

## Iceland steps closer to bank separation

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The battle for Glass-Steagall bank separation is in full swing in Iceland, the first country whose banking system collapsed in 2008, under the weight of the tremendous financial bubble blown up by the small nation's financial sector, but also the first country to start to recover, by going their own way. On March 18, one evening before the Cyprus parliament voted "No" to robbing the bank accounts of their citizens, the Economics and Trade Committee of the Icelandic parliament, Althingi, unanimously voted to pass motion 228, about separating commercial and investment banking. The international momentum towards Glass-Steagall bank separation has thus been increased by this decision.

Under pressure from opponents, the motion was somewhat weakened before the vote. However, the sponsor of the motion, Álfheiður Ingadóttir (Left-Green Party, former Deputy Speaker of the Althingi), stated to EIR, "I am optimistic. There was an amendment to my motion, but it is still positive. We are now more than one step ahead, but not all the way to bank separation." If passed by the full Althingi, the motion would require a committee to be set up by the Minister of Industry and Innovation to investigate bank separation. The amendment means that "instead of the Althingi voting 'yes' or 'no,' 'Let's have another look at bank separation,'" having considered what is happening in other countries, Álfheiður said.

The motion, as passed, reads:

"Parliament resolves to entrust the Minister of Industry and Innovation with the task of appointing a committee to investigate whether, and by what means, a separation of commercial and investment banking shall be conducted, in order to minimize the risk of the banking system to the economy of the nation. The committee should examine the policies of neighboring countries in this regard, and submit its recommendations before October 1, 2013," shortly after the fall session begins.

In the original version, the Ministerial committee was delegated "to revise the framework of banking services in Iceland in order to minimize " through the separation of commercial and investment banks " the risk of disruptions within the banking sector for the national economy."

In the statement accompanying the motion, the committee referred to the fact that the U.S. has had legislation that limits the power of financial institutions to take risky positions. It also stressed that there can be no delay in deciding how to minimize the risk of banking operations for the economy and taxpayers, for example, through separating risky investment and traditional banking.

As of this writing, the motion is on the agenda before the full Althingi, which is working "overtime" to finish business before they break to prepare for the parliamentary election on April 27. Álfheiður is hopeful that the motion will be passed, as there is overwhelming support for it. The motion has co-sponsors from all parties but one<sup>1</sup>, plus all of the independents. She also expects her party to make bank separation an election issue, as the state of the banking system is very important to the public.

If the Althingi were to pass the motion, that would shift the battle ground to the Ministry for Industry and Innovation, currently led by Minister Steingrímur J. Sigfússon, former chairman of the Left-Green party, who in his interview by EIR<sup>2</sup> back in 2011, stated that he was following the Glass-Steagall debate very closely. But, he may not be the selected Minister after the elections.

Written opinions against bank separation were received by the committee from the Icelandic Central Bank, several private banks, and others. Leading up to the vote, The Schiller Institute in Denmark and Sweden, sent all committee members a statement urging them to pass the motion, letting them know that the world was watching their actions. It included The Global Support for Glass-Steagall legislative fact sheet, and a section from a recent article by Helga Zepp-LaRouche dispelling three lies against Glass-Steagall. The packet was posted on the parliament's homepage (althingi.is) as an official opinion in favor of the motion.

Iceland, which took a different path than bank bailouts and austerity, has been a thorn in the side of the financial oligarchy since 2008. Great Britain even tried to use their 2001 Anti-terrorism law to freeze Icelandic assets in the Icesave bank dispute. The Icelandic banks were not too big to fail, and now, a step toward full bank separation has been taken. But, were Glass-Steagall to be passed in the U.S., that would change everything.

1) Even the Independence Party, which didn't have a co-sponsor, had their own bank separation proposal and supported the motion of the Committee.

2) See EIR vol. 38, nr. 44

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