

over 10% in the state debt, which is already more than 100 billion Swedish crowns per year. Almost 25% of the state budget is spent on paying interest on old debts.

The solution for the political establishment is to get the media to drum up an ideological barrage whose message is that the ordinary Swede has to become "debt-conscious"—*skuldmedveten* in Swedish, which also means to be conscious of one's guilt. To muster popular support for this "debt-conscious austerity policy," the Swedish counterpart of Texas populist Ross Perot, Ian Wachtmeister, is mobilizing to form a new movement with the explicit aim of solving the crisis in public finance. Wachtmeister and his collaborators are taking out big ads in the papers, selling fake "state bonds" for 100 Swedish crowns each, to raise funds for his operations, as well as to get the point across in a populist way.

Is an explosion coming?

The fact that Skandia's Wolrath is declaring "no confidence" in the state indicates that heavy infighting is going on among the Swedish elite, under strong international pressure. International investors know that Sweden financially is a banana monarchy, with a budget deficit running out of control, a crumbling real economy, and a paralyzed government.

This makes the Swedish economy one of the possible triggers for an international financial blowout. Remember that 1) the Swedish economy was one of the first to undergo a deep banking and financial crisis, in which the banking sector was barely saved by the state bailing it out; 2) Swedish corporations are deeply into speculation in financial derivatives; and 3) Sweden now has an interest level above 10%, with virtually no inflation; that kills any idea of industrial investment. These factors, along with the paralysis of government, point to the possibility of a run on the Swedish currency.

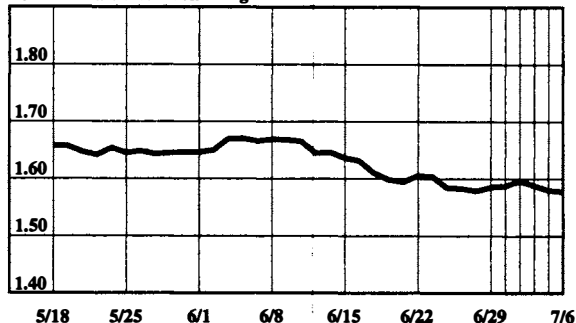
It will be a race against time to see whether the Bildt government will be able to keep the lid on up until election day. Right now, Bildt and his coalition partners are playing the same trick as the Kohl government in Germany: If nothing else works, keep up the "virtual reality" propaganda about an economic upswing and financial stability until the election.

Meanwhile, the coalition government politically is up against the wall. The Social Democratic opposition is getting over 50% in the opinion polls, talking about the need for a "strong government." That means a strong-man solution, but no one would ever dare to say that in public. The strategy of the Social Democrats is to pursue a policy which will attract the Liberal Party and the Center Party, and thereby split the coalition government. A new Social Democratic-led coalition government, with more than 60% of the votes behind it, could emerge out of the coming election. Sweden would then get its "strong" solution, with a Mussolini-style austerity policy—that is, if the caretaker government is able to keep the lid on until Sept. 18.

Currency Rates

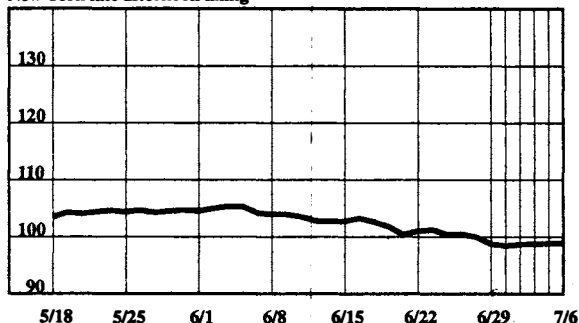
The dollar in deutschemarks

New York late afternoon fixing



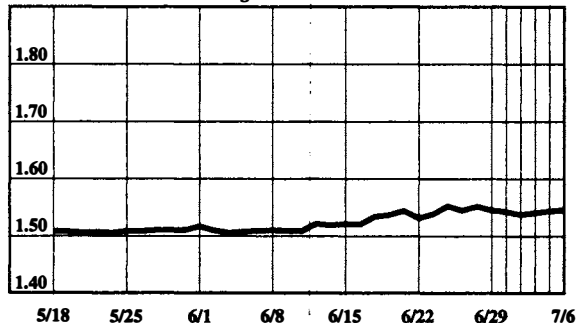
The dollar in yen

New York late afternoon fixing



The British pound in dollars

New York late afternoon fixing



The dollar in Swiss francs

New York late afternoon fixing

