

"The situation in Sweden is similar to that in tax havens"

"Swedbank has nothing to fear in Sweden, which encourages the bank's management to happily and amorally ignore criminal risks in order to make lots of money," writes tax expert Torsten Fensby.

A journalist asked me in connection with the Icelandic financial crash in 2008 why Icelanders had the most offshore companies in the world per inhabitant. I spontaneously replied that the reason is obvious: *"You have neither a government nor authorities that dare to do anything about it."* I spoke from personal experience. As an OECD employee, I traveled the world for ten years, reviewing tax havens' legislation, tax and supervisory authorities and financial sectors.

I am well aware of the symptoms when parts of the state apparatus do not function in practice. Tax havens can often look good on paper. Jurisdictions such as the British Virgin Islands and the Cayman Islands have, in principle, the same organizational structure and laws as the United Kingdom. The only problem is that the rules apply selectively and are full of loopholes.

The financial elite keeps the islands' politicians, authorities and courts in an iron grip and if someone tries to do something about it, you end up in the freezer. In the end, the entire population is forced to adapt to the immoral culture that permeates the politics and economy of tax havens.

I am repeatably struck by how surprisingly similar the situation has become in Sweden. Despite recurring multi-billion dollar scandals, the government remains passive. The Swedish Financial Supervisory Authority chooses to look the other way after lengthy investigations and the Swedish Tax Agency buries the problems it is unable to address.

If the government for once decides to act and proposes measures in the area of tax avoidance and evasion or money laundering that go a meager millimeter beyond what the EU has imposed upon us, the private sector representatives strike back and force the government to capitulate.

The private sector's iron grip on the Swedish state apparatus in combination with politicians' and authorities' abdication creates - just like in tax havens - a climate that "everything is allowed".

Against this background, the Swedbank revelation is no surprise at all. Swedbank has nothing to fear in Sweden, which encourages the bank's management to happily and amorally ignore criminal risks in order to make lots of money.

To the extent that money laundering work is carried out at all, it is at least as much about covering the tracks from, as actually looking for, suspected money laundering.

The reason why Swedbank's management has launched an external review after the revelation is not because of fear of countermeasures on the part of the government or the Swedish Financial Supervisory Authority. The review is initiated only because of Swedbank's shareholders' justified fear of US sanctions.

Both the Swedbank revelation and other revelations such as the Panama papers and the Paradise Leak show that the tax haven industry is becoming an integral part of our economy – not least in the Swedish banking system. The legitimacy of this industry comes, however, at the cost of an immoral economy, an abdicating administration and an eroded tax base.

It should be obvious to the Swedish political establishment that this situation cannot last. Yet they dare not do anything about it. Instead of getting to the bottom of the problems, and regardless of the number of scandals, the politicians maintain the appearance that everything is in order in the 'Swedish house'. The tax loss caused by the tax haven industry is constantly being offset by new cuts in public functions and welfare systems.

However, this process can only be taken so far. Finally, we reach a "tipping point" when the house of cards falls. Accelerating populism across Europe and the revolt of the Yellow Vests in France already give us an idea of what to expect in the near future.