Competing narratives in the Swedish 1929 deposit loss-debate

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Uppsala Papers in Economic History (UPEH), ISSN 2004-5263
Working Paper 2023/08
DOI: 10.33063/upeh.v2i.551
Date: 8 December 2023

Abstract
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Keywords: bank crashes, competing narratives, deposit insurance, memories

JEL: N24; G01; G28; H12; B52
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In early April 1929, eight Swedish savings banks were found insolvent and closed due to economic crimes committed by some of their founders. After the crash, the Swedish parliament entered a debate about whether the state should cover some, all or none of the losses of the failed banks’ 88,000 depositors. The debate, mainly between the right party and the social democrats, was characterized by competing narratives about the causes of the crash, whether the state should intervene or not, whether there existed an implicit deposit insurance or not, who should be covered among the depositors, by how much, and how an intervention should be funded and administered. The debate, and the policy decision, is unique in Swedish banking history and illustrate the importance of narratives to understand political responses to bank crashes and crises. The debate ended in mid-May with a decision to partially cover the depositors’ losses.

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Introduction

In early April 1929, eight closely cooperating Swedish savings banks were discovered to be insolvent. The insolvency had been caused, and hidden, by a range of economic crimes committed by some of the founders, going on for years. The crash led to one of the largest economic crime investigations in Swedish history and ended with some 20 people sentenced to fines and/or jail. The ringleader got 6.5 years in jail. The crash also led to the creation of the Savings bank inspectorate before the year was over. Another consequence of the crash was the unique political debate from mid-April to mid-May, 1929, about the state’s responsibilities towards the circa 88,000 depositors of the failed banks.

Unlike in previous banking crises, most recently in the systemic crisis in 1920-22, the eight savings banks were not taken over by other banks or by the state, in some arrangement that prevented depositors to lose money. In the 1929 crash, the banks were let to enter liquidation. This meant that the depositors, mostly poor workers and organizations of the labor movement, stood to lose most of their savings. While the failed banks’ assets were estimated to fetch around 29 million SEK, the depositors’ total claim was over 46 million SEK. Like most countries, Sweden did not have an explicit deposit insurance at the time, so the question of if, and how, the state should help the depositors was uncertain. A little over a week after the start of the crash, the right-party minority government - formed after a heated election the previous year - presented a bill that proposed that the state should offer some help to most, but not all, of the depositors. This started a month-long debate that engaged around 100 members of all five parties in the two chambers of parliament. This paper offers the first account of this unique debate in Swedish banking history. It also adds to the limited research about the Allmänna
savings banks. The study further contributes to the research concerned with the role of narratives and memories in states’ responses to banking crises.

States can and have, intervened in banking crises in many different ways. Metrick and Schmelzing (2021) identify twenty categories of government interventions in banking crises. Formal, and informal deposit insurance schemes are two of them. In an IMF working paper, Hoelscher et al (2006:2) define a formal deposit insurance scheme is based on pre-paid premiums paid by the insured banks and is ‘rules-based, clarifying the government’s obligations to protect depositors when a bank is unable to meet its repayment obligation’. Formal deposit insurance systems differ between jurisdictions, but are generally funded through pre-paid premiums paid by the participating banks. Formal rules then regulate how and when the funds can be used in the event an insured bank is liquidated. Formal deposit insurance schemes were first created in a number of US states in the early 19th century and at the national level in 1934, with the creation of the Federal Deposit Insurance Cooperation. (See for example Golembe, 1960, White, 1981, Calomiris, 1991) In most other countries, formal deposit insurance systems would emerge only in the last decade of the 20th century, Sweden included. (Demirguc-Kunt, et al, 2008)

While formal deposit insurance systems generally are fairly new features of the financial system, informal deposit insurance interventions have a much longer, if less well researched, history. Informal or ad hoc deposit insurance schemes are different from formal systems in important ways. ‘The main characteristics of implicit deposit insurance include the absence of any rules regarding the coverage or compensation for losses and the absence of funds available for assistance. As a result, decisions on depositor protection are negotiated at the time of a bank failure. Possibilities exist for inconsistent treatment of depositors and other creditors’ (Hoelscher et al, 2006:2).
While this paper accounts for the only Swedish case, informal, tacit, or ad hoc, guarantees of deposits have been used to manage banking crises in many other countries on many occasions throughout history. Just in the interwar period, Metrick and Schmelzing find such interventions in the US (Preston 1922, 352ff), Canada (Carr, Mathewson, and Quigley 1995, 1142ff.; Kryzanowski and Roberts 1993), Austria (Pressburger 1966:413), France (Lacoue-Labarthe 2005:637) and Germany 1931 (Born 1967, 96, 105ff). The informal, ad hoc, nature of these interventions may explain why the research of these cases has remained limited compared to the research on formal systems. This article studies the intervention to cover some of the losses of the Allmänna savings bank depositors in 1929 with attention to the competing narratives among the regulators in the two chambers of the Swedish parliament.

Research on informal, ad hoc, deposit insurance scheme can benefit from focusing on the competing narratives in the political debate. While a formal deposit insurance system can mitigate disputes on key issues such as whether the state should intervene, how an insurance should be administered and funded, who should be covered and by how much, all these matters are up for debate when concerning intervention in the form of an informal or ad hoc deposit insurance. Narratives help us make sense of the economy and our roles in it. If a crisis of some sort occurs, established narratives can be challenged as stakeholders search for new, acceptable ways to make sense of the world. (Shiller, 2017). As Hansen (2012a:274) puts it, ‘[d]ramatic events such as financial and economic bubbles and crises upset the order of things and urge society to reconsider its cultural, social and economic values and principles’.

The narratives used the make sense of banking crises, and what to do about them, inevitably differ between stakeholders. Debates that follow banking crises can thus be understood as a competition between narratives, about what went wrong, who is
to blame and how to avoid a repetition’ (Hansen, 2012a). The narratives of parties and politicians are informed by ideological beliefs, the interests of their constituencies and of interest groups (Mian et al, 2010). Rare events like banking crises and crashes usually invoke memories of past similar events, for sense-making and to offer examples of possible policy actions (Cassis & Schenk, eds. 2021). The past crises may however be remembered differently, and different interpretations can be incorporated in competing narratives to promote competing policy choices (Ibid; Samman, 2016; Hansen, 2012b). As put by Cassis & Telesca (2018:xx) ‘Crises narratives are eventually reconstructed and reinterpreted ex-post, when the discursive struggles move to the historical battlefield and crises are remembered differently, depending on the sensitivity of the day’. They further see the narration of financial crises “depending on the capacity of political entrepreneurs to make sense of a crisis, identify scapegoats, and mobilize and organize public opinion towards certain policy and legislative goal’. Who counts as a political entrepreneur can change over time and with context. And their capacity to influence the crisis narrative, and thus the type and content of a state intervention, is a product of power-relations among them. Members of parliament and government are important potential entrepreneurs in the “discourse struggles” that determine state interventions in crises. Not only do they have a platform from which to promote a narrative, but they also have legislative powers to directly affect the decisions that are the outcome of the competition between narratives.

We believe that the state intervention that followed the Allmänna savings bank crash in the spring of 1929 constitutes an informal deposit insurance as described in the literature. As such, we focus on the competing narratives in the parliamentary debate that began in mid-April and ended with a decision in mid-May, 1929. Our analysis is based on the public records of the debate, i.e. the government’s bill on the 16th of April,
1929, the first parliamentary debate in the Second chamber on the 17\textsuperscript{th}, the 17 motions submitted in the next three weeks, the parliamentary Banking Committee’s proposal published on the 10\textsuperscript{th} of May, and the records of the debates in the First and Second chambers on the 15\textsuperscript{th} of May. We have also studied the archives of the Ministry of Finance and the Police for our account of the banks, the crash and the economic crimes committed by some of the bank insiders. The press coverage of the savings bank crash was intense in 1929 and 1930, and a narrative-based study could have focused on the way the newspapers made sense of it, who was to blame and what the state should do about it. We chose however to focus on the members of parliament who had the executive power to decide on the ultimate policy response. Analyzing parliamentary proceedings and debates is often used for the purpose of understanding policy outcomes, stakeholder influence and the power of narratives (For example, concerning banking regulation reforms (e.g. Ögren, 2021; Game et al. 2020), monetary policy reforms (Mitchener et al. 2010), and bank crisis management (Pihl, 2022)).

The main published reference about the Allmänna savings banks and the crash are the pages included in one of three volumes on the history of savings banks in Sweden by economist Emil Sommarin (1945:144-156, 301-309). Sommarin was closely associated with the Swedish savings bank association, and like it, was an outspoken critic of the Allmänna savings banks throughout their brief existence. In Sommarin’s account, the Allmänna savings banks and their founders were bad apples with mala fide intent from the foundation of the banks, in 1916. Importantly, they had nothing to do with ‘real’ savings banks he claimed - a statement frequently used in the 1929 debate, we will see. While neither Sommarin nor the MP:s defined what they meant with ‘real’ savings banks, they basically meant any and all other savings bank in Sweden. By tradition, and as formalized in the savings bank law, they operated locally, without
profit motive, and at very low risk. These restrictions had made savings bank failures extremely rare since the 1820s, when they first appeared in Sweden. As we will explain, the Allmänna savings banks did violate most of these restrictions – however without formally violating the letter of the saving bank act - and this was the source of Sommarin’s and the savings bank association’s critique. In his book, Sommarin does not mention the 1929 debate, and generally underplay the historical significance of the Allmänna savings banks crash. Except for the debate, the deposit losses, the unusual state intervention, the crash also led to the creation of the Savings Bank Inspectorate, already in the fall of 1929. The creation of a savings bank supervisory agency started the gradual centralization and harmonization of savings bank supervision, which up to this point had been conducted solely at the County level. The reform had been proposed earlier, but the crash generated enough political support for it to improve what many saw as a flawed, local supervision. While this study argue that the Allmänna savings bank crash is of importance to Swedish banking history and to international research on state interventions in banking crises, we should stress that the 1929 crash was not of any systemic proportions. Even if the deposit insurance debate was initially, partly, motivated out of concern for the trust in the banking system as a whole, the effects were mainly confined to the depositors. The limited effects on the real economy may explain why the case is not mentioned in the literature covering the Swedish banking and financial crises of the 20th century, (see for example Ögren, 2018; Sjögren & Iversen, 2018, Larsson & Lönnborg, 2014; Lönnborg, Ögren & Rafferty, 2011). We do not contend that the Allmänna savings bank crash necessarily should be added to this literature, although we note that it meets some of the criteria, e.g. state intervention and bank runs, used to identify banking crises in influential international surveys (e.g Reinhart & Rogoff, 2008).
If the research on the Allmänna savings bank case is very limited, many researchers have focused on Swedish political debates concerning the regulation of banks and the management of crises in the banking system. Sjölander (2000) studies the parliamentary debate between 1882 and 1939 regarding the regulation of savings banks. He references Sommarin in his brief mentioning of the Allmänna savings banks, but does not account of the deposit insurance debate. He focuses on the competition between politicians who wanted to keep the savings banks lightly regulated and supervised at the local level, and those who wanted the regulation and supervision more harmonized and stricter. Ögren (2021) studies the parliamentary debates on commercial banking regulation between 1831 and 1911, and so cover the period before and after 1866 when the four estates were replaced by the two-chamber parliament. He finds that the nobility sided with the established bankers in the early and mid-19th century and supported regulation that limited competition. Broader public representation - with the successive steps towards universal suffrage - contributed to regulatory reforms promoting competition during the latter part of the period. Pihl (2022) studies the Swedish politicians’ use of narratives in the creation of the Riksbank in 1668. The political leaders saw the benefits of having a bank, but faced the problem of low trust in banking after the failure of Stockholm Banco, the first bank in Sweden. The solution was to take control over the narrative of the failed bank and to concentrate the blame on its founder, Johan Palmstruch.

**The Allmänna savings banks and the crash**

The first Allmänna savings banks were started in 1916. They were founded to provide banking services to people and organizations of the labor movement. While a large section of the Swedish population had an account in a savings or commercial bank by the early 20th century, loans and other services were mainly extended to the established
social, economic and political elites. (Lilja & Bäcklund, 2016) Among the trustees and board members of the Allmänna savings banks were many social democratic politicians and union leaders.¹ Most of the founders lacked experience of banking, with the exception of a man called Gustav Svensson. In 1912, he had participated in the founding of an earlier bank ‘for and by’ the workers, the commercial bank AB Nya Banken. Nya Banken quickly became known as the red bank in the press for its involvement in funding of the revolutionaries in Russia. (Sutton, 1974) However, Svensson left the bank after a few years to form the Allmänna savings banks.

The original plan was to form a nationwide savings bank to service the underbanked Swedish workers, but the 1895 savings bank act constrained savings banks to operate locally. Svensson altered his plan and founded a large number of legally separate, but closely cooperating, savings banks around the country. The first banks opened for business in 1916, and by 1920 the Allmänna savings bank ‘group’ consisted of 20 banks and over 400 deposit offices, making it the second largest savings bank in the county. In the spirit of the banks’ stated objective, deposits were attracted from individuals and organizations of the working class. The lending was concentrated to construction companies who would build affordable housing in the new suburbs south and north of central Stockholm. What few knew however, was that the construction companies were founded and controlled by Svensson and his collaborators. Rather than completing any houses, the loans went to commissions, fees, expensive offices and to cover old bad loans. Land appraisers were bribed to exaggerate the quality of the land used as collateral.² The scheme was hidden from the banks’ boards and trustees by falsified and forged documents. By moving assets and liabilities around, the Allmänna savings banks could pass the scrutiny of the locally organized savings bank supervision.
Some examiners did submit critical reports to the County authorities, but the banks were allowed to continue operating.

In 1919, the examiner of the Allmänna savings bank in Stockholm, submitted a report which essentially called for the bank to be closed. The local authorities chose not to do so, out of fear of the effects on other Allmänna savings banks and the thousands of depositors. (Dandenell, 1920) Nevertheless, the criticism contributed to a reform of the savings bank act, which forced the break-up of the Allmänna savings bank group in the early 1920s. However, Svensson maintained control over the Allmänna savings banks that later would fail in the 1929 crash. The regulatory reforms led to many of the politicians and union leaders leaving the boards of the Allmänna savings banks, replaced by people with a less clear labor movement-orientation. The Allmänna savings banks, and the savings bank sector overall, weathered the financial crisis in the early 1920s much better than the commercial banks. Several of the largest commercial banks came close to default, and in 1922 a ‘bad bank’ called Kreditkassan was created to administer the state’s intervention to help the banks. The intervention, in the form of liquidity and capital and the off-loading of weak assets of the bank, amounted to over 100 Million SEK of tax-payers’ money. (Hagberg, 2007; Lönnborg et al 2011) No depositor lost money, it should be added.

Svensson secured a new source of funding by taking over an esteemed old mortgage lender, Stockholms hypotekskassa, in 1924. The hypotekskassa was then used to offload weak loans from the banks’ balance sheets and collect new money through bond issues. With the new source of funding the construction companies could roll over old debt. Svensson and his collaborators continued to pay themselves handsomely. The end came in early 1929 when the Ministry of Finance, after a tip, commissioned a large, secret, investigation which concluded that several Allmänna savings banks had
maintained close financial ties after the 1920 reform, and that they all were insolvent. Almost all loans were to construction companies equally insolvent. The collateral on which the loans had been granted soon proved near or completely worthless. The investigation also showed that the loans had been extended in a scheme that had involved forgeries, bribes, embezzlement, etcetera for many years, facilitated by bank insiders. The crash came on the 8th of April, when the Allmänna savings banks in Stockholm, Örebro and Göteborg, and the Bergslagernas savings bank in Falun did not open. Within a few days, four more Allmänna savings banks entered bankruptcy. The crash made the first page of all newspapers, and remained in the news throughout 1929 and 1930, as the scandal evolved. Around the country, board members, managers and auditors were prosecuted in local courts, making the Allmänna savings bank crash the largest economic crime case in Swedish history to that point. In the end, about 20 individuals were convicted to jail and/or fines for their role in the scheme. Svensson, until then a well-seen business man in Stockholm, was identified as the ringleader and ultimately sentenced to 6.5 years in prison. (Sommarin, 1945, Svenska Dagbladet, 1929)

The bankruptcy estates started to go through the books of the failed banks. In the government’s bill in mid-April, their findings so far were summarized. The liabilities of the eight failed banks were estimated to total 49 million SEK, of which circa 46 million were deposits. A large share of the banks’ loans had been made to insolvent construction companies against collateral that was more or less worthless. The true value of the banks’ assets was believed to be around 29 million SEK. The depositors thus stood to lose a large chunk of their claims. Around 3800 of the depositors were legal persons, most of which were local sick-, burial-, unemployment-, retirement-funds, union branches and small rural municipalities. Most of the accounts held small
amounts. 77.000 held less than 1.000 SEK. The banks differed in their degree of insolvency. The assets of the Allmänna savings bank in Stockholm was expected to cover circa 15 percent of its liabilities, while the assets of the banks in Luleå and Sundsvall were estimated to cover as much as 75 percent. Unfortunately, the worst-off banks were also the largest in terms of deposits. Of the 46 million SEK in deposits, 18 were in the Stockholm bank, 8.5 in Falun, 7.5 in Göteborg and 4.5 in Örebro.4

Just eight days after the start of the crash, on the 16th of April, just eight days after the start of the crash, the government presented a bill to parliament that, after presenting the best estimates of the assets and liabilities of the failed banks, proposed a state funded deposit insurance to the depositors. It was a one-off intervention, stressing the fact that the state did not have a legal, formal, responsibility to intervene to help depositors. In this case however, it argued that such an intervention was called for. In light of this framing of the intervention, and the month-long debate that followed, we deem the case fitting well with the definition of informal deposit insurance interventions described in the literature.

The debate involved some 100 MP:s from all parties, and took place at the end of a politically very turbulent decade during which all governments resigned prematurely. The election in 1928, the so-called Cossack-election, had been particularly agitated. The election had gone bad for the social democrats, which still was the largest Swedish party. The right party had done well enough to form a minority government. It was a weak government however, depending on support from the agrarian party and the two liberal parties (the liberals had split in two after the 1922 prohibition referendum). The smallest party in parliament was the communist party, which had gained a few seats in the election.
Table 1: Party groups in the two chambers of parliament in 1929, no. of seats

<table>
<thead>
<tr>
<th></th>
<th>Right</th>
<th>Agrarian</th>
<th>Liberals</th>
<th>Social democrats</th>
<th>Communists</th>
<th>Total</th>
</tr>
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<tr>
<td>First</td>
<td>49</td>
<td>17</td>
<td>31</td>
<td>52</td>
<td>1</td>
<td>150</td>
</tr>
<tr>
<td>Second</td>
<td>73</td>
<td>27</td>
<td>32</td>
<td>90</td>
<td>8</td>
<td>230</td>
</tr>
</tbody>
</table>

Source: Sjölander (2000), table 3, p. 30

While the Swedish state had intervened in many banking crises before, the intervention proposed in 1929 was novel, as was the crisis. The crash involved assumably safe savings banks, who had become insolvent due serious economic crimes, and forced the MP:s to reconsider established views about savings banks and bank depositors, and the responsibilities of the state towards the latter. Ideological differences between the parties did not clearly predict the outcome of the debate either. According to Prime Minister Lindman of the right-party, the decision to propose an intervention to help the depositors - who clearly sympathized with the social democrats - was a strategic choice to take charge of the issue, and preemptively stop too outlandish proposals. This did not stop him from being criticized by several members of its own party, for acting in opposition to ideological conservative principles. The social democrats were clearly in favor of a state intervention, but had to weigh any counter-proposal to the fact that many party members and union representatives had been involved in the founding of the Allmänna savings banks. The novelty of the case, and the proposed state intervention in the form of a one-off, informal and partial deposit insurance made the nature of the political debate, and the content and structuring of the MP:s competing narratives, and open affair. The remainder of the paper will account for the debate, mainly between the right party and the social democrats, in terms of the competing narratives that formed about the causes of the crash, whether the state should intervene or not, whether there
existed an implicit deposit insurance or not, who should be covered among the
depositors, by how much, and how an intervention should be funded and administered.

The government’s bill

The 16th April bill elaborated on the government’s views on the causes of the crash,
applicable motives for the state to intervene, a principle for determining which
derositors to help, an estimate of the reasonable cost of an intervention, as well as a
proposal for its funding and administration. The debate in the coming month largely
concerned these five issues.

According to the bill, the crash was caused by the speculative - and most
probably criminal - conduct of some of the banks’ leading men (the court cases had not
yet begun at the time). The government also stressed that while, ‘proper’ savings banks
were very safe and prudently run, ‘the banks in question, of which none was one of our
older savings banks, in their business operations had forsaken the sound foundations
that the Swedish savings banks have practiced since old times’6. What the government
defined as a ‘proper’ savings bank was not specified, but government representatives
referred to the fact that only a handful of Swedish savings banks, of many hundred, had
failed since the 1820s. The fact that some of the Allmänna savings banks had offered
higher interest rates on deposits than the old, established savings banks, was deemed as
sufficient proof that the failed banks had operated at very high risk. The depositors were
therefore partly to blame, the government argued. Out of greed they had ignored clear
signs, the high interest rate, that the Allmänna savings banks were suspicious

In the bill, the government argued that the 1929 crash could not be compared
with the 1920-22 banking crisis. That crisis had been systemic in scale and had
endangered the whole economy. It had been caused by the international post-war
recession and by the government’s deflationary policies after the war. Thus, according
to the government, the state’s policies had been partly to blame for the banking crisis in 1920-22. The state’s part in causing the crisis, and the systemic scale of it, had been the reasons for the intervention then. The current crash of the Allmänna savings banks was something completely different, the bill argued. It had been caused by reckless, risky business practices by some of the men leading the banks. The state could not be blamed for the crash any way. Furthermore, while the current crash could affect depositors’ trust in banks, it hardly would have any systemic effects on either the banking system or the real economy.

Regarding whether the state should intervene in some way, the bill stressed that the state did not have any legal obligation to do so. However, in this particular case, the government argued that it should offer some help to the depositors. First, the public’s trust in savings banks in general might be negatively affected if the state did not intervene. Second, related to the first motive, not intervening could undermine the public’s interest in saving in banks overall, which could undermine the development of the sector, especially the savings banks. Third, and most important, help could be warranted based on the mercy principle. The mercy (‘billighet’) principle, noted in the Swedish Penal Code, was sometimes used in court verdicts when specific conditions existed that could merit a lighter sentence - out of mercy (Ågren, 2007). Since most of the depositors were individuals of very small means, the mercy principle could be used. The intervention could be seen as a form of poor relief, not enacted out of legal obligation, but for being the right thing to do.

However, the bill argued, the mercy principle could only apply to individuals. One could only pity individuals. This meant that legal persons could not be covered by a state intervention. In accordance with the mercy-principle, the government proposed that the depositors would receive help based on their deposited amount. Assuming that
the amounts reflected the overall economic standing of the individuals, the smallest deposited amounts would be insured at a higher percentage than the accounts with the highest amounts.

The government proposed that the state should guarantee that deposits under 1,000 SEK would receive a minimum pay-out of 60 percent, deposits between 1000 and 2000 SEK 40 percent, and deposits between 2000 and 5000 SEK would be covered to 20 percent. Deposits over 5000 SEK would not be covered at all. The government estimated that the state funds would only come in use for depositors in the banks in Stockholm, Göteborg, Örebro and Falun. In the other banks, the liquidations would generate higher or equal levels of payouts. In total, the guarantee would cost around 10 million SEK, the government estimated. The Treasury should issue of a bond for that amount, at 5 percent. The ‘bad bank’ Kreditkassan, created in 1922 to administer the state’s support to the failing banks in the 1920-22 crisis, would administer the payouts. 10 million SEK was a lot of money, the government argued, but the state could handle the cost. Important was however that the costs were shared with the depositors. The losses incurred by the depositors should serve as a lesson to all depositors to be careful in their choice of bank and not to expect the state to come to their rescue in the future. The bill proposed an exception of school children’s savings accounts, which should be fully repaid.

The first parliamentary debate

Already on the 17th of April, the government’s bill was debated in the Second Chamber. The social democrats objected to the way the government had explained the crash, not the least the blame it was putting on the depositors. They also objected to the limited help that the government wanted to offer. The leader of the social democrats, Hansson, said: ‘It will be a hard blow for all these poor people, when they realize that the help
that the government want to offer, only to a small extent will leave them indemnified for losses, for which they themselves cannot be said to be at fault. The depositors, the social democrats argued, had done nothing wrong. They had trusted the supervision of the county administrations and the external auditors of the banks, which clearly had failed by letting the banks keep going year after year. The failure of the supervision made the state responsible for the deposit losses, according to the social democrats.

If the failed supervision was the first main motive for the state to help the depositors, the second motive for state intervention, according the social democrats, was that the public had come to expect their deposits to be protected. While the state did not have a legal, explicit, obligation to protect depositors, interventions in past crises - most recently during the 1920-22 crisis - had established such expectations on the state. Regarding the scale of the state intervention, one social democratic MP argued that the problems of the Allmänna savings banks had originated in 1920-22, during the recession when they got stuck with the bad loans than ultimately led to their demise. The current crash was therefore in fact part of the 1920-22 crisis, which meant that the intervention now should match the one in 1922, so he reasoned.

The social democrats also criticized the mercy principle, on which the government’s intervention was based, for being too open for interpretation. It would lead to arbitrary judgement about who to help. The deposit insurance now negotiated should cover all depositors, regardless of who the depositor was. The government’s exclusion of legal persons would be unfair the social democrats argued. Saving in a local sick fund or in a deposit account was functionally the same, and so the government’s distinction would hit the depositors unfairly.

The social democrats also argued for a more generous guarantee than the government had proposed. If the depositors incurred too high losses, one prominent MP
believed, many would withdraw their savings from both savings banks and commercial banks and deposit them with the Postal savings bank (which, by being state-owned, de facto offered unlimited depositor insurance).\textsuperscript{11}

Regarding the administration and funding of the deposit insurance, neither the social democrats nor the other parties proposed alternatives to the government. Minister of Finance Wohlin clarified that it would be an ‘\textit{alien enterprise to the state}’ to take over the failed, insolvent and scandalized banks. The only reasonable intervention was therefore to have a state funded deposit insurance available at the back of the liquidations.\textsuperscript{12} The insurance would best be funded by having the Treasury issue a bond. The Kreditkassan was best suited to administer the help. The minister of finance rejected the social democrats’ explanation to the crash and the state’s responsibility in it, by reiterating the main points of the bill submitted the day before.

One right party MP was very critical to his own government’s bill. He opposed any form of state intervention, and argued that the responsibility for the crash, ‘\textit{lie with the men who at the time was part in the founding of this bank. At the time, it had a clear social democratic imprint}’\textsuperscript{13}. He refuted the claim that past crisis interventions had already established expectations on the state to intervene. The fact that the savings banks were under regulation and supervision did not make the state responsible, he reasoned further. An intervention would be principally wrong, he argued, and would establish very costly expectations on the state for the future. The depositors’ losses were unfortunate, but should serve as a lesson to all to choose their bank carefully.\textsuperscript{14}

While main conflict lay between the right party in government and the social democrats in opposition, MP:s of the other parties also spoke during the debate. The leader of the agrarian party supported the government’s bill but also warned of the risk that expectation on the state could change with an intervention.\textsuperscript{15} The leaders of the two
liberal parties stressed the responsibilities of the boards, managers and auditors in the failed banks. Referring to a huge loan extended by the Allmänna savings bank in Stockholm, one of them stated: ‘[E]ither this massive loan against weak collateral is a pure fraud or the board is utterly ignorant… If among the board members of the Stockholm Allmänna savings bank had been just one person with a practical view and a sound economic mind, such loans would never have come to be’\textsuperscript{16}. The liberals also criticized the mercy principle, on the same ground as the social democrats. The communists sided with the social democrats that the intervention in the 1920-22 crisis had established expectations on the state to intervene.\textsuperscript{17}

The motions

The criminal investigations moved forward in the weeks that followed the debate on the 17 of April. The manager of one of the failed banks committed suicide on the 19\textsuperscript{th} of April. Svensson was arrested on the 25\textsuperscript{th} of April. In the last days of April, the state-owned Jordbrukarbanken was subject to a week-long run when the press reported that the bank had facilitated the bond issues that had funded the Svensson scam since the mid-1920s. The run was stopped when the parliament approved a 6 million SEK liquidity loan, administered by Kreditkassan, to the bank. The Jordbrukarbanken’s role in the scandal would lead to the resignation of the finance minister Wohlin, just a few weeks after the end of the deposit loss-debate. (Sommarin, 1945)

In the last weeks of April, individual or groups of MP:s submitted motions that responded to the government’s bill. 17 motions were submitted in total, of which two were submitted twice, to each chamber. The motions repeated many of the points made during the 17\textsuperscript{th} of April debate, but also stated cost estimates of the different proposals. The motions also argued for differentiated treatment of the depositors. Some depositor groups were more deserving of help than others.
In one motion, two liberals argued for excluding small deposits from the insurance. Those with small amounts could recover more easily than individuals with large amounts, in some cases their whole life’s savings. Furthermore, they suggested that the state should set a minimum and a maximum compensation rate (30 and 60 percent respectively). Their proposal would cost 7.6 million SEK they estimated. Another liberal, argued for full compensation to depositors under guardianship, and the inclusion of legal persons in the guarantee. He questioned the mercy principle as a motive for intervention, but if applied, the insurance should be extended to sick-, burial-, orphan-, and many other funds as well. The cost would be slightly higher than the government’s bill, 11.6 million SEK. The same MP sided with those who believed that the 1920-22 intervention had established expectations on the state to help the depositors. Furthermore, he argued, ‘unhealthy speculation’ had been the main cause in both crises.

A group of Social democrat MP:s submitted two identical motions to each chamber. They proposed a 90 percent insurance for deposits up to 1000 SEK and 75 percent for amounts above. Fewer brackets would make the insurance less unfair, they argued. They also argued for the inclusion of legal persons. Their proposal would cost about 17 million SEK. The cost was warranted because the state was partially to blame for the crash, due to the failed supervision.

A motion by three agrarian MP:s argued for an insurance that gave large deposits a higher cover than the government’s bill: 50 percent up to 1000 SEK; 40 percent between 1000 and 2000; and 30 percent for deposits larger than this. They argued for the inclusion of legal person depositors. While the legal persons, more than the individual depositors, should be expected to have the competence to monitor their
bank, they too had relied on the statements of the examiners and auditors, like everybody else. Their proposal would amount to about 12 million SEK.²¹

The Communists called for full compensation to most categories of depositors, including legal persons (except for-profit companies). They however called for investigations to ensure that the help did not go depositors with total wealth or a wage of more than 8000 SEK.²²

One motion was jointly submitted by liberal and right party MP:s. They argued against a deposit insurance of any sort. An insurance would establish new expectations on the state. It would also comprise an illicit redistribution of public funds, in their view. Rather than a deposit insurance, the role of the state should be to closely oversee the liquidation of the banks’ assets to maximize the payout to the depositors.²³

A Right MP submitted the only alternative proposal for the funding of the insurance. He suggested that it should be funded via a lottery. In this way the costs would not burden all tax payers, but only those who supported the intervention, he reasoned.²⁴

**The Banking Committee’s proposal(s)**

The government’s bill, the records of the 17th of April debate, and the motions, where all handed over to the Banking Committee in late April. It was tasked with producing a proposal that stood a chance of passing a vote in each chamber. During the Committee’s work, the investigations of the failed banks continued. A closer look at the assets and liabilities showed that the numbers stated in the government’s bill were wrong. Circa 2,4 million SEK of the deposits were found to be fake. In the last years before the crash, Svensson and his collaborators had come to create fake certificates of deposits to boost the banks’ books and to use them as loan-collateral. The number of legal person
depositors was also reduced, from 3.800 to 3.000, when all Svensson’s companies were cut from the books.\textsuperscript{25}

The work of the 16 committee members was far from harmonious. When the Committee presented its proposal on the 10\textsuperscript{th} of May, only the two agrarian and three liberal members backed it. The five members from the right party instead proposed a deposit insurance identical to the government’s original bill, plus full coverage to deposits of school children and people under guardianship. With the updated estimates of the assets and losses, this proposal would cost tax payers around 5.5 million SEK - almost half of the bill’s original estimate of 10 million. The six social democratic members of the Committee supported their own proposal, which would amount to about 15.5 million SEK. It repeated the social democrats’ views on the causes of the crash, the role and responsibilities of the state and the inclusion of all depositors in the state’s intervention.

The main proposal of the Committee contained elements of both the government’s and the social democrats’ explanation of the crash. The immediate cause had been that ‘the savings banks in question, in concerning ways, had departed from the sound values of savings banking’\textsuperscript{26}. The Allmänna savings banks had thus not operated as ‘real’ savings banks, as the government had put it in their bill. However, the banks’ insolvency had also been caused by flaws in the supervision and external auditing, which had allowed the banks to operate for many years and compound the losses of the depositors. The supervision had clearly failed, the Committee concluded, and it recommended the parliament to investigate how the savings bank supervision could be improved. As mentioned earlier, the parliament followed the recommendation. it created the Savings Bank Inspectorate before 1929 was over, to oversee, harmonize and, if necessary, override the savings bank supervision conducted at the County-level. The
bank examiner from the Securities- and Bank Inspection Board who in March had investigated the Allmänna savings banks was appointed to lead the new agency.27

The Committee’s proposal included help to the legal persons. The arguments for the state to intervene applied to many types of legal persons as well, the Committee reasoned. To make a distinction between them would be unfair and arbitrary. Furthermore, the costs would not increase by so much by including them. The circa 3,000 legal persons had about 3.8 million SEK in deposits, of which 2,400 had less than 1,000 SEK in their accounts.

The Committee’s proposal did not elaborate much on the motives for an intervention, or if the state should intervene or not. By this point, it was clear that some form of depositor compensation would come. Except for a handful of MP:s of the right party, the liberals and agrarians, no one had challenged the idea that the state should help the depositors. The social democrats were clearly in favor of a deposit insurance. Ideologically, the right party and the agrarians would have preferred not to have the state get involved. But as the Prime Minister would say during the 15th of May debates, the government’s bill had been a way to temper the debate and set limits to the state’s expenditures on the matter. The Committee’s main proposal referred to the public’s trust in banking as a motive for the intervention, although by early May, it was clear that the Allmänna savings bank crash had not had any noticeable effect on the system.

The brackets of deposited amounts of the government’s proposal were accepted by the Committee, as was the principle of higher coverage for small deposits. Regarding calls for case-by-case assessment of the 88,000 depositors, e.g. regarding their total wealth, age or if they had paid their taxes, the Committee argued that this would be too complicated, costly and time-consuming. Only deposits with over 5,000 SEK should be assessed individually, it proposed. The total cost of the committee’s proposal was about
9,85 million SEK. It however recommended that bonds worth 11 million SEK should be issued, at 4.5 percent, to have a margin if the costs would end up higher.
<table>
<thead>
<tr>
<th>Deposited amount, up to</th>
<th>Government (and committee reservation) (Right party)</th>
<th>Banking committee (Agrarian/Liberal-F)</th>
<th>Banking committee reservation (Social democrats)</th>
<th>Motion I:292 and II:448 (Social democrats)</th>
<th>Motion II:445 (Liberal-F)</th>
<th>Motion II:447 (Liberal-L)</th>
<th>Motion II:452 (Agrarian)</th>
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<tr>
<td></td>
<td>SEK   %</td>
<td>SEK   %</td>
<td>SEK   %</td>
<td>SEK   %</td>
<td>SEK   %</td>
<td>SEK   %</td>
<td>SEK   %</td>
</tr>
<tr>
<td>1.000 SEK</td>
<td>From bank</td>
<td>150</td>
<td>60%</td>
<td>150</td>
<td>75%</td>
<td>150</td>
<td>75%</td>
</tr>
<tr>
<td></td>
<td>From state</td>
<td>450</td>
<td>60%</td>
<td>600</td>
<td>75%</td>
<td>600</td>
<td>75%</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>600</td>
<td>60%</td>
<td>750</td>
<td>75%</td>
<td>900</td>
<td>75%</td>
</tr>
<tr>
<td>2.000 SEK</td>
<td>From bank</td>
<td>300</td>
<td>60%</td>
<td>300</td>
<td>75%</td>
<td>300</td>
<td>75%</td>
</tr>
<tr>
<td></td>
<td>From state</td>
<td>700</td>
<td>60%</td>
<td>1200</td>
<td>75%</td>
<td>1350</td>
<td>75%</td>
</tr>
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<td>Total</td>
<td></td>
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<td>1500</td>
<td>75%</td>
<td>1650</td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>5.000 SEK</td>
<td>From bank</td>
<td>750</td>
<td>60%</td>
<td>750</td>
<td>75%</td>
<td>750</td>
<td>75%</td>
</tr>
<tr>
<td></td>
<td>From state</td>
<td>850</td>
<td>60%</td>
<td>3000</td>
<td>75%</td>
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<td>75%</td>
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<td>Total</td>
<td></td>
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<td>3750</td>
<td>75%</td>
<td>3900</td>
<td>78%</td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>10.000 SEK</td>
<td>From bank</td>
<td>1500</td>
<td>60%</td>
<td>1500</td>
<td>75%</td>
<td>1500</td>
<td>75%</td>
</tr>
<tr>
<td></td>
<td>From state</td>
<td>1000</td>
<td>60%</td>
<td>4750</td>
<td>75%</td>
<td>6150</td>
<td>75%</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>1600</td>
<td>60%</td>
<td>6250</td>
<td>75%</td>
<td>7650</td>
<td>76,5%</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>20.000 SEK</td>
<td>From bank</td>
<td>3000</td>
<td>60%</td>
<td>3000</td>
<td>75%</td>
<td>3000</td>
<td>75%</td>
</tr>
<tr>
<td></td>
<td>From state</td>
<td>0</td>
<td>60%</td>
<td>4750</td>
<td>75%</td>
<td>12150</td>
<td>75%</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>3000</td>
<td>60%</td>
<td>7750</td>
<td>75%</td>
<td>15150</td>
<td>75%</td>
</tr>
<tr>
<td>30.000 SEK</td>
<td>From bank</td>
<td>4500</td>
<td>60%</td>
<td>4500</td>
<td>75%</td>
<td>4500</td>
<td>75%</td>
</tr>
<tr>
<td></td>
<td>From state</td>
<td>0</td>
<td>60%</td>
<td>4750</td>
<td>75%</td>
<td>18150</td>
<td>75%</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>4500</td>
<td>60%</td>
<td>9250</td>
<td>75%</td>
<td>22650</td>
<td>75,5%</td>
</tr>
<tr>
<td>TOTAL EST. AMOUNT</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Bankbankskortes utlående Nr 42, 10 maj 1929, bliga

Table 2: The banking committee’s summary of the main proposals
The second parliamentary debates

The deposit insurance debate was settled after long debates in the two chambers on the 15th of May. The proposals ranged from the government’s 5.5 million SEK to the 20 million SEK proposed by a large group of social democratic MP:s. Except for the seven main proposals, (Table 2) there were also the calls for exempted groups of depositors, for case-by-case assessments and for postponing the vote until the liquidations were completed etcetera. The scandal had remained a big story in the newspapers as it evolved from the failures to the crimes and court cases, and the political responses to it. The savings bank association took steps to distance their ‘real’ savings banks from the Allmänna savings banks. Among other things, an article written in English, by beforementioned economist Emil Sommarin, appeared in in the association’s journal to explain the crash and ensure the readers that the Swedish savings banks had no association with the failed banks (Sommarin, 1929). Despite their efforts, the ‘real’ savings banks may have lost goodwill due to the crash. The Postal savings bank experienced a surge in deposits in 1929 compared to the previous year. Figures presented in a motion in 1933 showed a 68 percent increase in deposits from end of 1928 to end of 1929. In the same period the deposits in the savings banks rose with just 1 percent.28

Both chambers debated the proposals on the 15th of May. They were more politically heated than the debate on the 17th of April, with 50 MP:s of all parties on the speakers list. The agrarian MP who had chaired the Banking Committee, urged the parliament to vote for the Committee’s main proposal. All legal persons should be covered for simplicity, and because the debate had shown the problems of trying to differentiate between groups of depositors on reasonable grounds. Furthermore, given
the mala fide intent of the fraudsters, in combination with the poor supervision, one had to conclude that all depositors had acted in good faith.\textsuperscript{29}

The government spoke favorably of the committee’s proposal, but saw its total cost as too high. With it, the insurance would turn from a poor relief intervention into a transfer of funds to particular groups of citizens - of which many were above the poverty line, the government claimed. Speaking to those few who opposed an intervention all together, the finance minister, although ideologically in agreement, warned that people could develop ‘\textit{a Bolshevik mindset}’ if the state did nothing. Importantly, the intervention was a one-off action, and would thus not affect expectations on the state in the future.\textsuperscript{30}

The social democrats argued that the money for the insurance should be much higher than the Committee’s proposal. A social democrat and economics professor argued that the depositors should be compensated fully, because of the trust the public had come to put in savings banks. While commercial banks were, rightfully, perceived as operating with some risk, he believed, ‘\textit{in the public eye, the savings banks as banking institutions, are seen as safe as public institutions}’\textsuperscript{31}.

Regarding the funding, there was not so much discussion, other than the government’s call for an issuing of bonds for 10 million SEK rather than the 11 million SEK proposed by the Banking Committee. No one objected to using the Kreditkassan for the administration of the payments. However, many MP:s among the right, the liberals, the agrarians and the communists argued for a case-by-case assessment of the depositors, to ensure that the help only went to the deserving. The Committee, the government and the social democrats opposed case-by-case assessments however. It would be too time-consuming and administratively burdensome. ‘\textit{Speedy help is double help}', as the Prime Minister argued.\textsuperscript{32}
The decision and the administration of the insurance

At the end of the lengthy debates, the chambers came to the vote. A form of Condorcet-process was used, by which the MP:s voted between two proposals at a time. Ultimately, the Banking Committee´s proposal won in both chambers, with the addition of the proposal of the liberal MP who headed the Kreditkassan at the time, that accounts with more than 5000 SEK, 1854 in number, should be assessed individually. Unfortunately, the records do not show how individual MP:s voted.

A few days later, the parliament delegated to the Treasury to issue bonds for 11 million SEK at 4,5 percent. The Treasury then opened a line of credit for the Kreditkassan to draw on. A number of commercial banks were commissioned to pay Allmänna savings bank depositors against verified deposit books. The Kreditkassan then compensated the banks. Since the bankruptcy receivers also had to verify that the individuals had a deposit account in one of the failed banks, the process took time. The Kreditkassan made the first payments to the commercial banks in November and December, 1929, and the last ones in 1935. On the 27th of June, 1936, the Kreditkassan submitted a concluding report to the government. Of the 11 million SEK, circa 10 million SEK had been paid to the depositors. As foreseen, the depositors of the banks in Stockholm, Falun and Örebro lost the most. After the liquidation of all assets, the total claims of the depositors of the Allmänna savings bank in Stockholm was 35 million SEK. The deposit insurance paid out 6 million SEK as cover for these losses.
<table>
<thead>
<tr>
<th>Bank</th>
<th>Total depositor claims</th>
<th>State guarantee</th>
<th>Expenses of the bankruptcy estates</th>
<th>Total payments</th>
<th>Payout, as percent of depositors claim</th>
</tr>
</thead>
<tbody>
<tr>
<td>Allmänna savings bank in Stockholm</td>
<td>35 397 478</td>
<td>6 337 650</td>
<td>33 896</td>
<td>6 371 546</td>
<td>18,00%</td>
</tr>
<tr>
<td>Bergslagernas savings bank</td>
<td>8 308 472</td>
<td>2 255 016</td>
<td>17 351</td>
<td>2 272 367</td>
<td>27,35%</td>
</tr>
<tr>
<td>Allmänna savings bank in Örebro</td>
<td>2 024 200</td>
<td>779 579</td>
<td>12 288</td>
<td>791 867</td>
<td>39,12%</td>
</tr>
<tr>
<td>Allmänna savings bank in Göteborg</td>
<td>749 471</td>
<td>372 859</td>
<td>14 992</td>
<td>387 851</td>
<td>51,75%</td>
</tr>
<tr>
<td>Allmänna savings bank in Luleå</td>
<td>300 022</td>
<td>146 757</td>
<td>5 174</td>
<td>151 931</td>
<td>50,64%</td>
</tr>
<tr>
<td>Allmänna savings bank for Västmanland County</td>
<td>96 713</td>
<td>49 214</td>
<td>8 427</td>
<td>57 641</td>
<td>59,60%</td>
</tr>
<tr>
<td>Allmänna savings bank in Sundsvall</td>
<td>70 501</td>
<td>43 187</td>
<td>6 164</td>
<td>49 351</td>
<td>70,00%</td>
</tr>
<tr>
<td>Allmänna savings bank in Landskrona</td>
<td>3 013</td>
<td>2 169</td>
<td>67</td>
<td>2 236</td>
<td>74,20%</td>
</tr>
<tr>
<td>TOTAL</td>
<td>46 949 870</td>
<td>9 986 431</td>
<td>98 359</td>
<td>10 084 790</td>
<td></td>
</tr>
</tbody>
</table>

Source: Swedish National Archive, Kreditkassan av 1922, Vol 37 and own calculations
Concluding remarks

This study has examined the month-long debate on an informal, one-off, deposit insurance, that took place in the two chambers of the Swedish parliament in the spring of 1929. The debate has been analyzed in terms of the competing narratives presented by the politicians to explain the crash, determine if the state should intervene or not, who should be covered by an insurance and how a state intervention should be funded and administered. Focusing on politicians’ competing narratives can be particularly useful when investigating state interventions in the form of informal, ad hoc, deposit insurances. Two main narratives were presented to explain the crash.

To the right party, the Allmänna savings banks had been risky from the start. They had never operated as ‘real’ savings banks, and this was, or should have been, commonly known among the public. For this reason, the banks’ depositors were partly to blame. Out of greed, they had deposited their savings in the Allmänna savings banks to earn higher interest rates than safe and sound savings banks possibly could offer. Referring to greed is common following a banking crisis, and can represent proponents’ views on the human nature (Hansen, 2012b). The banks’ board members and trustees had lacked the competence to challenge the business operations of the fraudsters, and so had a large share of the blame. Out of mercy however, and as a form of poor relief, it was the right thing to do to offer a partial deposit insurance. Legal persons, who should be expected to have the competence required to monitor their bank, should not be pitied or covered by the insurance. This was a one-off intervention however, and all depositors should take the affair as a lesson to pick their bank with care. The state had no expectation to intervene, and with this very peculiar intervention, no-one should establish such expectations for the future either. Comparing the 1929 events with the crisis in the beginning of the decade was like comparing apples and pears, impossible, the right argued. According to the government, the problems of the banks in 1920-22
had been caused by the state itself (the deflationary policies pursued by the Riksbank) and by the international recession after the war. The banks had not caused the crisis by their actions, which was the case in the 1929 crash. Furthermore, the 1920-22 crisis had been systemic in scope. To save the economy, the state had to intervene. The Allmänna savings bank crash was something totally different.

The social democrats’ narrative also recognized the economic crimes as the triggering event of the crash, but they saw flawed supervision and auditing as the main explanation to the scale and scope of the crash. The public had for a long time come to believe that deposits in regulated and supervised savings banks were safe, the Allmänna savings bank no exception. In this light, the state was partly responsible for the losses, while the depositors were victims. All depositors, both real and legal persons, as well as the banks’ boards and trustees, had trusted that the examiners’ reports and auditors’ annual reports contained correct information. The social democrats remembered the 1920-1922 crisis differently, although it focused more on the scale of the state’s intervention back then to help the commercial banks. They argued that the public had come to expect the state to intervene, and wanted that the generosity shown in the 1920-22 crisis should be given now as well. And why should depositors lose money now, when none did so in the prior crisis? The bank crisis after the war had been caused by risky speculation on the stock market, and the state had not been at fault, the social democrats remembered. In the 1929 crash, it was.

The Banking Committee’s proposal, that ultimately won the votes that ended the debate, unified some of the competing narratives, although the text was kept comparatively brief. The crash had been caused by economic crimes, committed by people who had forsaken the sound principles on which ‘real’ savings banks were run. However, weak supervision and auditing had enabled the scheme to continue, and grow,
for a long time. The intervention was a one-off action, and the state should not be expected to intervene in the future. A deposit insurance could be motivated to ensure the public’s trust in the banking system, as well as out of mercy. It should cover all depositors, out of convenience but also to avoid arbitrary distinctions between them. Legal persons had acted in good faith just as real person depositors. For the large number of depositors with small accounts, case-by-case evaluation would be too costly and administratively burdensome. To ensure that tax money was not spent on the undeserving, the accounts with more than 5,000 SEK would be individually examined. The sum on which the committee settled, was very close to the sum initially proposed by the government at the start of the debate, and placed in the middle of the amounts proposed in the other proposals. The Committee’s proposal did not explicitly assign blame to the depositors, but they would suffer significant losses despite the insurance.

No party argued in favor of an insurance that prevented the depositors from taking some loss, not even the social democrats. No MP proposed the creation of an explicit deposit insurance system. While no example of such systems were known to the Swedish MP:s at the time, the uniform understanding of the crash as concerning banks that were savings banks in name only, run by criminals, made the link to the state of the savings bank sector incredible. No one challenged the government’s initial statement that ‘real’ savings banks were safe and sound and that the Allmänna savings banks thus clearly weren’t really savings banks.

In our case, the state intervention was different from bast banking crisis interventions. The debated intervention, an implicit or ad hoc deposit insurance, had never been used before. Furthermore, the Allmänna savings bank crash challenged the established belief that savings banks were safe banks. The 1929 crash was “a challenge to discourse”, breaching “former linguistic strategies” as Flandreau (2012) put it.
Political ideology matters in the formation of narratives, and it is hardly surprising that the politicians on the right wanted to spend less on the depositors than the politicians on the left. The fact that the depositors more or less exclusively counted to the latter’s constituency, even makes it surprising that the MP:s on the right, with only a handful of exemptions, were positive to spend tax money on this intervention. The power distribution among the political parties matters to narratives as well, and the weakness of the right-party government at the time can explain it decision to propose an ad hoc, limited, guarantee to the depositors. The prime minister even stated the strategic choice to make the first proposal on the matter, to forego more outlandish claims on the state’s coffers. We also found that several right party MP:s challenged their own government on ideological grounds, further emphasizing the role of political strategy in the formation of narratives. The social democrats’ policy proposals were in turn framed by narratives that relied less on explicit protection of their voters’ interests, but more on the failure of the supervision and on the publics’ expectations regarding savings bank deposits and on the state’s interventions in banking crises in the past. The narratives of the 1929 debate were thus also shaped by past state interventions, especially in the 1920-22 crisis. MP:s of all parties referred to it, but disagreed deeply on whether that crisis could be compared to the 1929 crash or not. The disagreement was framed in competing memories of the 1920-22 crisis and its causes. A future study could use the Allmänna savings bank case to increase our understanding of the processes that produce and re-produce narratives in economic and business history (See for example Popp & Fellman, 2017) and why some bank crashes are forgotten (Cassis & Schenk, eds 2021).
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