpins the two national responses. While the French government cooperated closely with its banking sector and created a bank support plan that was partially carried by the industry, the German government ultimately failed to implicate its financial institutions and had to manage the bank rescue as a largely public undertaking. What is more, Deutsche Bank even publicly distanced itself from the government intervention, despite having participated in the discussions, which had the effect of stigmatizing aid for those banks that called upon the aid.

The comparative analysis of the French and German bank rescue negotiations points to an aspect of power that has so far been overlooked by studies interested in the influence and coercive power of the financial industry: the power exerted by doing nothing when one is needed. For the financial industry in times of a banking crisis, this is a collective issue. Following Olson (1965), we tend to think of collective action as a pre-condition for influencing policymakers. In situations where structural and productive power is high, however, collective inaction can be more effective than collective action in shifting policy decisions in one's favour. Finance–government relations during a banking crisis are comparable to the game-theory situation referred to as 'chicken'. Both participants want to avoid seeing the economy crash, but the one who moves first loses. If the financial industry collectively attempts to support itself, the costs to individual institutions can be very high. If the government bails out the banking sector, it risks paying off the resulting debt for years, if not decades. Individual banks can be overwhelmed with the costs of the crisis, but it is unclear whether the financial industry in a country could not carry part of the burden of its own rescue.

Although it would be heroic to link the costs of bank bailouts to the design of the rescue scheme alone, there are reasons to believe that public–private burden-sharing arrangements can affect the ultimate fiscal impact. To be sure, the overall health of the financial sector in each country and the extent of its risk exposure explain a large part of the variation in the costs of bank bailouts. Still, collective industry arrangements alleviate the public budget: first, through the direct contributions of the financial industry, and second, through the incentives they create for banks to monitor each other's

© The Author 2014. Published by Government and Opposition Limited and Cambridge University Press

https://doi.org/10.1017/gov.2014.5 Published online by Cambridge University Press

behaviour and to have an interest in ending support schemes that are no longer vital for the survival of the entire sector.

In many countries, government representatives have attempted to negotiate just that: a collective commitment from the industry to support its ailing members through a national scheme. While such negotiations succeeded in France, they failed in Germany, where the industry signalled that it was unwilling and unable to support itself collectively. Since the government eventually went in to pick up the bill, such collective inaction is an exercise of power that is much more effective than coordinated industry lobbying. Unlike structural and productive power, inaction is a feature of business–government interactions, which means it will vary from country to country. For the analysis of decision-making and a normative debate about political responsibilities in crisis management, it is thus a useful addition in the study of the power of finance.

This article presents the French and German financial systems and discusses their exposure to the financial crisis. It then lays out the French and the German bank rescue plans, before turning to the details of the collective action of the banking industry during the negotiation of the schemes. The conclusion summarizes the comparative observations and discusses the power of the financial industry in both cases.

THE FRENCH AND GERMAN FINANCIAL SYSTEMS

There are many reasons to believe that crisis management during the banking crisis of 2008 should have been similar in France and Germany. To begin with, both continental European countries are often cited as prime examples of the universal banking model, where financial institutions combine retail and investment banking, as well as insurance activities. Both are considered as coordinated market economies with a high degree of bank intermediation, in particular compared with the US and the UK. Moreover, both have a long tradition of government intervention, even though the German state remained arguably somewhat more at arm's length in finance than was the case in France (Busch 2009: 75). Still, in both cases, state ownership was common until the 1990s, at least in parts of the financial industry, until liberalization and internationalization began to transform both models. The main difference between the two

© The Author 2014. Published by Government and Opposition Limited and Cambridge University Press

https://doi.org/10.1017/gov.2014.5 Published online by Cambridge University Press

countries is the concentration of the sector: while the French industry is dominated by a handful of large banks, the German industry is decentralized and fragmented. In the following, I will argue that the structure of the financial sector and the political organization that follows from it crucially shaped the crisis responses.

The French industry is one of the most concentrated banking systems in Europe, dominated – before the crisis – by two commercial banks, BNP Paribas and Société Générale, and four mutual banks, which are majority owned by their depositors: Crédit Agricole, Banque Populaire, Caisse d'Epargne and Crédit Mutuel. These six financial institutions provided about 80 per cent of French bank lending. Decentralized between the regional and the federal level, the German financial industry is among the least concentrated in Europe, and characterized by three pillars: (1) large private banks, most importantly Deutsche Bank, Commerzbank and previously Dresdner Bank; (2) private cooperative banks, the Volks- und Raiffeisenbanken; and (3) public savings banks, the Sparkassen and the regional Landesbanken (LB). In Germany, public savings banks, which had been protected through a public guarantee against bankruptcy until 2005, specialized in retail banking and loans to Germany's small and medium-sized companies, considered to be the backbone of the German political economy. In both countries, the relationship between banks and non-financial firms used to be very tight, particularly through interlocking shareholding and directorates (François and Lemercier 2013; Höpner and Krempel 2004).

In recent decades, the internationalization of financial markets put pressure on the three-pillar decentralized universal bank-based financial system in Germany (Busch 2009; Deeg 2005; Krahnen and Schmidt 2004). Commercial banks sought to develop their investment banking activities and pushed for increasingly liberal security markets, while the federal government set out to centralize regulatory control over these financial activities (Lütz 2000). With the breakdown of the special regime for the public savings banks through the EU (Grossman 2006), the Landesbanken in particular rushed into investment activities in foreign markets. Over the course of the 1990s and 2000s, the German financial system opened up to increasing securitization and capital-market finance, partially liberalized its three pillar regime, centralized regulatory authority and internationalized its banking activities, especially in corporate lending and investment banking. An important part of this

© The Author 2014. Published by Government and Opposition Limited and Cambridge University Press

https://doi.org/10.1017/gov.2014.5 Published online by Cambridge University Press

internationalization happened through takeovers or mergers with foreign firms, both by banks with private shareholders such as Deutsche Bank, Dresdner and Commerzbank, and by public banks, such as Westdeutsche Landesbank (Hardie and Howarth 2009). As a consequence, the German company network has unravelled and relationship banking with German firms is being replaced by a more market-oriented exchange (Deeg 2010; Höpner and Krempel 2004).

The French system has also evolved considerably in recent decades, moving towards a quite liberal financial sector (O'Sullivan 2007). Internationalization and trading activities gained increasing importance in the 2000s, and non-bank financial institutions began to enter the French market, even though traditional banks held about 70 per cent of financial institution assets at the beginning of the crisis (Hardie and Howarth 2009: 1018). The importance of bank finance for French companies declined dramatically over the course of liberalization, and French banks compensated for this by developing investment banking. Still, 72 per cent of company financing in France was bank based in 2009 and only 28 per cent came from capital markets (Cour des Comptes 2009: 24). Despite recent developments, France still has a high degree of bank intermediation. Moreover, retail banking remained the comparative strength of French banks, which some argue sheltered France from exposure to the sub-prime crisis (Cour des Comptes 2009: 15; Hardie and Howarth 2009: 1018).

With hindsight, we can see that the French system as a whole has been somewhat less exposed to the financial crisis than the German one. Still, both countries were centrally concerned when the crisis became apparent in Europe: Germany with one of the first bank failures and France when BNP Paribas's decision to close two investment vehicles triggered the first freeze on international capital markets in the summer of 2007. The first fissure in the German banking sector appeared in July 2007, when IKB Deutsche Industriebank announced that it had suffered important losses in the US housing market and needed to be rescued. Despite this early experience, the extent of exposure of German banks to the unfolding of the crisis in 2008 came as a shock. With the significant growth of trading activities, both for the large private banks and for the Landesbanken in the mid-2000s, the US sub-prime crisis hit German banks hard. Traditionally perceived as rather conservative investors, the German banks had registered almost a quarter of Europe's

© The Author 2014. Published by Government and Opposition Limited and Cambridge University Press

https://doi.org/10.1017/gov.2014.5 Published online by Cambridge University Press

write-downs by the end of September 2008. About two-thirds of these have been in public or quasi-public sector banks (International Monetary Fund 2009: 12). Between the summers of 2007 and 2008, West LB and Bayern LB received guarantees and recapitalization aid from the federal and regional governments. Sachsen LB was merged with the Landesbank Baden-Würtemberg to avert a complete failure of the bank, which also led to the resignation of the finance minister and the prime minister of Saxony.

The large private banks also suffered. Dresdner Bank, a wholly owned subsidiary of the insurance company Allianz, was sold to Commerzbank, which announced its bid in late August 2008. The severity of the difficulties became evident in the month that followed, in particular for the commercial property lender Hypo Real Estate and for Commerzbank. Hypo Real Estate had considerable exposure to international housing market difficulties, and a particularly heavy debt burden through its German–Irish subsidiary Depfa (Brost et al. 2009). Fearing a chain reaction if Hypo Real Estate went bankrupt, the federal government and private banks agreed on a bailout credit line on the last weekend in September 2008, which was revised in early October. Commerzbank held out until December 2008, but eventually also asked for substantial government aid.

In France, the two commercial banks managed to absorb their initial difficulties: Société Générale experienced a single day trading loss of €4.9 billion due to the fraudulent activities of a junior trader in January 2009 and BNP Paribas officially announced itself to be the first French bank affected by the sub-prime crisis. The two banks most critically affected, however, were Natixis – the investment branch of Banque Populaire and Caisse d'Epargne – and Franco-Belgian public finance bank Dexia. Exposed to both the sub-prime crisis and the Madoff fraud at €450 million, the value of Natixis's stock dropped by 95 per cent in the autumn of 2008. The serious effect on both of its main shareholders eventually led to the resignation of the CEOs of Banque Populaire and Caisse d'Epargne in March 2009. In a deal brokered by the French president Nicolas Sarkozy, the two banks merged and François Perol, a former banker, financial inspector and economic adviser to the president, became chairman of the board of directors of the new bank, BPCE (Jabko and Massoc 2012). Dexia, considered as mainly 'Belgian' for regulatory purposes, also fell into trouble in September 2008 due to liquidity difficulties when other banks refused to continue lending because of potential problems

© The Author 2014. Published by Government and Opposition Limited and Cambridge University Press

https://doi.org/10.1017/gov.2014.5 Published online by Cambridge University Press

with its US subsidiary Financial Security Assurance. Dexia was soon forced to apply for state aid and was bailed out by uniquely coordinated action between the Belgian, the French and the Luxembourg governments, after net losses in 2008 of €3.3 billion. But troubles continued. In the second quarter of 2011 alone, Dexia announced a €4 billion loss and saw its share price drop by 22 per cent. Negotiations with the three governments resumed, and they agreed to buy parts of Dexia's operations and to fund a bad bank for its troubled assets in late 2011.

It would have been presumptuous to say anything definite about the variation in exposure of the French and German financial industries in the autumn of 2008. Without the certainty of hindsight, both industries appeared shaken by the crisis and early fissures signalled the need for more comprehensive intervention in both cases.

NATIONAL BANK SUPPORT SCHEMES

In parallel to the individual measures, both governments began to develop national schemes once the failure of Lehman Brothers rippled through financial markets worldwide.

The French Bank Rescue Plan

Announced one day after the EU summit on emergency measures in the eurozone on 12 October 2008, the French plan was put in place by law on 16 October 2008 through the Loi de Finances Rectificative pour le Financement de l'Économie. It consists of two ad hoc institutions: the Société de financement de l'économie française (SFEF), set up to raise capital on financial markets and provide liquidity to ailing financial institutions, and the Société de prise de participation de l'Etat (SPPE), through which the government would buy equities from the French banks and thus help to recapitalize them. The government agreed to guarantee bank bonds issued by the Société de financement de l'économie française up to €360 billion for a maximum maturity of five years.[1] At the same time, the Société de prise de participation de l'Etat would invest €10.5 billion in the recapitalization of French banks by January 2009.

In the European landscape, the Société de financement de l'économie française is a unique arrangement, as it is jointly owned by

© The Author 2014. Published by Government and Opposition Limited and Cambridge University Press

https://doi.org/10.1017/gov.2014.5 Published online by Cambridge University Press

the six big banks and the governments, which hold 66 per cent and 34 per cent respectively. Seven other financial institutions also signed the Société de financement de l'économie française agreement to benefit from the liquidity provided through the state-backed mechanism (Cour des Comptes 2009: 32).[2] Because of the systemic risk they represented, the six main French banks were the beneficiaries of the Société de financement de l'économie française and the Société de prise de participation de l'Etat. To avoid stigmatizing any one particular bank, all six agreed to be recapitalized simultaneously through the Société de prise de participation de l'Etat. The capital injected by the state initially took the form of super-subordinated debt securities.

In return for this government support, the banks committed to maintain domestic lending at a growth rate of 3–4 per cent, despite the difficult economic context. Recapitalization was also tied to curbs on dividend payments, a ban on executive bonuses for 2008 and increased trade financing. With regard to executive pay, the banks agreed to follow a code of conduct drafted by major business organizations. The most important conditions required by the French government were tied to the rescue of Dexia. In exchange for its participation in the guarantee scheme and the recapitalization via the Société de prise de participation de l'Etat, the French, Belgian and Luxembourg governments demanded a change of management, the presence of a government representative on the board of directors and a restructuring plan, as is needed for all state aid approved by the European Commission. Similarly, the French state completely restructured Banque Populaire and Caisse d'Epargne in order to deal with the difficulties of Natixis, and it also demanded that it must have a representative on the supervisory board of the newly formed BPCE bank. According to Christine Lagarde, then minister of the economy, the difference in government control in the French banks receiving government support was tied to the nature of the aid. The Société de prise de participation de l'Etat was put into place as a measure necessary to maintain liquidity and the financing of the French economy. The French government therefore did not want to tie recapitalization to government control over the banks, in contrast to the situation in Dexia, which it rescued to avoid bankruptcy. For BPCE, she insisted that the reasoning was again different: state control was only temporary and meant to accompany the merger of Banque Populaire and Caisse d'Epargne and to help develop their business project (cited in Cour des Comptes 2009: 122).

© The Author 2014. Published by Government and Opposition Limited and Cambridge University Press

https://doi.org/10.1017/gov.2014.5 Published online by Cambridge University Press

Over time, the Société de prise de participation de l'Etat recapitalization evolved: in 2009, the government agreed to expand recapitalization to an additional €10.25 billion in 2009.[3] Whereas all six banks had participated in the first tranche by issuing super-subordinated debt securities to the Société de prise de participation de l'Etat, the rationale for participating in the second tranche was less apparent for banks that were not in obvious financial difficulties. Crédit Agricole and Crédit Mutuel therefore decided not to participate in the second phase of Société de prise de participation de l'Etat intervention. The other banks chose to issue preferred shares. BNP Paribas even demanded that it replace the initial €2.5 billion of its super-subordinated securities held by the Société de prise de participation de l'Etat with preferred shares in March 2009. Prior to each tranche of support through the Société de prise de participation de l'Etat, the general secretary of the French banking supervision authority wrote a letter to the European Commission to assure it that the banks were viable and that the support aimed to maintain the financing of the economy, not to rescue an ailing bank, with the exception of Dexia, where the equity bought through the Société de prise de participation de l'Etat was an explicit rescue measure.

The two ad hoc institutions were created for a limited amount of time and ended their programmes according to schedule. The Société de financement de l'économie française stopped issuing securities in late 2009 and remained in place merely to manage the reimbursement of existing securities that had not reached their maturity. The Société de prise de participation de l'Etat recapitalization support was available until the end of August 2009. Aid to Dexia continued well beyond the national scheme. In addition to a series of individual measures, the French, Belgian and Luxembourg governments agreed jointly in October 2011 to set up a bad bank that would manage Dexia's troubled assets to avoid re-injecting more capital into Dexia (Martens and Brunsden 2011).

The German Bank Rescue Plan

Like the French government, the German government realized by late September that individual bank bailouts would be insufficient to avert a crisis. To avoid a run on the banks and to strengthen

© The Author 2014. Published by Government and Opposition Limited and Cambridge University Press

https://doi.org/10.1017/gov.2014.5 Published online by Cambridge University Press

confidence, Chancellor Angela Merkel declared on 5 October 2008 that the government would guarantee all individual saving deposits. The same day, the German government, the central bank and representatives of the German financial industry met to devise a comprehensive support plan for the German banking system. After discussions within the Eurogroup and the G7, and an accelerated legislative process that lasted for only a week, the initiative resulted in the German Financial Market Stabilization Act (Finanzmarktstabilisierungsgesetz) of 17 October, aimed at restoring confidence and facilitating lending.

The law set up a fund administered by a new Federal Agency for Financial Market Stabilization (FMSA), established as a dependent agency at the Bundesbank, but supervised by the Finance Ministry. The Federal Agency for Financial Market Stabilization Fund, the Sonderfonds Finanzmarktstabilisierung (SoFFin), provided support to ailing banks. Unlike in France, the UK or the US, where separate institutions were in charge of different instruments, the Financial Market Stabilization Fund could provide funding guarantees, capital injections and manage asset purchases in order to deal with risky assets. Financing the stabilization package was agreed on for a maximum of €100 billion. Of this, €70 billion was allocated to recapitalization and risk assumption, with an additional €10 billion available upon legislative approval, if necessary. Part of this €80 billion is a risk assumption facility, where the Financial Market Stabilization Fund can buy up to €5 billion of toxic assets from each eligible institution.[4] With regard to guarantees, the fund was allowed to assume guarantees up to an amount of €400 billion: on the basis of an assumed default rate of 5 per cent, it had been equipped with €20 billion in case any default occurred (Deutsche Bundesbank 2008).

The most striking feature of the German bank support plan was its voluntary basis and its openness to any financial institution, not just systemically relevant banks. Banks, insurance companies or pension funds could choose various stabilization measures, and the government remained very hesitant to acquire control in the banks it supported. Recapitalization was undertaken in the form of 'silent' or non-participatory shareholding. Still, German financial institutions were reluctant and largely requested state guarantees rather than recapitalization. Commerzbank was the first big bank to apply for government participation, for an initial €18.2 billion. As in most other countries, recapitalization and asset support came in exchange for a commitment

© The Author 2014. Published by Government and Opposition Limited and Cambridge University Press

https://doi.org/10.1017/gov.2014.5 Published online by Cambridge University Press

to maintain lending and to present a restructuring plan, as well as restrictions on dividend payment and executive pay. Financial institutions receiving capital injections had to limit the salaries of their executive board members to €500,000 and follow compensation guidelines set by the Financial Market Stabilization Fund.

As economic conditions continued to worsen, the German authorities revised the initial bank support plan. In particular the deterioration of Hypo Real Estate's situation led to repeated extensions of the initial rescue package, initially mainly in the form of guarantees. Given the level of the support for Hypo Real Estate – around €100 billion at the end of 2008 – the German government and the other stakeholders replaced the supervisory board and began to participate in the capital of Hypo Real Estate. In April 2009, the Financial Market Stabilization Extension Act (Gesetz zur weiteren Stabilisierung des Finanzmarktes) provided for the possibility of nationalizing banks, including the possibility of expropriating shareholders that refused to relinquish their holdings.[5] On 5 October 2009, Hypo Real Estate became the first bank in the history of the Federal Republic of Germany to be nationalized since 1949 (see Brost et al. 2009). In parallel, the Financial Market Stabilization Continuation Act (Gesetz zur Fortentwicklung der Finanzmarktstabilisierung) of July 2009 enabled the Federal Agency for Financial Market Stabilization to create bank-specific transfer institutions (so-called 'bad banks') for the liquidation of toxic assets for an expected amount of up to €200 billion.[6] Hypo Real Estate and West LB applied for such liquidation institutions, which led to the creation of FMS Wertmanagement (FMS-WM), responsible for the assets of Hypo Real Estate, and Erste Abwicklungsanstalt (EAA) for West LB, both managed by the Federal Agency for Financial Market Stabilization.

By late 2009, the German government, which had been initially hesitant to intervene, sought ways to ensure that liquidity problems and insolvency would be detected earlier and that banks could not force the government into repeated and costly bailout measures. In November 2010 the government passed a law on the restructuring and orderly dismantling of credit institutions (Restrukturierungsgesetz), which gave the government and the financial regulator BaFin (Bundesanstalt für Finanzdienstleistungsaufsicht) new options in the control and supervision of banks in difficulties and modified bankruptcy procedures. Under the regulation, if oversight authorities

© The Author 2014. Published by Government and Opposition Limited and Cambridge University Press

https://doi.org/10.1017/gov.2014.5 Published online by Cambridge University Press

detected severe problems, they could force the financial institution to transfer the 'healthy' parts of its assets into a public 'bridge bank' and liquidate its risky assets, at the cost of the bondholders.[7] Additional costs of such restructuring would be carried by a new obligatory bank levy to avoid imposing costs on the taxpayer.

The restructing law also changed the responsibilities of the Federal Agency for Financial Market Stabilization and the Financial Market Stabilization Fund. The Federal Agency for Financial Market Stabilization was given responsibility for managing two funds: the Financial Market Stabilization Fund and a newly recreated restructuring fund. Originally set up until the end of 2009, the Financial Market Stabilization Fund's life was first extended to the end of 2010. After that date, it was no longer charged with giving new credit, capital or guarantees to financial institutions. Still, the Federal Agency for Financial Market Stabilization remains in place in order to manage the restructuring fund and the new bank tax levied upon financial institutions. However, in March 2012, the German government decided to reopen the Financial Market Stabilization Fund through the second financial market stabilization law, which allowed for the same initial coverage if systemic institutions needed public support.

COLLECTIVE ACTION BY THE FINANCIAL INDUSTRY

The differences between the bank rescue schemes in the two countries are striking. While the French plan consisted of a public–private liquidity mechanism and a collective recapitalization plan, the German intervention was entirely government-led and voluntary. Only banks that had severe difficulties ended up participating and had to accept considerable government intervention in order to benefit from the support. These different arrangements arose from quite distinct negotiation patterns between the government and the industry: while the French plan was jointly drawn up by public officials and industry representatives, the German financial industry ultimately withdrew and forced the government to take over the design of the intervention.

France: A Collectively Negotiated Plan

In this section, I review the details of the public–private cooperation in creating the Société de financement de l'économie française and

© The Author 2014. Published by Government and Opposition Limited and Cambridge University Press

https://doi.org/10.1017/gov.2014.5 Published online by Cambridge University Press

the Société de prise de participation de l'Etat, before going on to discuss the tensions and risks of collective action in French finance. The Société de financement de l'économie française was created jointly by the major French banks and the government. It allowed the issuing of collective bonds for the French financial industry, which benefited from a public guarantee. The government contributed 34 per cent to the capital of the Société de financement de l'économie française, but the starting capital was rather small (€50 million). Issuing up to €265 billion was possible, mainly because participating banks had to put down collateral, which was pooled by the Société de financement de l'économie française. The operation of the Société de financement de l'économie française was thus comparable to a privately owned and run company, but with a public guarantee.

The government did have an important role in the administration of the Société de financement de l'économie française, however. For one, the government had a veto right concerning all decisions affecting the interest of the state. In addition, it participated on the executive board that brought together representatives of the seven stakeholder banks by appointing Michel Camdessus (a former governor of the French central bank and former director of the International Monetary Fund (IMF) who also became the president of the board), Jean Bassère, at the time head of the General Finance Inspectorate, and Françoise Malrieu, as independent administrator. In late 2009, Malrieu would replace Michel Camdessus as president of the Société de financement de l'économie française. In addition, the French central bank played a role in the oversight of the collateral of the banks. Apart from these mechanisms, the Société de financement de l'économie française was run like a private company with personnel and contributions from its member banks (cf. Banque de France 2010: 57–8).

The arrangement had advantages for both the banks and the government. Most importantly, the Société de financement de l'économie française gave the banks access to liquidity at a time when markets were frozen and when they would not have otherwise had access to market liquidity individually. In addition, pooling collateral through the Société de financement de l'économie française made the fee for the public guarantee cheaper than elsewhere (Banque de France 2010: 57–8). To some degree, the success of the Société de financement de l'économie française came as a surprise: 'We issued more than we thought we would. Initially, we were aiming for €10–15

© The Author 2014. Published by Government and Opposition Limited and Cambridge University Press

https://doi.org/10.1017/gov.2014.5 Published online by Cambridge University Press

billion, but we ended up issuing over €70 billion.'[8] An observer summarizes the Société de financement de l'économie française experience as a remarkable feat: 'Banks, which typically pass their time thinking about competition with the others, sat down and developed a powerful funding mechanism and agreed on the allocation of credit within less than 15 days.'[9] Despite the mutual benefits of the arrangements, banks were eager to leave the Société de financement de l'économie française and raise their own liquidity as soon as market conditions allowed. First, this would mean that they no longer needed to pay the public guarantee, and second, it would allow them to get their collateral back, which freed up a significant amount of assets.

The second ad hoc institution of the French bank support scheme, the Société de prise de participation de l'Etat was 100 per cent state owned and was designed to inject capital into the French banking sector. Nonetheless, French banks agreed to receive capital simultaneously and jointly agreed on the conditions attached to this support.

With the experience of two bank failures where the government intervened heavily to avert bankruptcy – Natixis and Dexia – the Société de prise de participation de l'Etat was promoted as an instrument to help stabilize the financing of the economy, not a bailout measure per se. The French government insisted that all banks accepted capital in order to continue supplying credit to the real economy, not because any one of them needed a bailout. This argument was somewhat more optimistic than reality, remembers a public official, in particular concerning one of the French banks. Without a collective solution, this bank might have been considered as insolvent, in which case the European Commission would have requested that aid be tied to a restructuring plan. 'In the end, the fact that the French plan supported healthy banks in order to sustain the financing of the economy helped to avoid a restructuring plan for [possibly one of the] French banks.'[10] Likewise, the French banks all agreed that they were not interested in a mechanism for toxic asset relief, because they had only few illiquid assets and were thus able to carry them for longer than some of their competitors abroad.

In exchange for the support through both the Société de prise de participation de l'Etat and the Société de financement de l'économie française, the government asked for two main conditions: maintaining lending and limiting executive compensation. The lending requirement was fixed at 3–4 per cent credit expansion. A senior

© The Author 2014. Published by Government and Opposition Limited and Cambridge University Press

https://doi.org/10.1017/gov.2014.5 Published online by Cambridge University Press

bank executive suggests that the figure was determined directly by the banks. He remembers a telephone conversation with a colleague who had been summoned to the Ministry of Finance the next morning: 'We absolutely must give them a forecast: what level of credit can we commit to for 2009? . . . I called my colleagues, business partners, we all looked at our data, we called around. . . . In three hours, we had arrived at 3–4%' (cited in Jabko and Massoc 2012: 574).

Similarly, restrictions on executive compensation relied heavily on cooperation from the industry itself. While the initial agreement was rather precise in respect of executive compensation, it was vague concerning the bonuses for traders and had no sanctioning mechanisms (Cour des Comptes 2009, 2010).

In sum, the French bank-support plan was designed in very close cooperation with the banking sector, which succeeded in coordinating its different members in order to devise collective solutions for both liquidity and recapitalization. How can we explain such seeming consensus and at what price did it come about? Of course, times of crisis can facilitate cooperation, but interactions between the French banking elites were always close. Even in normal times, the CEOs of the major banks get together once a month and discuss various topics, which is helped by the fact that all of their headquarters are in the same city: Paris. The back-and-forth discussions between the banks, their association and the government are easily manageable since there is only a small number of banks involved. It is not only the ties among banks, but also the links with the government, that are unusually close in France due to common education and work experiences. 'All the heads of the French banks have worked in public administration, including HSBC France. Of course they are competitors in normal times, but they share a common language, a common experience, which means that in times of crisis, they have shown great solidarity.'[11] Indeed, the profiles of the senior executives all include experience in the public sector. Jabko and Massoc (2012) have labelled the resulting almost cartel-like structure of French banking an 'informal consortium'.

Despite their links, establishing a collective solution is not easy when individual interests diverge too much. It is thus important to note that the financial situations of the banks were somewhat similar during the crisis. Out of the five banks, four had significant difficulties in obtaining liquidity, even if their situation was not as catastrophic as it was elsewhere. 'The four banks had roughly the

© The Author 2014. Published by Government and Opposition Limited and Cambridge University Press

https://doi.org/10.1017/gov.2014.5 Published online by Cambridge University Press

same interest, the four biggest in fact. And the fifth, which was also the smallest, was really in perfect health, but it got its arm twisted.'[12]

Indeed, Crédit Mutuel felt that it did not need government support, 'But they ended up going along with it, out of solidarity with the French financial sector.'[13] Still, the divisions within the French industry become more visible over time. In particular, the second recapitalization through the Société de prise de participation de l'Etat divided the banks. BNP Paribas insisted on having the second tranche committed earlier than originally planned. By obtaining fresh capital, it was able to acquire the Belgian bank Fortis, only one day after the Société de prise de participation de l'Etat's injection of capital. The other banks were not only dismayed at the government's response to BNP Paribas's individual demands about timing, neither did they all agree that a second round of capital injections was even necessary. Both Crédit Mutuel and Crédit Agricole therefore decided not to participate in the recapitalization scheme the second time around. The exit of the two banks signalled that the Société de prise de participation de l'Etat no longer served the simple financing of the economy.

With hindsight, some public officials wonder whether the conditions for aid were not too favourable, as the Cours des Comptes claimed, but they underline that the objective at the time was to be as risk averse as possible. Given the fact that the government ended the bank rescue with positive figures, though, such issues appear minor and did not become part of public debate. Still, following a public outcry when the size of bonus payments was publicized in the French press in February 2009, several leading bank executives renounced their bonuses voluntarily (Jabko and Massoc 2012).

In sum, the French support scheme was judged a success by both the government and the banks and was marked by close cooperation despite some differences in the interests of individual banks.

Germany: Failed Industry Commitment

One might have expected a similar type of private coordination in Germany, where collective action by the banking sector has a long tradition. Indeed, the government initially sought to maintain its arm's length relationship and encouraged the banks to find a solution among themselves. Only when it became clear that private

© The Author 2014. Published by Government and Opposition Limited and Cambridge University Press

https://doi.org/10.1017/gov.2014.5 Published online by Cambridge University Press

initiatives would be insufficient to avert a crisis did the government engage in negotiations with the banking sector representatives and proposed a government-led plan. Yet, unlike the forced recapitalization in the US and the collective banking industry plan in France, the German plan was voluntary and thus stigmatizing, which soon led to a clash. Trying to tackle the weaknesses of the German plan, the government therefore decided to invest heavily in re-regulation and effectively abandoned its bank-friendly approach in favour of a more intrusive supervisory regime and a preventive bank levy for future bailouts. I will detail these developments in the following section.

With respect to individual bank bailouts, the government involved the representatives of the financial industry from very early on and asked them to contribute to the rescue. This began most notably with the rescue of IKB Deutsche Industriebank, when the government met with banking representatives in a weekend session on 28–9 July 2007. The meeting and telephone sessions included representatives from the government, the Bundesbank, the financial regulator BaFin and all three banking pillars: the commercial banks, the mutual banks and the savings banks. In addition, the board of the Kreditanstalt für Wiederaufbau, a public agency charged with the financing of infrastructure and industry and principal stockholder of IKB Deutsche Industriebank, participated (Steinbrück 2010: 197). A participant remembers, 'IKB was supposed to be saved by the private sector. The meeting was dominated by the banking associations. The savings banks announced that they were willing to contribute €1 billion. Then the KfW joined in.'[14]

At the end of the weekend, the IKB Deutsche Industriebank rescue package of €3.5 billion was carried at 70 per cent by the Kreditanstalt für Wiederaufbau, while other banks with stakes in IKB Deutsche Industriebank assumed the remaining 30 per cent. During the following months, IKB Deutsche Industriebank's situation continued to deteriorate. By February 2008, the banks and the Kreditanstalt für Wiederaufbau agreed to two more bailout packages, in the Kreditanstalt für Wiederaufbau's case state-backed, which ended up increasing public participation in IKB Deutsche Industriebank from 38 per cent to 90.8 per cent.

Hypo Real Estate's rescue began in a similar way, as an attempt to stabilize the bank through a private banking consortium. In an informal meeting on 25 September with the heads of several major German banks, banking associations, the financial regulator and the central bank

© The Author 2014. Published by Government and Opposition Limited and Cambridge University Press

https://doi.org/10.1017/gov.2014.5 Published online by Cambridge University Press

it was agreed that they would 'find a solution for Hypo Real Estate's difficulties without the state' (Steinbrück, cited in Krüger et al. 2009: 120). During the first crisis session on 26–9 September, the banking sector agreed on a private sector contribution of €8.5 billion for the rescue of Hypo Real Estate. Negotiations were organized between the banks themselves, and the government only appeared physically when Jörg Asmussen, head of the Treasury, joined the meeting on Sunday night at 5 p.m., which was 'surprisingly late' according to the banks and maybe 'tactical' but 'quite dangerous' (Ackermann, cited in Krüger et al. 2009: 135). For the banks, €8.5 billion was a substantial contribution 'beyond the limit of pain', according to the president of the commercial bank association Bundesverband deutscher Banken, Klaus-Peter Müller, who underlines that his member institutions were very upset about the amount (cited in Krüger et al. 2009: 126).

Over time, it became clear that these contributions were insufficient and had to be renegotiated several times. This meant that individual bank support had to be replaced with more significant public commitments. A regulator summarized the situation: 'Can Deutsche Bank keep IKB from failing? Maybe, but supporting Hypo Real Estate is already another dimension. Then add the Landesbanken. At some point, it just becomes too much and the state has to ask itself whether it is time to intervene.'[15]

This change in the government's position was accelerated by the potential damage to the real economy. When access to credit effectively tightened, small and medium-sized companies 'literally ran amok. That's when the political awareness began.' At that point, a government official remembers, 'We had to change our discourse from one day to the next.'[16]

On 5 October, the government began openly to discuss a systemic national bank support scheme. Participants in this meeting included bank representatives such as Josef Ackermann, CEO of Deutsche Bank, and public officials from the government and the Bundesbank (Steinbrück 2010: 211). Based on a proposal developed by the Bundesbank, the group agreed on a national scheme that would become the Finanzmarktstabilisierungsgesetz only 12 days later. During the talks and the negotiations that preceded and followed it, three aspects were notable: (1) the lack of a collective commitment and the voluntary nature of the aid arrangement; (2) the degree of sanctions the government sought to tie to the proposed aid; and (3) the difficulties in setting up a publicly run rescue fund.

© The Author 2014. Published by Government and Opposition Limited and Cambridge University Press

https://doi.org/10.1017/gov.2014.5 Published online by Cambridge University Press

Collective recapitalization, which would have avoided stigmatizing individual banks, was debated at length, but eventually discarded. Nobody felt comfortable about having the government inject capital, even into healthy banks, and imposing its interests on everybody. 'All bank associations were against forced recapitalization', remembers a close observer.[17] The resistance of the banking sector led to a lack of political will in a context where government still had faith that the sector knew best how its own rescue should be organized. More importantly, the resistance also reflected the complexity of the German situation, where the sector was broken up into different administrative levels and pillars. In Germany, the savings banks had a well-functioning deposit insurance fund. Interbank solidarity existed within the pillar, but not beyond. Discussions about merging or extending these insurances across the pillars were forcefully opposed by the savings banks: 'even before we could ask, they said, "Don't even think about it."'[18] While the savings banks blocked the idea of an industry-wide deposit insurance mechanism, the commercial banks refused to be treated in the same way through some form of collective recapitalization, which necessarily came with costs and conditions. The biggest bank was not among those most badly hit: why should it accept a collective recapitalization? Had Deutsche Bank been the size of Crédit Mutuel in the French landscape, the result might have been different. Or, alternatively, had Josef Ackermann been as interested in a collective scheme as Michel Pébéreau was, it might have persuaded others that solidarity was in their best interest.

Without such efforts, the rationale for accepting collective recapitalization was not evident. The conditions attached to the aid were uncomfortable and the government did seek to insert sanctioning mechanisms to discourage reliance on public support. One public official argues that it was not the individual conditions, but the overall dependence that led only banks in great difficulties to apply for aid through the Financial Market Stabilization Fund: 'If I was the CEO of a bank, I would never go to SoFFin, because you lose your autonomy. It will drive you to ruin, make you totally dependent.'[19] Josef Ackermann of Deutsche Bank confirmed this judgement when he announced publicly in 2008, 'It would be a shame if we had to admit that we needed money from the taxpayer.' By presenting Deutsche Bank as healthy, in comparison to those that actually needed help, he created the schism in the industry that the government had sought to avoid; it is always a serious risk with a voluntary plan. Chancellor Angela

© The Author 2014. Published by Government and Opposition Limited and Cambridge University Press

https://doi.org/10.1017/gov.2014.5 Published online by Cambridge University Press

Merkel and finance minister Peer Steinbrück were furious: after all, the declaration came from one of the founding negotiators of the German bailout scheme. This was the moment where the German government truly felt that it had been let down by the financial sector and needed to impose tighter and more stringent regulation for the future in order to avoid being made the plaything of the industry the next time around.

Most importantly, starting in 2011, banks were obliged to contribute a bank levy in order to finance a restructuring fund governed by the Federal Agency for Financial Market Stabilization. Banks can apply to be supported, but the regulatory agency can also intervene and force the orderly resolution of institutions that threaten the stability of the sector. In such cases, the healthy assets of the institution will be transferred into a bridging bank and the troubled assets have to be sold off. The losses that can result from such sales will have to be carried by the owners and bondholders of the bank in order to avoid burdening the taxpayer, while the Federal Agency for Financial Market Stabilization manages the bridging bank and supports it with guarantees. Unlike the French government, the German government was unable to develop a systematic bailout solution jointly with the banking industry. To work against the impotence it felt during the crisis management negotiations, it thus imposed tighter regulation for the future.

CONCLUSION

The German negotiations show that the government counted steadily on the collective action capacity of the financial sector. When the industry divisions became apparent, it was left with no other option than to intervene if it wanted to avoid a complete collapse of its banking sector and possibly the entire economy. The French industry cooperation was helped by the fact that banks had similar difficulties and were not as badly shaken as some of their German counterparts. More importantly, an industry agreement was possible in France because the number of large banks was small and coordination was manageable. In early crisis management, even banks that were not affected by the crisis agreed to go along with the collective plan, both for liquidity provision and for recapitalization.

In all countries, the influence of the financial industry was criticized and created an outcry in public opinion. Germany and

© The Author 2014. Published by Government and Opposition Limited and Cambridge University Press

https://doi.org/10.1017/gov.2014.5 Published online by Cambridge University Press

France were no exceptions. A close study of business–government interaction in France does confirm the close cooperation and the personal favouritism that can result from the links between senior bank management and the administration. In the end, however, all French banks agreed to play collectively. To be sure, they obtained favourable conditions, but their cooperation helped the government to obtain what it wanted as well: a strong signal about government intervention that did not weigh heavily on the public budget. Moreover, collective oversight from the banks gave the administration important signals about the utility of their aid and the need to close the scheme after the second recapitalization initiative in 2009.

The power of the French financial industry appears thus more balanced: it takes the form of mutually beneficial complicity with public officials. In Germany, the government was unable to engage the financial industry collectively in the same way. The weakness of the government was made into a spectacle by Josef Ackermann's self-interested comments, which illustrated how much the government depended on the goodwill of its major financial institutions during the management of the crisis. The restructuring law needs to be understood as an attempt to correct these imbalances, which had dire consequences in several areas, not only for the public budget.

As we would expect from analyses of structural and productive power, the governments in both cases attempted urgently to find a solution for their ailing financial sectors. However, the interactions in France are marked by cooperation and a relatively balanced power equilibrium, where both government and industry representative tried to respond to the constraints of their negotiation partner. In Germany, the government initially expected the industry to find a solution on its own. When this expectation was disappointed due to divisions between the three pillars and the heterogeneity and size of the commercial banking sector, the government was forced to step in and take on responsibilities far beyond its initial commitments.

Although one should be careful in discussing the final costs of the rescue schemes, the French plan ranks among the most profitable ones in Europe, according to an early comparison by Eurostat, bringing a benefit of €2.7 billion to the government budget if one excludes the aid to Dexia (European Commission 2011: 7). By contrast, the German plan ranks as the second most expensive in absolute terms, with a net loss of €17 billion topped only by Ireland (€35 billion).[20]

© The Author 2014. Published by Government and Opposition Limited and Cambridge University Press

https://doi.org/10.1017/gov.2014.5 Published online by Cambridge University Press

The perceived impotence of the German government in the management of the crisis is also illustrated by its determination to impose tighter regulatory standards for the future. German re-regulation has been much more extensive than in France, in order to avoid the government being pulled over the table a second time around. No such attempts were made in France, which signals that the French government felt that it had handled the crisis well.

The power imbalance felt by the German government vis-à-vis its financial industry was not an issue of intensive lobbying. Quite the contrary: the financial industry was missing in action. Unwilling and unable to organize a collective industry response, it left the government with no choice but to intervene, and at the taxpayers' expense.[21] This power of collective inaction is similar to the power of non-decisions (Bachrach and Baratz 1962, 1963). It is not only action and decisions that should be considered as an exercise of power – the absence of both in times when action and decisions are needed is equally important. In a context where there are high levels of structural and productive power, governments depend on the financial industry's participation. Collective inaction thus needs to be considered for normative questions, in particular if we want to attribute blame and political responsibility for the outcome of crisis management. A banking crisis – where systemic risk is cited as the main motivation for bank rescue schemes – is necessarily an issue that affects the entire financial sector. It should thus be that sector's responsibility to contribute to a solution collectively, not just to consider the health of its own balance sheets.

NOTES

[1] This amount also included the guarantees granted to Dexia.

[2] These institutions were mainly housing and consumer credit companies, often the financial activity branches of large industrial groups: PSA Finance (PSA-Peugeot-Citroën), General Electric, Crédit Immobilier, Laser Cofinoga, RCI Banque (Groupe Renault), S2Pass (Groupe Carrefour) and VFS Finance (Volvo). GMAC had originally signed the Société de financement de l'économie française agreement but did not request liquidity support. Interestingly, HSBC France did not sign the agreement, but was a shareholder of the Société de financement de l'économie française.

[3] The first phase of bank equity acquisition at the level of €10.5 billion began in December 2008. The second one, initially announced in January 2009 as an additional €13 billion, was put into place in July 2009 for €10.25 billion. The total

© The Author 2014. Published by Government and Opposition Limited and Cambridge University Press

https://doi.org/10.1017/gov.2014.5 Published online by Cambridge University Press

amount of bank support managed by the Société de prise de participation de l'Etat thus rose to €20.75 billion.

[4] This provision was never actually used. Instead, toxic assets were handled through an additional legal provision in July 2009, which allowed for the creation of 'bad banks' (see below).

[5] This measure targeted the US investor J.C. Flowers in particular, who had refused to sell his Hypo Real Estate shares to the federal government.

[6] The two legislations are also known under the tongue-twisting names of Finanzmarktstabilisierungsergänzungsgesetz and Finanzmarktstabilisierungsfortentwicklungsgesetz.

[7] In contrast to the 'bad banks', the liquidation institutions charged with the selling-off of toxic assets managed by the Federal Agency for Financial Market Stabilization, these bridging banks are thus considered as 'good banks' because they preserve the most valuable assets of a financial institution. Interview with a German regulator, Frankfurt, 23 March 2011.

[8] Interview with a French public official, Paris, 20 April 2011.

[9] Interview with a representative of the French banking industry, Paris, 3 May 2011.

[10] Interview with a French public official, Paris, 15 April 2011.

[11] Interview with a representative of the French banking industry, Paris, 3 May 2011.

[12] Interview with a French public official, Paris, 15 April 2011.

[13] Interview with a French public official, Paris, 20 April 2011.

[14] Interview with a German public official, 10 December 2011.

[15] Interview with a German regulator, Bonn, 24 March 2011.

[16] Interview with a German public official, 10 December 2011.

[17] Interview with a German public official, Munich, 17 February 2012.

[18] Interview with a German public official, 24 January 2012.

[19] Interview with a German public official, 24 January 2012.

[20] In terms of GDP, the German bank bailout increased the public deficit by 0.7 per cent (cumulative for 2008–10), ranking as the sixth most expensive in Europe (European Commission 2011: 7).

[21] Whether the industry is incapable of organizing itself collectively or purely unmotivated to do so is a marginal point. As in two-level games, the entire negotiation strategy of one party depends on signalling that it will be unable to carry out the required commitment, even if it might just be unwilling to. Without being able to look inside the heads of the individual negotiators, we should simply consider unwillingness and incapacity as two ends of a spectrum.

REFERENCES

Admati, A.R. and Hellwig, M. (2013), *The Bankers' New Clothes: What's Wrong with Banking and What to Do About It* (Princeton: Princeton University Press).

Bachrach, P. and Baratz, M.S. (1962), 'Two Faces of Power', *American Political Science Review*, 56(4): 947–52.

—— —— (1963), 'Decisions and Nondecisions: An Analytical Framework', *American Political Science Review*, 57(3): 632–42.

© The Author 2014. Published by Government and Opposition Limited and Cambridge University Press

https://doi.org/10.1017/gov.2014.5 Published online by Cambridge University Press

Banque de France (2010), 'De la crise financière à la crise économique', Documents et Débats 291-0003 (Paris: Banque de France), www.banque-france.fr/publications/documents-economiques/documents-et-debats/documents-et-debats-n-3.html.

Barnett, M. and Duvall, R. (2005), 'Power in International Politics', *International Organization*, 59(1): 39–75.

Bell, S. (2012), 'The Power of Ideas: The Ideational Shaping of the Structural Power of Business', *International Studies Quarterly*, 56(4): 661–73.

Brost, M., Schieritz, M. and Storn, A. (2009), 'Hypo Real Estate: Die Mutter Aller Pleiten', *Die Zeit*, 8 September, www.zeit.de/2009/26/HRE.

Busch, A. (2009), *Banking Regulation and Globalization* (Oxford: Oxford University Press).

Cour des Comptes (2009), 'Les Concours publics aux établissements de crédit: premiers constats, premières recommandations', Public Report, www.ccomptes.fr/publications.

—— (2010), 'Les concours publics aux établissements de crédit: Bilan et enseignement à tirer', Public Report, www.ccomptes.fr/publications.

Deeg, R. (2005), 'Change from Within: German and Italian Finance in the 1990s', in W. Streeck and K. Thelen (eds), *Beyond Continuity: Institutional Change in Advanced Political Economies* (New York: Oxford University Press): 160–202.

—— (2010), 'Industry and Finance in Germany Since Unification', *German Politics and Society*, 28(2): 116–29.

Deutsche Bundesbank (2008), 'Cornerstones of the Financial Market Stabilization Act', Monthly Report 60(11), www.bundesbank.de/download/volkswirtschaft/monatsberichte/2008/200811mb_en.pdf.

European Commission (2011), 'Eurostat Supplementary Table for the Financial Crisis: Background Note' (Brussels: Eurostat), http://epp.eurostat.ec.europa.eu/portal/page/portal/government_finance_statistics/documents/Background%20note_fin%20crisis_Apr%202011_final.pdf.

François, P. and Lemercier, C. (2013), 'Pulsations of French Capitalism', unpublished manuscript (Paris: Sciences Po, CSO/CNRS).

Grossman, E. (2006), 'Europeanization as an Interactive Process: German Public Banks Meet EU State Aid Policy', *Journal of Common Market Studies*, 44(2): 325–48.

Hardie, I. and Howarth, D. (2009), 'Die Krise but Not La Crise? The Financial Crisis and the Transformation of German and French Banking Systems', *Journal of Common Market Studies*, 47(5): 1017–39.

Harvey, D. (2011), *The Enigma of Capital: And the Crises of Capitalism*, 2nd edn (Oxford: Oxford University Press).

Höpner, M. and Krempel, L. (2004), 'The Politics of the German Company Network', *Competition and Change*, 8(4): 339–56.

Igan, D., Mishra, P. and Tressel, T. (2011), 'A Fistful of Dollars: Lobbying and the Financial Crisis', in D. Ac and M. Woodford (eds), *NBER Macroeconomics Annual 2011*, Vol. 26 (Chicago: University of Chicago Press), www.nber.org/chapters/c12416.ack.

International Monetary Fund (2009), 'Germany: 2008 Article IV Consultation', IMF Country Report 09/15, www.imf.org/external/pubs/ft/scr/2009/cr0915.pdf.

© The Author 2014. Published by Government and Opposition Limited and Cambridge University Press

https://doi.org/10.1017/gov.2014.5 Published online by Cambridge University Press

Jabko, N. and Massoc, E. (2012), 'French Capitalism Under Stress: How Nicolas Sarkozy Rescued the Banks', *Review of International Political Economy*, 19(4): 562–85.

Johal, S., Moran, M. and Williams, K. (2014), 'Power, Politics and City of London after the Great Financial Crash', *Government and Opposition*, 49(3): 400–25.

Johnson, S. and Kwak, J. (2010), *13 Bankers: The Wall Street Takeover and the Next Financial Meltdown* (New York: Pantheon).

Krahnen, J.P. and Schmidt, R.H. (2004), *The German Financial System* (Oxford: Oxford University Press).

Krüger, H.-U., Willsch, K.-P., Hauer, N., Wissing, V., Troost, A. and Schick, G. (2009), 'Beschlussempfehlung Und Bericht Des 2. Untersuchungsausschusses Nach Artikel 44 Des Grundgesetz', 16/14000 (Berlin: Deutscher Bundestag).

Kwak, J. (2013), 'Cultural Capture and the Financial Crisis', in D. Carpenter and D.A. Moss (eds), *Preventing Regulatory Capture: Special Interest Influence, and How to Limit It* (Cambridge: Cambridge University Press): 71–98.

Luechinger, S. and Moser, C. (2012), *The Value of the Revolving Door: Political Appointees and the Stock Market*, SSRN Scholarly Paper ID 2147674 (Rochester, NY: Social Science Research Network).

Lütz, S. (2000), 'From Managed to Market Capitalism? German Finance in Transition', *German Politics*, 9(2): 149–70.

MacKenzie, D. (2006), *An Engine, Not a Camera: How Financial Models Shape Markets* (Cambridge, MA: MIT Press).

——, Muniesa, F. and Siu, L. (eds) (2008), *Do Economists Make Markets?: On the Performativity of Economics* (Princeton: Princeton University Press).

Martens, J. and Brunsden, J. (2011), 'Dexia to Set Up "Bad Bank" with Guarantees from France, Belgium', *Bloomberg BusinessWeek*, 4 October, www.businessweek.com/news/2011-10-04/dexia-to-set-up-bad-bank-with-guarantees-from-france-belgium.html.

Moran, M. and Payne, A. (2014), 'Introduction: Neglecting, Rediscovering and Thinking Again about Power in Finance', *Government and Opposition*, 49(3): 331–41.

Olson, M. (1965), *The Logic of Collective Action: Public Goods and the Theory of Groups* (Cambridge, MA: Harvard University Press).

O'Sullivan, M. (2007), 'Acting out Institutional Change: Understanding the Recent Transformation of the French Financial System', *Socio-Economic Review*, 5(3): 389–436.

Renick Mayer, L., Beckel, M. and Levinthal, D. (2009), 'Crossing Wall Street' (Washington, DC: Center for Responsive Politics), www.opensecrets.org/news/2009/11/crossing-wall-street-1.html.

Steinbrück, P. (2010), *Unterm Strich* (Frankfurt a.M.: Hoffmann und Campe).

Strange, S. (1997), *Casino Capitalism* (Manchester: Manchester University Press).

Woll, C. (2014), *The Power of Collective Inaction: Bank Bailouts in Comparison* (Ithaca, NY: Cornell University Press).

© The Author 2014. Published by Government and Opposition Limited and Cambridge University Press

https://doi.org/10.1017/gov.2014.5 Published online by Cambridge University Press