

Swedish Parliament Debates Glass-Steagall

by Ulf Sandmark

Two motions in the Swedish parliament for full bank separation, one of them explicitly mentioning Glass-Steagall, were debated late in the evening April 17 in the Chamber. This was the second year that the issue of Glass-Steagall was raised in the parliament, by the two opposition parties—the Left Party and the Environmental Party. These efforts, and the international moves for bank separation, along with the reactions by the financial oligarchy to derail Glass-Steagall with half-baked reforms like “ring fencing,” have brought the issue of bank separation solidly onto the agenda of the Swedish parliament.

Unlike Italy and the rest of Southern Europe, Sweden, like most of Northern Europe, is still outside the maelstrom of the euro crisis. Sweden has benefitted from retaining its own currency, the krona, following a referendum in 2003, when a popular revolt defeated, by a small margin, the entire Swedish establishment, which was pushing for Sweden to join the European Union. The Swedish currency, like the Danish, and especially the Norwegian, is now seen as a haven for flight capital avoiding the euro and dollar currencies.

The economic policy of Sweden is, however, fully monetarist, like that of the EU. Sweden, as a founding member of the IMF, supports all the Fund’s austerity policies against the euro-crisis nations, just as it has against the Third World, and is fully behind the unravel-

ing global monetarist-financial system.

The economic policy of the government is dominated by Finance Minister Anders Borg, famous for his ponytail and earring. He has a background in the extreme libertarian student faction of the Moderate Party, and also as a banker. He was a member of the team close to Prime Minister Fredrik Reinfeldt, who organized a revolt inside the conservative Moderate Party against former party leader Carl Bildt, to reform it into a “new Labor Party” on the model of former British Labourite Tony Blair’s orientation to the political center. With this party reform, and the forming of an “Alliance” with four non-socialist parties, Reinfeldt succeeded in defeating the Social Democratic Party in 2006, and again in 2010. The once-dominant Social Democrats have thus been pushed out of power for more than six years, and are going through one internal convulsion after another.

A Shrinking Economy

The Swedish economy has been put through the wringer, by the domestic monetarist economic policy of, first, the Social Democratic government, and then, the “Alliance” government. The physical economy is shrinking under the application of austerity to infrastructure and industrial investments. Even housing construction is far too low. Borg is keeping the government money in his purse, fearing a new banking crash.

With the low investment in housing, and a steady flow of home mortgage loans, the banks have kept the Swedish housing bubble afloat, unlike in the rest of Europe. The longtime bank-oriented policy, going back to the 80-year alliance between the once-dominant Wallenberg banking family and the Social Democrats, has created a banking sector that, per capita, is second in Europe only to the U.K. and Switzerland. The four dominant Swedish banks at the end of 2012 had an asset balance 3.3 times the Swedish GDP, and had nominal derivative contracts 23 times the GDP (88 trillion Swedish krona, or just over EU10 trillion).

The Swedish Finance Minister for sure has reason to fear a banking crash. In the parliament, the dire circumstance of the far-too-big banking sector has been brought up especially by the Left Party, campaigning for one and a half years for bank separation, now joined by the Environmental Party. Their motions were dismissed in the Financial Committee report, by the full parliament, 266-38. However, this is the practice with almost all motions, as the parliamentary majority supports such issues only when they come back reformulated as a govern-

ment proposal. The intense interest in bank separation from members of the government parties, and also from ministers, points to the possibility of such a government proposal in the coming year.

The Drive for Glass-Steagall

The Swedish LaRouche Movement (EAP) is very actively pushing for a full Glass-Steagall reform, as are now factions of two parties in the parliament.

The Environmental Party economic spokesman, Per Bolund, made a strong plea for bank separation. “It could be interesting,” Bolund said, “to go back and think about what the banking sector looked like, when it first came into being, at the beginning of the 19th Century. The banks were created to handle deposits and loans, in a business that gave the customers safety, and capital to investors. Over time, this direction has been gradually shifted. Many banks are not at all into this kind of activity, but rather, what is called investment banking, which is a big part of the business in the banking and financial market.”

After going through the risks in investment banking which have led to bankruptcies, such as Lehman Brothers in the U.S., and the euro crisis, which is “endangering even the economies of nations and continents,” he continued: “Considering these high risks . . . I think the economy of society has to be protected from these risks as much as possible. It is difficult, but there are proposals that, nonetheless, go in the right direction. One such proposal could be to establish a very clear border between what could be considered traditional banking, i.e., traditional commercial banks, and investment banks with a more risky business. Such laws existed before in many nations, as in the U.S. and the U.K., but were removed in the deregulation of the 1980s and ’90s. A couple of years ago, such a proposal would have been seen as a quite radical proposal here in the Riksdag and in other parliaments. Now the situation is different. Now the editorials of the *Financial Times* speak about the need for bank separation for all of the EU.”



Swedish parliamentarian Per Bolund, urged the adoption of a Glass-Steagall-style bank separation: “Such laws existed before in many nations, as in the U.S. and the U.K., but were removed in the deregulation of the 1980s and ’90s,” he noted.

Bolund referred to various other banking separation proposals in the EU and U.K. (Liikanen, Vickers), and also the law invoked in 2011 in Switzerland. He ended with a call for the government to launch an investigation “to propose and give examples for a new law for the Swedish banking sector which juridically clearly separates commercial banks from investment banks, and also how the state bank guarantee could be limited to apply only to the commercial banks, and not to the investment banks.”

The Left Party economic spokesperson, Ulla Andersson, supported this call and welcomed the Environmental Party into the fight. She started off by referring to the Cyprus crisis

and the plight of the local businesses and depositors there. She said: “Mr. Speaker! Cyprus is the latest example of an oversized banking sector and financial market running amok. Now the Euro Group as well, as unfortunately some Moderates from Sweden [a reference to conservative MEP Gunnar Hoekmark—USK] mean that it the right thing to do, is to let businesses carry part of the bill, which means small businesses like the vegetable farmer, grocery store owner, home builder, and so on. We mean that Cyprus is another example, demonstrating that a bank separation law is actually needed. With a bank separation law, the money of depositors and also businesses would be protected, as it would wipe away the big speculative losses of the banks.”

Andersson concluded: “You have to do something to the financial sector, and this is the most fundamental thing that could be done.”

Social Democrat Bo Bernhardsson also went after the banks, and said that even if the Parliament voted down the motions, the Social Democrats and the Financial Committee would continue to work on how to handle the banking crisis. He said that Finnish Central Bank head Erkki Liikanen has been invited to the Swedish Parliament to discuss his proposal with them. “I say this to stress how much we have this issue in focus in the Parliament, the Financial Committee, and on the European level,” Bernhardsson added.