

# Iceland Steps Closer To Bank Separation

by Michelle Rasmussen

March 25 (Copenhagen)—The battle for Glass-Steagall banking separation is in full swing in Iceland, the first European country whose banking system collapsed in 2008, under the weight of the financial bubble blown up by the small nation's financial sector, but also the first country to start to recover, by going its own way. On March 18, one evening before the Cyprus Parliament voted “No” to robbing the bank accounts of its citizens, the Economics and Trade Committee of the Icelandic parliament (Althingi) unanimously voted to pass Motion 228, to separate commercial and investment banking, thereby increasing the international momentum toward Glass-Steagall bank separation.

Under pressure from opponents, the motion was somewhat weakened before the vote. However, the sponsor of the motion, Álfheidur Ingadóttir (Left-Green Party, former Deputy Speaker of the Althingi), told *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 to the motion 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, Álfheidur 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 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. had once had legislation that limited the power of financial institutions to take risky positions, and that there can be no delay now in deciding how to minimize the risk posed by banking operations to the economy and taxpayers.

## What’s Next

As of this writing, the motion is on the agenda before the full parliament, which is working “overtime” to finish business before they break to prepare for the parliamentary election on April 27. Álfheidur 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.

If the parliament were to pass the motion, it would shift the battleground to the Ministry for Industry and Innovation, led by Minister Steingrímur J. Sigfússon, former chairman of the Left-Green party, who in an interview to *EIR* (Nov. 11, 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. 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 an article by Helga Zepp-LaRouche (*EIR*, Feb. 22, 2013) dispelling three lies against Glass-Steagall. The packet was posted on the parliament’s homepage ([althingi.is](http://althingi.is)) as an official opinion in favor of the motion.

Iceland has been a thorn in the side of the financial oligarchy since 2008, when Great Britain even tried to use its 2001 Anti-Terrorism Law to freeze Icelandic assets. But the Icelandic banks were not “too big to fail,” and now, a step toward full bank separation has been taken.

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1. The Independence Party had its own bank separation proposal and supported the motion of the Committee.