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An Antidote for Securitization? How Covered Bonds Fuel Household Indebtedness in Sweden's Financialized Growth Model

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Abstract

This article advances the analysis on how the covered bond, a financial instrument specialized for mortgage lending, contributes to household financialization. By providing financial systems with relatively safe debt instruments and letting banks to efficaciously draw credit on international debt markets, '…covered bonds allow banks to lend not only more, but also more safely' (European Commission, 2018). Zooming in on Sweden, one of Europe's most financialized economies, the article explores why and how covered bonds were institutionalized and how the instrument has affected mortgage lending, securitization and Sweden's overall financial system. The covered bond concept was imported by Swedish lobbyists via a European banking forum in the late 1980s. While covered bond legislation were temporarily vetoed by central bankers, instead preferring an advanced securitization industry to develop, lengthy bank lobbying and overall developments in Europe's political economy convinced policymakers that covered bond legislation was essential to avoid deteriorating financial market competition vis-à-vis other EU member states. All in all, covered bonds have on the one hand halted securitization to develop in Sweden. Meanwhile, by increasing the credit supply, covered bonds have on the other hand proved to be an efficient instrument for household financialization.

Keywords: household financialization, European financial integration, banking, debt finance, regulation, covered bonds, securitization

JEL classification: E02, G18, G23, O52

Introduction

One of the defining features of contemporary financialized capitalism is the increasing credit provision to households (Fuller, 2015; Stockhammer & Wildauer, 2016). Many scholars interested in financialization, or the increasing tendency of financial sector primacy in society (Epstein, 2005; Jessop, 2013) have paid ample attention to *securitization* as a driver for accelerated household lending. Securitization allows banks and other institutions to transfer liabilities to investors, which raises cash and improves banks' balance sheets, enabling them to lend more (Mian & Sufi, 2018; Justiniano et al., 2019). However, securitization is largely absent in some domiciles that nevertheless have become intensively financialized, such as the Scandinavian economies. One example is Sweden, that experienced a two decade-long credit boom, uninterrupted during the Global Financial Crisis (GFC), the eurozone crisis, and well into the Covid pandemic, largely thanks Swedish banks' ability to efficaciously draw credit on international debt markets (Andersson & Jonung, 2015), which have contributed to Sweden being more financialized than many other OECD economies (Table 1 on the next page; see also the Appendix). What explains this extended credit boom, despite the absence of securitization? This article inquires the dramatic growth of the financial sector and household lending in Sweden by highlighting another financial innovation that have been largely overlooked by scholars interested in financialization: the *covered bond*.

The covered bond (henceforth referred to as 'CB') is an investor-friendly financial instrument that improves the channeling of capital to banks, and especially mortgage banks dedicated to household lending[1] (ECBC 2015). According to European financial regulation, CB issuers must retain cover assets that are ring-fenced for investors in case of insolvency, which lowers the credit risk for the investor and provide a potent refinancing instrument for banks. In this way, CBs, that are 'typically designed for mortgage lending', accelerate household indebtedness which has implications for social inequality as well as economic stability (Aalbers & Christophers, 2014). As is documented in this article, the Covered Bond Issuance Act of 2003 provided banks with new potent debt instrument which essentially have transformed Sweden's commercial banks to 'mortgage banks' according to elite civil servants (McGill, 2019). Second only to Denmark, Sweden currently houses EU's most indebted household sector, which fosters (housing) inequality (Grander, 2018), macro-financial fragility (Gaál, 2017; OECD, 2021:208) and undermine governments' leeway in areas of housing and financial market policy (Blackwell, 2019).

Wainwright and Manville (2017) state that 'studies have not been sufficiently critical in highlighting how financialization functions in the context of bond markets, despite studies of securitization', while the literature on financialization, the evolution of finance systems and the political economy of financial crisis 'largely misses out systematic historical analyses for specific banking groups and markets' in European economies (Fastenrath, 2019). Against this backdrop, the aim of this article is threefold: to investigate why and how CBs became

[1] For differences between CBs and securitization, see Table 1 in Skyrman (2023).

institutionalized in Sweden by documenting Swedish banks' political activity as well as developments in Europe's broader political economy; to evaluate how CBs have impacted household financialization and Sweden's financial system; and to introduce the reader to CBs, an ignored topic in financialization studies (cf. Aalbers, 2019). The following research questions are inquired: Why did not an advanced securitization industry develop in Sweden? Why did Swedish authorities implement harmonized CB legislation? How have CBs impacted Sweden's financial markets and household indebtedness?

	GDP per capita	Equity markets to GDP	Size of institutional investors to GDP	Commercial real estate sector to GDP	Household debt to GDP	NFC debt to GDP	General government debt to GDP
Mean	49,742		161	18	57	114	104
Median	47,712		160	16	48	108	98
Sweden	51,939	159	242	41	89	166	56
Australia	54,875	130		21	56	74	77
Austria	50,114	30	84	10	30	93	89
Belgium	46,591		198	11	56	153	120
Canada	46,338	161		20	72	117	107
Denmark	59,776		320	19	83	133	48
Finland	48,629		90		42	119	70
France	40,579		195	16	44	150	123
Germany	46,795	59	155	15	45	69	68
Greece	19,134	27	13		28	55	201
Ireland	80,887		129	8	24	215	69
Italy	33,642		74	6	31	69	154
Japan	40,778	133	165	17	39	100	235
Netherlands	52,476		276	20	89	155	62
Norway	75,720	73	67	13	83	141	47
Portugal	23,331				8	99	136
Spain	29,555	59	64	8	39	94	118
Switzerland	85,335	266	208	35	153	124	39
UK	43,070			26	68	73	118
US	65,280	195	291	15	52	76	136

Table 1. Financialization variables in OECD countries. 'Institutional investors' are defined as the sum of pension, insurance and investment funds to GDP. Years: 2019 for some variables, 2020 for others. Source: BIS, OECD, IMF, World Bank.

In terms of methods, macroeconomic financial data was collected from Statistics Sweden, the Swedish central bank (the Riksbank), and the European Mortgage Federation in order to discern general tendencies in terms of issuance of bank debt and household lending. A document analysis was conducted where inquiries about CBs and other financial market issues published by domestic and supranational government institutions were reviewed. Domestic and international business press articles obtained from Retriever Business and ProQuest's ABI/INFORM business news database from early 1990s until the 2020s were also surveyed.

Complementary to the aforementioned sources, ten semi-structured Zoom interviews were made with CB specialists in 2020 and 2022. Method triangulation has been an important feature in the data analysis as to increase the persuasiveness, reliability, validity, completeness to insights (Downward & Mearman, 2006:82). Multiple methods often compensate and complement each other while method triangulation can be used to develop or expand new areas that arise in a research process (Zachariadis et al., 2013:864). Interpretations and results from one data collection method was augmented, corroborated, problematized or disproven by results from other methods in order to reduce the impact of potential subjective biases on behalf of the researcher.

The following section presents a theoretical synopsis and an overview of the technical and regulatory aspects of CBs. The ensuing sections documents the instrument's lengthy institutionalization process, including how CBs travelled from Europe to Sweden via European bank lobbyists, how it finally became a cornerstone in the Swedish financial system, and how CBs have affected lending. The article concludes with a discussion and propositions for future research.

Household Financialization, Financial Regulation and the Technicalities of Covered Bonds

Following the crisis of Fordism and the liberalization of financial markets, social scientists have paid ample attention to the increasing tendency of societal financial sector primacy (Jessop, 2013:12), or 'financialization' (Stockhammer, 2004; Epstein, 2005; Stockhammer et al., 2016; Barredo-Zuriarrain, 2019). While the post-war Fordist period largely consisted of highly regulated capital markets, contemporary pro-cyclical and crisis-prone credit creation amplifies business cycles and shapes capital accumulation and power asymmetries throughout Western economies (Gabor, 2020; Pape, 2020). Lending in latter decades has increasingly been channeled to households and contributed to rising household debt along with rising housing prices on both sides of the Atlantic (Turk, 2015; Favara & Imbs, 2015; Mian & Sufi, 2018; Justiniano et al., 2019). While credit is endogenously created, it is largely mediated and impacted by state authorities (Durand, 2017:155; Berry et al., 2022). Being permeated with strategic selectivities (Hay et al., 2006:75-76; Sum & Jessop, 2013), rather than being neutral to different types of social forces, state managers are more open to some ideas than others, more likely to give state access to some constituencies and interest groups over others (e.g. Metz, 2018:166), and are more sensitive to certain type of external pressure. As is shown later in the article, state managers typically hold contending imaginaries, hegemonic, and counter-hegemonic visions (Jessop, 2016:50; Ergen & Rademacher, 2023), something that lobbyists exploit by targeting particular state institutions and managers (Kalaitzake, 2017). Moreover, actors within sectors that are perceived as structurally important to the economy are likely to receive opportunities to influence and co-determine policy (Raza 2016:207). In this way, instrumental power, i.e. economic actors' political activities, including lobbying, seems to be more effective if lobbyists enjoy significant structural power, i.e. the capitalist state's structural dependence on the private sector for growth and investments (Przeworski & Wallerstein, 1988; Trampusch & Fastenrath, 2021).

As the monetary system is structured around a matrix of hierarchical and interconnected balance sheets of banks, institutional investors and public institutions (Pape, 2020:67; Gabor, 2020), policymakers have to reconcile conflictive objectives of economic growth, financial stability and competitiveness of domestic banks (Howarth & Quaglia, 2016), including the balancing of credit volatility mitigation without strangling private lending (Pape, 2020:68). Financial liberalization, lowered financial taxation and public support for mortgage lending, occasionally referred to as 'Privatized Keynesianism' (Crouch, 2009; see also Wood, 2019; Sparkes & Wood, 2020; Baccaro & Pontusson, 2022:208; Johnston et al., 2020; Pontusson & Erixon, 2022:21) can have positive effects on demand and growth in the short run, but may be economically and socially destabilizing in the long run (Neilson & Stubbs, 2016; Neilson, 2020; Schelkle & Bohle, 2020). Since the 1990s, many local, regional and national governments, including the UK, France (Granier & Bedu, 2019), Germany (ibid, Mügge, 2014:184), the Netherlands (Engelen et al., 2010:67), Latvia (Eihmanis, 2020) and Sweden (Andersson, 1998; Belfrage, 2008), encouraged the growth of regional or global financial centres as a form of industrial policy that would stimulate growth and employment.

Moreover, the regulation of new financial markets and instruments span borders through mechanisms of learning, competition, coercion (Dobbin et al., 2007), whereby both private and public sector agents play a decisive role in actively exporting and importing financial techniques and diffuse learning (Jonsson & Lounsbury, 2004; Broberg, 2011; McCann & Ward, 2013; Trampusch, 2019; Hameiri, 2020). Actor constellations that participate in and affect political processes that spawn and shape new financial markets and instruments have become increasingly transnationalized since the crisis of Fordism (Bieling, 2003, 2013; Posner, 2006; Wainwright, 2015; Trampusch, 2019). Influential actors in the realm of European financial market regulation (Quaglia 2012) include powerful European legislatures such as the British, German and French (Mügge, 2006), the European Commission (Jabko, 2006) as well as the political influence of private financial institutions (Bieling & Guntrum, 2020). One outcome of such processes is neoliberal 'state transformation' (Hameiri, 2020), by which domestic financial market regulation has partly been rescaled to supranational institutions.

In order to extend lending, banks need to finance and retain 'regulatory capital' (also called capital requirement or capital adequacy) on the asset-side of their balance sheets as required by regulators. All bank financing means - deposits[2], conventional uncovered bonds, securitization, CBs, etc, enable increased lending. Banks need to resort to wholesale funding (issuance of non-deposit bank debt) to finance extended lending when the deposit base has been exhausted (EBA, 2016). The overaccumulated capital of institutional investors has been an important financing source of such bank debt, while new financial techniques have improved the flows of capital to banks and enlarged the credit supply in later decades (Lysandrou & Nesvetailova,

[2] Deposits from households and financial institutions equalled 55 percent of total bank liabilities in the Euro area in 2008. This number varies between countries, from 35 percent in Denmark to 75 percent in Spain (as for 2015) (Madaschi et al., 2017).

2015). One such financial innovation is the CB that has funding opportunities for banks and especially mortgage banks dedicated to household lending (ECBC, 2015; European Commission, 2018). The instrument itself is relatively simple from a technical standpoint, and specifically rests on four pillars in the UCITS[3] Article 52(4) that has been adopted throughout Europe:

- CBs must be issued by an EU credit institution.
- CBs must be subject to special supervision by a public authority, usually a domestic central bank or other government agency.
- An issuer must ring-fence cover assets guaranteed to the investor in case of bankruptcy. For Swedish banks, around 90 percent of these cover assets consist of residential mortgages, i.e. mortgage loans collateralized by apartment buildings, single-family homes or tenant-owned apartments' (Swedish Financial Supervisory Authority 2019).
- Lastly, the principle of dual recourse, i.e. that CB investors have preferential rights over the cover assets and the issuer's other assets in terms of bankruptcy (Avesani, 2007; EBA, 2016).

In addition to increased competition on the Swedish mortgage market from the mid-2000s, low interest rates and banks' expectations of lower capital requirements for mortgages following Basel 2 (published 2004, in force in 2007), the institutionalization of harmonized CB legislation is a main reason for the increased mortgage lending according to the Riksbank (2014:46-49; see also af Jochnick, 2014:7; European Commission, 2018).

The Institutionalization of Covered Bonds in Sweden

The First Legislation Attempt

Partly on the behalf of the European Commission, that wanted to bring about financial integration in the European Community (Segré, 1966; Jabko, 2006; Engelhard & Sattler, 2020) the European Mortgage Federation (EMF) was formed in 1967 (Skyrman, 2023). Consisting of credit institutions throughout Western Europe, EMF's members envisioned a European continent with deregulated financial markets and liberalized capital flows and thus sought to exchange information and discuss potential ways to harmonize financial regulation (Stöcker, 2019). Crucial in these endowers were harmonized CB legislation. German mortgage banks, particularly keen to bring about CB harmonization in order to attract international investors, became the EMF's natural leaders (VPD, 2020). Headway was made in the 1980s during the relaunch of the European state project, including major achievements at conferences in Munich in 1981 and in Chiemsee Germany in 1984 where core elements of a CB directive was brought

[3] *Undertakings for the Collective Investment in Transferable Securities*, the common European regulatory framework for investment funds.

forward (Stöcker, 2019). Further success in bringing about CB harmonization came in 1988 with the revised UCITS directive. Lobbied by Danish actors, the revised rules enabled investment funds to increase their exposure to mortgage banks within the EU (Avisani et al., 2007; Stöcker, 2019).

Banks in Sweden, whose EU membership was not established until 1995, joined the EMF in 1988, which one Swedish bank official recalls as a platform for ardent German lobbying for CBs (Interview with a former bank CEO). Concurrently, the Swedish Bankers' Association started to lobby the Ministry of Finance (MoF) and the Financial Supervisory Authority from the early 1990s with the intent to bring about CB legislation. A petition sent from bank lobbyists to the MoF in 1993, that was published in its entirety in a government inquiry on CBs, claimed that CBs would avoid 'increased costs for mortgage institutions and consequently increased interest rates for homeowners and tenants' (SOU, 1997:175-194). Among other things, the petition cited a report from the EMF, further evidencing the EMF's role for cross-border information dissemination. Banks' interest in CBs stemmed from the instrument's compatibility with Swedish 'mortgage bonds' that were issued by housing credit institutions, many of which were connected to commercial banks (Larsson, 1993:44). Stringent financial market regulation stipulated Swedish institutional investors to invest in such mortgage bonds as to finance mortgage lending in the post-war period, which satisfied the large credit demand of Swedish households in the 1970s and 80s, in turn stimulated by generous state interest rate deductions and negative real interest rates (Blackwell, 2021:344). In the 1970s, large parts of insurance company portfolios and half of public pension fund assets were exposed to mortgage bonds (Sandelin, 1974:45). These domestic institutional investors held around 60 percent of outstanding mortgage bonds until 1990 as seen in *Figure 1*.

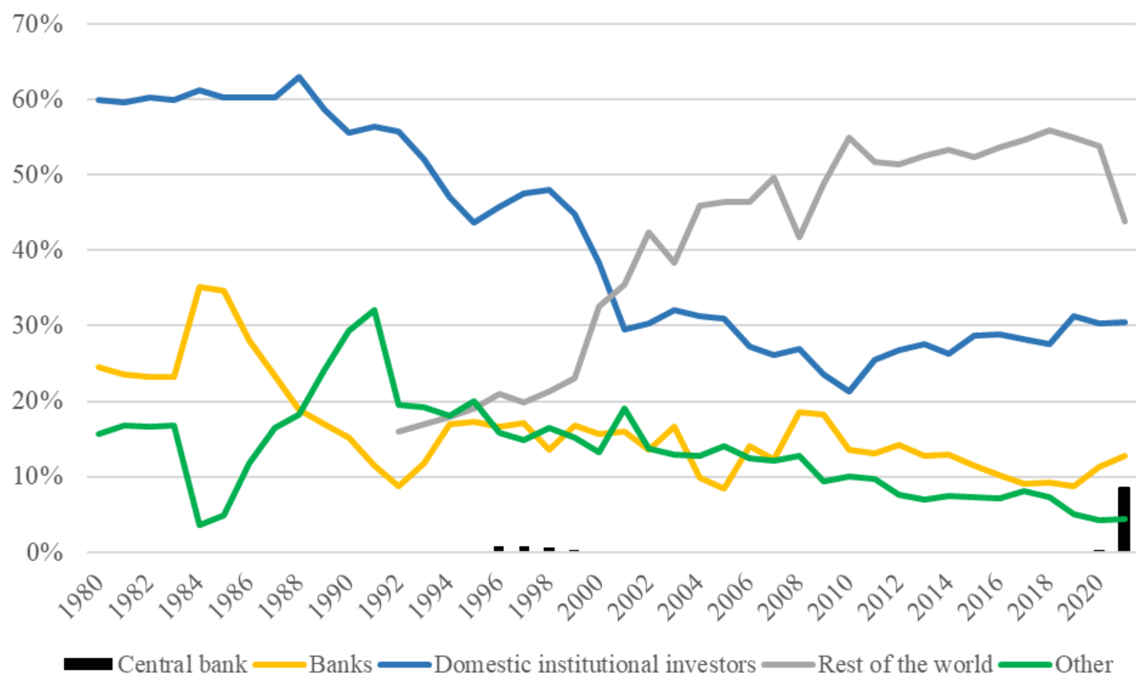

Figure 1. Types of investors holding outstanding mortgage bonds and CBs. Source: The Riksbank and Statistics Sweden.

Although concern for banks' financing abilities might have been genuine amid stricter financial market competition rules as well as the early 1990s Scandinavian financial crisis, Swedish mortgage lending remained undisturbed and interest rates on mortgages were among the lowest in Europe in the latter half of the 1990s, partly due to an explicit state guarantee on mortgage bonds in force from 1992 to 1996 following the crisis (MoF, 1997). Nevertheless, on the behest of the government, the MoF (1997) initiated a study on Swedish CB legislation in May 1996. Technological developments, EU rules, and the globalization of financial markets made it necessary to modernize Swedish financial market legislation according to the MoF. The inquiry, published in August 1997, said that borrowing conditions of mortgage banks were satisfactory and that balance sheets were generally strong, but nevertheless favoured the implementation of CB law on the following three arguments:

Attract domestic and international capital into Swedish mortgage bank debt

CB legislation would increase investments from international investors and Swedish insurance companies in Swedish bank debt which in turn would decrease interest rates. 'The measure can thus be justified with regard to the needs and preferences of these investor categories' (MoF, 1997:13, 69). Relaxed capital regulations and the UCITS directive limited insurance funds' exposure to Swedish mortgage bank debt and increased their leeway to invest in foreign equity. While beneficial to insurance funds, this had a somewhat negative effect on the Swedish capital account (Interview with bank lobbyist, late 2020). However, despite amended financial regulation, there was no dearth of investments in Swedish bank debt. The reduced holdings of state pension funds and insurance companies, traditionally large investors in Swedish mortgage bonds, was compensated by increased domestic bank debt investments by investments funds, households and foreign investors (MoF, 1997).

Creating a benchmark instrument for Sweden's bond markets

CBs could provide 'the Swedish bond markets' supply of liquid bonds as instruments for liquidity provision, channeling of borrowing and financing for investments.' When domestic government bonds were expected to decrease, CBs could provide 'a supply of large, homogeneous stocks of bonds' to serve as benchmarks on the bond market and become 'an alternative to government bonds [...] when the issuance of Swedish government bonds is close to zero' (MoF, 1997:13, 94), following strict fiscal conservatism (Erixon, 2015; Brenton & Pierre, 2017).

Eliminate a supposed competition deficit vis-a-vis Germany and Denmark

The large CB markets in Germany and Denmark, rather the EU financial market integration, was the third and final core argument for Swedish legislation in the government investigation. 'One cannot ignore the fact that two of Europe's three largest mortgage bond markets' have implemented covered bond legislation 'that put Sweden at an unnecessary disadvantage' (MoF, 1997:12, 90). Contrary to these claims, the Swedish banks attracted significantly more foreign capital than its counterparts. In 2001, foreign investors held 20 percent of Swedish mortgage bonds, compared to 10 percent of German CBs and just a margin of the share of Danish CBs

(MoF, 2001a). According to various sources (MoF, 1998a, Riksbank 1998b, MoF, 2000) the Swedish banks were more competitive in raising international capital than their Danish and German counterparts.

An important corporatist feature in the Swedish legislative process is the opportunity for expert organizations and stakeholders to officially comment on government inquiries and legislative drafts (Lundberg, 2012). While parts of the financial sector and some government institutions came out in favour of CB law after the published government study, others were critical of CB implementation, such as the Swedish National Debt Office, the Swedish Competition Authority and the Swedish Consumer Agency. The Riksbank (1998) issued a very negative opinion (MoF, 2000:238) and dismissed CB legislation, arguing that new legislation would hardly make EU mortgage markets more homogeneous; that macroeconomic risks would not be decreased; that legislation would result in expectations of an implicit state guarantee concerning mortgage bond issuers; and that CBs did not seem to lower mortgage interest rates in other countries. The Association of Swedish Finance Houses, consisting of finance companies lending non-financial corporations, cooperative associations and consumers, expressed concern that improved investment possibilities for mortgage institutes would benefit mortgage and real estate lending at the expense of 'capital allocation to other activities (such as industrial activities, leasing and lending to other ends…)'. The Swedish National Federation of Industry, one of the country's two major industry lobby groups, opposed CB legislation on similar grounds. The state pension funds argued that there was no acute need to implement CBs, and that Swedish mortgage institutes competed satisfactorily against German and Danish competitors on international capital markets (MoF, 1998a).

The Riksbank's Preference for Anglo-Saxon Securitization

The Riksbank's negative stance towards CBs stemmed partly from its preference for securitization, i.e. the ability of banks to sell loans from their balance sheets. CBs, the Riksbank argued, would bring 'unnecessary' regulations that would hamper banks' ability to securitize (Riksbank, 1998a; 1998b; Dagens Industri, 1998; Blåvarg & Lilja, 1998). The Riksbank was not alone in its positive stance towards securitization, which was shared by the Financial Supervisory Authority (Dagens Industri, 1993). A Swedish government had previously published two securitization investigations in 1994, as securitization at that time was seen as a potential remedy for Sweden's financial crisis (Gov, 2000).

Notably, securitization took foremost place in the Swedish public sector and was pioneered by the state-owned mortgage bank SBAB. Established in 1985, SBAB can be seen as an expression of privatized Keynesianism and has parliamentary approval for decreasing mortgage interests by 'contribut[ing] to diversity and competition' in the mortgage lending sector. In January 1997, SBAB proclaimed that it could improve public finances by helping municipalities to securitize 200 billion SEK of municipality debt (Dagens Industri, 1997c). A much smaller sum was securitized in a handful of municipalities, including in Stockholm, Gothenburg and debt-ridden Timrå (Fastighetsvärlden, 1997). In the autumn of 1997, the state-owned passenger train operator company, the Swedish postal service company and the state-controlled Celsius executed securitizations under the 'blessing of finance minister Erik Åsbrink' (Dagens Industri, 1997d), while the construction of a university a science center (Fysikcentrum) was funded by a 1,2 billion SEK securitization scheme in 2001 (Fastighetsvärlden, 2001). The government considered securitizing 700 000 Swedish citizens' state issued student loans to a value between 20 to 30 billion SEK, to pay off government debt (SvD, 1997). Three listed real estate companies considered SBAB's help to raise around 10 billion SEK through securitization, although these plans did not materialize. (Dagens Industri, 1997.) The state-owned bank's securitization initiatives were considered so pioneering that it won Euromoney's Best Securitization Borrower award for having transformed itself from a traditional bank to 'one of the most innovative securitizers' (Euromoney, 2002).

Civil servants' liking of securitization can be contrasted with the Swedish private sector's general perception of securitization as complex, difficult and risky. Arne Mårtensson, chairman of the Swedish Bankers' Association and CEO of Handelsbanken, was hostile towards securitization and openly critiqued SBAB's securitization efforts in several op-eds (Dagens Industri, 1997a, 1997b). While the CB institutionalization process was temporarily blocked by the Riksbank in early 1998, the MoF started to investigate ways to improve securitization law. In a relatively quick process, the memorandum 'Better conditions for securitization' (MoF, 1998b) was received with unanimous approval by public institutions in early 1999. In 2000, the government bill '2000/01:19, Better conditions for securitization', enhanced Swedish businesses' ability to securitize within Swedish borders. Securitization were assumed to have positive effects on the pricing and allocation of risks, on financial stability, and on Swedish firms and banks in general, according to the bill: 'By facilitating securitization within Sweden, there are conditions for socio-economic gains through lower capital costs and increased investments'. However, another government inquiry concluded that, with few exceptions, the new law did not affect Swedish banks' securitization efforts, as 'the lack of domestic legislation did not constitute an obstacle to securitization' by Swedish institutions (MoF, 2000). The little securitization that had been conducted was done through special purpose vehicles located outside of Sweden.

The Second Legislation Attempt

Meanwhile, banks continued to lobby for CBs, and could use external events as a powerful rhetorical weapon (Röper 2020), reflected by a bank official's media statement at the time: 'A lot has happened since 1997 [when the government inquiry (MoF 1997) was published]. At that time, in principle, only Germany and Denmark offered covered bonds. The system is now available throughout Europe and is becoming the standard for borrowing' (Dagens Industri, 2001). Despite opposition from heavy public and private sector organizations some years earlier, the MoF proceeded to investigate CB legislation. Accordingly, the government memorandum 'Säkerställda obligationer' (MoF, 2001a) heavily emphasized European CB legislation developments and the issue of deteriorating competitiveness of Swedish mortgage lenders in a European context. The overarching theme of the memo was to brace Sweden for

European financial integration and improve Sweden's competition for capital on globalized financial markets. CBs was described as a 'standard instrument' for mortgage bank borrowing in Europe, 'and only a few countries in the Union lack legislation of these bonds'. Swedish implementation was hence 'urgent' as a way to reduce Sweden's competitive deficit in this regard, as the EMU, new information technology and increased integration would lead to increased competition over mortgage bank financing.

In retrospect, the 'urgency' of implementing CB legislation can be problematized. Discussing CBs, Anglo-Saxon securitization and Sweden's traditional mortgage bond model, the soon-to-be long-time Riksbank governor Stefan Ingves said that 'I see no reason why Swedish mortgage institutes will not do well in this competition between institutional forms' (Riksbank 1998b). Another government inquiry on Sweden's financial markets (MoF, 2000) concluded in 2000 that 'as a summary assessment, it can still be said that the Swedish mortgage institutions and the Swedish [mortgage bond] model have worked well' (ibid.). The inquiry perceived Sweden's traditional mortgage bond model as a viable alternative to either CBs or securitization financing (ibid). Moreover, from the mid-1990s up to the time when CBs first were issued in 2006, Sweden had one of Europe's most profitable banking sectors (*Figure 2*), despite Swedish banks' inability of issuing CBs. Most importantly, although the second inquiry on CBs (MoF, 2001a) described CBs as a 'standard instrument' for bank borrowing, significant issuance had by then only taken off in Denmark, Germany and Spain. Most of the countries that had implemented CB law did not have a mature mortgage bond system comparable to that of Sweden**,** why the absence of CBs really did not pose a threat to the competitiveness of Swedish banks. In 2006, when the first CBs were to be issued, Sweden still had the fourth largest mortgage bond market in Europe (Euroweek, 2006), and Swedish banks were more successful than German and Danish banks in raising international capital despite being unable to issue CBs.

Figure 2. Bank profitability (Return on Equity) in 9 West European economies[4] and Sweden. Source: Čihák et al. (2012).

Nevertheless, many organizations that previously opposed CBs now came in favour of new legislation following the publication of government memoranda, although there was '… still with doubt that heavy consultative bodies give their approval', according to one financial journal (Finanstidningen, 2001). The Riksbank (MoF, 2001b) was still in principle against CB law, but supported legislation due to the European CB developments. The National Debt Office, that opposed CB legislation in 1998, supported the 2001 government memo with the single argument that 'covered bond law now exists or is about to be legislated in several EU countries'. The Riksbank Deputy Governor still opposed the memo, as did the Association of Swedish Finance Houses. The Swedish Competition Authority maintained that CB law could distort competition vis-a-vis other Swedish non-mortgage bond issuers, and the Swedish Consumer Agency said that the 'proposal lacks clear advantages from a consumer point of view and that certain borrowers may be disadvantaged.'

Credit Boom and Macro-Financial Fragility After the GFC

Following the green light from key state institutions, the path was set for the creation of a Swedish CB market. The Covered Bond Issuance Act was approved by parliament in 2003 and in force 2004. Swedish CBs received top credit ratings by Moody's and Standard and Poor's in July 2005, and issuance started in 2006. Between 2006 and 2008, 'In principle all' Swedish mortgage bonds were converted to CBs (Bankfokus, 2011) and Sweden had Europe's second largest CB market in 2007 as a share of GDP after Denmark. One bank official assured foreign investors that 'Many European markets have experienced house price inflation in the past decade… there is no real speculative element in the Swedish housing market - there is a structural undersupply of housing… On top of that we have a solid Swedish covered bond legislation that some analysts and even the rating agencies have recognised as one of the strongest in Europe' (Euroweek, 2006).

As intended, the new legislation accelerated the rise of international investments in Swedish bank debt. Issuance of CBs heavily increased during the GFC (*Figure 3*) due to favourable credit ratings of CBs, both in Sweden and several other countries (Hypostat, 2020). Scandinavian CB markets have thereto been referred to as 'safe havens' amid the Scandinavian economies' relatively stable housing markets and strong public finances (Blackwell, 2019:202). As *Figure 3* shows, mortgage lending continued to boom throughout the GFC while debt deflation and a fall in house prices was avoided.

[4] Austria, Belgium, Denmark, Finland, France, Germany, Italy, Netherlands and Norway.

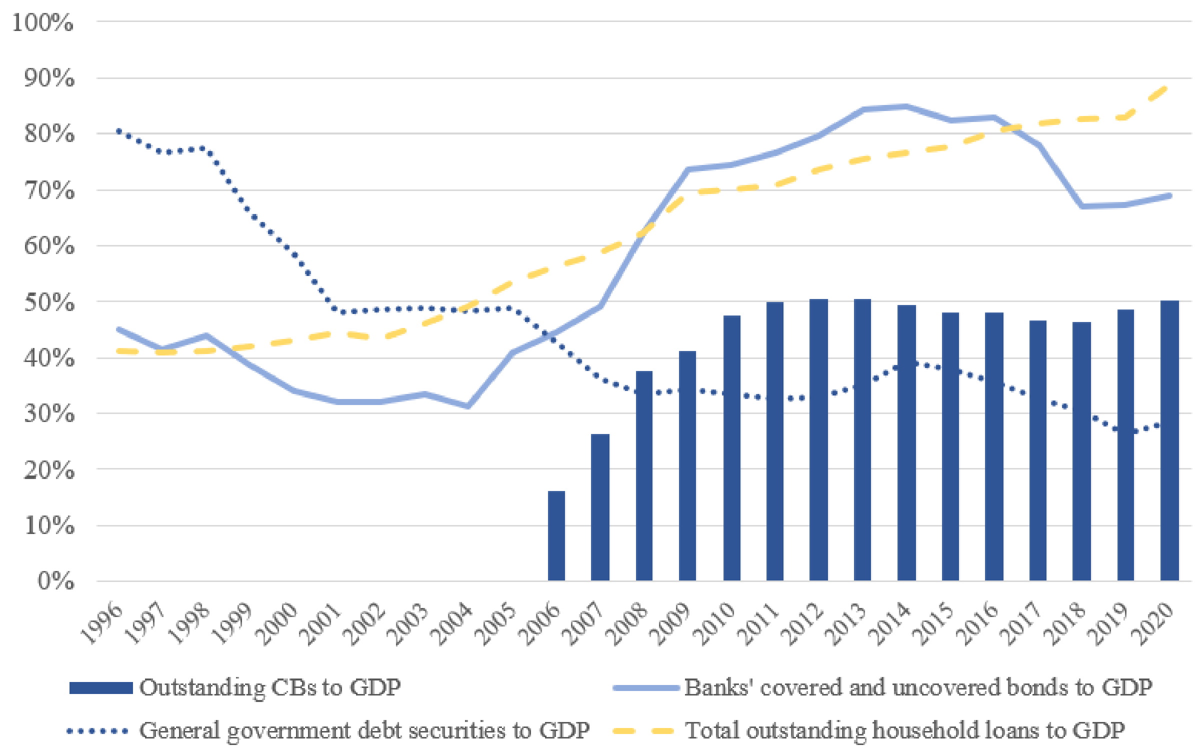

Figure 3. Types of investors holding outstanding mortgage bonds and CBs. Source: Statistics Sweden.

Different investor categories' large demand for CBs have contributed to this outcome. Due to home bias, i.e. that investors show a significant optimism towards their home capital markets throughout advanced economies[5] (Fidora et al., 2007:636; Darvas & Schoenmaker, 2017), Swedish institutional investors have provided a steady and reliable avenue of capital to banks and thereby contributed to Sweden's large credit supply (*Figure 1*, *Table 1*). While a few researchers have highlighted the importance of domestic pensions funds for financialization (Engelen et al., 2010; Fuller, 2015), other types of institutional investors do not seem insignificant for credit creation. Swedish insurance firms have been important investors in Swedish CBs and have held around 25 percent of Swedish CBs from 2006 and well into the post-GFC period (Sandström et al., 2013:14). Lately, also the Riksbank has purchased large sums of CBs on secondary markets, as CBs provide an important complement to government bonds amid the financial systems' dependence on safe assets (Boy & Gabor, 2019). The CB market is significantly larger than government bonds (*Figure 3*), and in September 2021, CBs surpassed government bonds as the most important instrument in quantitative easing schemes (*Figure 4*).

[5] Domestic investors bought 72% in Canada in 2011 (Walks & Clifford, 2015), 74 percent of Danish bank debt in 2018 (Danmarks Nationalbank, 2018); around half of Swedish bank debt post-GFC. Similar numbers can be seen in the large majority of advanced economies (Fidora et al., 2007:636, Darvas & Schoenmaker, 2017).

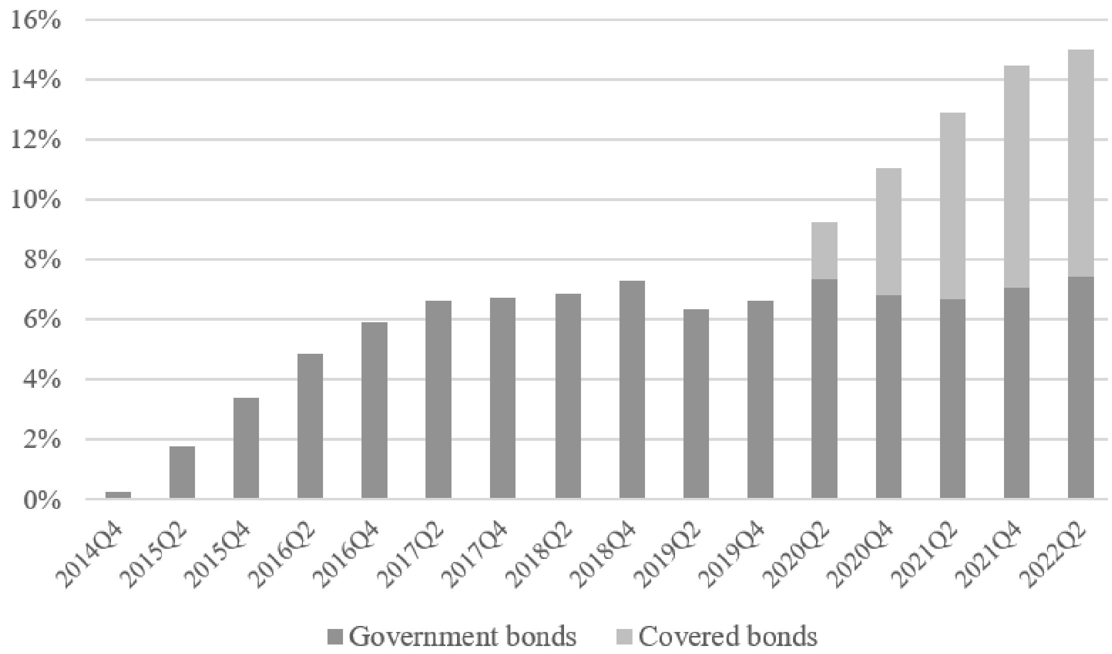

Figure 4. Assets as percentage of GDP held by the Riksbank in quantitative easing schemes. Source: the Riksbank and Statistics Sweden.

Roughly half of all Swedish debt securities held by foreign counterparts and one third of total portfolio investments held by foreign investors comprise of bank bonds (cf. Allelin et al., 2021a:629; Skyrman et al., 2022:9), making it 'necessary to make sure that investors, credit agencies and others have confidence in the Swedish housing and mortgage markets for our financial system to function smoothly' (af Jochnick, 2014). Similarly as in the 1980s, the credit expansion has also been channeled to the commercial real estate sector, that has received around one third of all bank loans to non-financial firms since the early 2000s (Appendix). The size of the commercial real estate markets corresponded to 41 percent of GDP in 2019, making Sweden home to the most inflated commercial real estate market in Europe (IMF, 2021:57). The Riksbank governor (2006-2022) Stefan Ingves have repeatedly emphasized with dismay that '*We have created* a financial system in which covered bonds are the cornerstone' (SvD, 2015) and that '*We have turned* commercial banks into what are essentially mortgage banks, since I think more than 70% of bank assets are backed by real estate in one form or another' (The Banker, 2019) [italics added]. This is perhaps not entirely unexpected, as the last government CB investigation stated that '… collateralized borrowing is not necessarily intended for home financing. A large part of [collateralized] loans to companies and to some extent also households should in fact be used for other financing purposes' (MoF, 2001a:81-82).

Table 2. Key historical events in the Swedish CB institutionalization process

- 1769, The first known CB is issued in Prussia
- Nineteenth and twentieth centuries, domestic CB versions develop in some countries, such as Denmark and Germany.

- The post-war period, financial markets are heavily regulated in order to channel capital to politically prioritized areas, including housing construction.
- 1966, November. Visions for an integrated European financial market comparable to that of the US is articulated in the ‘Segré report’, produced by the EEC Commission.
- 1967, The European Mortgage Federation (EMF) is founded on Belgian and Dutch initiatives.
- 1980s, The EMF makes headway in harmonized CB proposition amid the relaunch of the European state project.
- 1983-1986, abolishment of stringent investment rules for banks and insurance companies who are no longer obligated to invest heavily in Swedish mortgage bonds. Credit regulations are abolished in 1985 (Riksbank, 2014:83-84).
- 1985, The first UCITS Directive is adopted among EU member states. Steps towards EEC financial market liberalisation are presented in the SEM White Paper.
- 1988, A revision in the UCITS Directive incentivizes jurisdictions to implement CB law.
- 1988, Swedish banks join the EMF.
- 1989, Currency controls are abolished.
- 1989-1996, The EMF hold seminar series are held in Madrid, Lyon, Milan, London, Nuremberg and Brussels, amongst other places
- 1990, UCITS rules are implemented in Sweden.
- 1991-1994, Severe financial and economic crisis.
- 1993, The Swedish Bankers’ Association lobby for CB implementation. A petition is sent to the MoF (SOU, 1997:175-194).
- 1994, Two additional petitions are sent.
- May 1995, the ‘Jumbo Pfandbriefe’ (CB) is issued in Germany, targeting international investors, which motivates other legislatures to investigate CB legislation.
- 1996, May 23. The Swedish government calls for a special investigation for implementation of CB legislation.
- 1997, A special investigation on CB legislation is published.
- 1998, The special investigation receives mixed reviews from the public, and the Riksbank manages to temporarily veto the CB institutionalization process.
- 1999, Launch of the EU Financial Services Action Plan (FSAP), ‘the programmatic and operative platform’ of European financial market integration with 42 concrete measures (Bieling, 2003:211-212).
- 2000, The government bill ‘2000/01:19, Better conditions for securitization’ is legislated.
- 2001, The start of the Lamfalussy process, by which ‘financial regulation was pooled in Brussels, even if collectively, national authorities retained much influence’ (Mügge, 2013:460).
- 2001, The government publishes a legislative memorandum on new CB legislation.
- 2003, May. The government bill ‘Proposition 2002/03:107 Säkerställda obligationer’ is published.

- 2003, December. Parliament approves the Covered Bond Issuance Act (SFS, 2003:1223).
- 2004, June. The Covered Bond Issuance Act comes into force.
- 2005, July. Swedish CBs receive top credit ratings by Moody's and Standard and Poor's.
- 2006-2008, CBs are issued in Sweden. 'In principle all' Swedish mortgage bonds are converted to CBs (Bankfokus, 2011).
- 2008 and onwards, Issuance of Swedish CBs remains undisturbed.
- 2019, The European Parliament and the Council of the European Union approve a package for further EU-wide harmonisation of CBs
- 2020-2021, Swedish CB issuance remain undisturbed throughout the Covid Pandemic
- 2021, CBs surpasses government bonds in Quantitative Easing schemes conducted by the Riksbank.

The European Context, Bank Lobbying, and the Hegemony of Finance

As CBs came to contribute to Swedish credit bubbles, why were governments so keen on institutionalizing the instrument in the first place? Crucial factors seem to have been the overall European political and economic context, bank lobbying, and the hegemony of the financial sector. These issues are elaborated below.

Under accelerating financial deepening, Sweden had large equity markets (Čihák et al., 2012), among the largest institutional investors as a share of GDP in the OECD (2000), political preference homogeneity in the banking sector as well as high bank concentration throughout the 1990s (Čihák et al., 2012). In the words an influential government think tank, 'The domestic financial markets are of continued vital importance for Swedish firms' and households' savings and investment decisions' (ESO, 1995). Against these factors, a sector's lobbying efforts become more successful the more important it is perceived for the economy (Fairfield, 2015; Trampusch & Fastenrath, 2021). Although the actual effect of lobbying is difficult to gauge (Culpepper, 2015), the financial lobby itself claimed to have been important for the implementation of CBs in Sweden, according to statements in business media (Dagens Industri, 2001; Euroweek, 2006), the Swedish banking lobby's own magazine (Bankfokus, 2010a, 2010b) and one interview conducted for this study. Swedish bankers, influenced by the EMF, introduced the concept of CBs to Swedish policymakers in the early 1990s, and shared information on European CB markets and CB legislation with policymakers when the issue was investigated by the government (Interview with bank lobbyist, late 2020). Following successful reviews of the MoF's last CB inquiry (MoF, 2001a), one bank official said that 'The [Swedish] Bankers' Association and the [financial] sector have worked for this for a long time. It is a competitive disadvantage that we cannot offer this type of bond. Should Sweden join EMU, it is vital [for us to issue CBs]' (Dagens Industri, 2001). An executive vice president at Nordea hypotek, one of the major mortgage lenders, said that 'The Swedish Bankers' Association lobbied in favour of covered bond legislation so that we could have a state-of-the-art instrument with international recognition […] That lobbying eventually had an effect'

(Euroweek, 2006). Instrumental to the Swedish Bankers' Association's lobbying success seems to be the successful construction of an intersubjective imaginary of urgency for lawmakers to implement CB legislation, and that absence of such legislation would decrease competitiveness vis-a-vis other bank sectors in Europe. While CB law indeed was spreading on the continent, it did not undermine the competitiveness Swedish banks, as reiterated by regulators (Riksbank, 1998a; Riksbank, 1998b; MoF, 2000). Swedish banks would likely do well without CBs, but the MoF nevertheless decided to investigate CBs on two different occasions.

Another important reason for CB institutionalization was developments in the realm of financial market policy at the EU level. This includes the European Commission's role in the formation of the EMF, as well as for supranational activities to bring about continent-wide harmonized financial regulation, including but not limited to the SEM White Paper of 1985 as the first step towards regulatory financial market liberalisation, the UCITS rules, the Delors Report of 1989 that envisioned a politically independent European Central Bank, and the Financial Services Action Plan (FSAP), 'the programmatic and operative platform' of financial market integration, and the Lamfalussy process (Bieling, 2003:211-212). Persistent calls for integrated European financial markets brought uncertainty among policymakers about the future competitiveness of Sweden's financial system (Busch, 2004).

A third factor, the hegemonic status of the financial sector in Sweden, partially stems from the two aforementioned reasons. The financial sector had reached hegemonic status in several European domiciles at the time (Quaglia, 2010:1010). By the turn of the 21th century, it was commonplace for social democratic governments and trade unions in Europe to voice support for financial integration, perceiving finance as positive to growth and jobs (Bieling, 2003:215-216; Jabko, 2006:21). Taking into account consecutive social democratic governments' determination to institutionalize CBs, pro-securitization law, minimizing capital taxes (Belfrage and Kallifatides, 2018), and striving to make Stockholm a regional financial center (Andersson, 1998), leading social democratic policymakers saw 'liberation and growth of financial markets as a clearly positive development' (Belfrage, 2008:291)[6]. The following quote by Erik Åsbrink, finance minister between 1996-1999, captures both the aforementioned European dimension as well as the optimistic perspective of the financial sector as a potential source for growth and employment:

> Internationalization has increasingly shaped the financial sector. For Sweden, part of this is a consequence of our EU membership since 1995. This has entailed significant adaptation requirements. At present, increased cooperation and harmonization in supervision at European level is one of the most important preconditions for achieving an integrated European financial market. This, in turn, is necessary if Europe is to be able to catch up with the United States' financial lead…. The financial sector already plays an important role in our country's economy today. It could play an even greater role - something of an engine for growth (Östman & Åsbrink, et al., 2001:7-8).

[6] At the EU level, Sweden is a member of the frugal four, and has consistently opposed transnational efforts to tax the financial sector and multinational corporations.

Several prominent social democrats have obtained decent positions in the Swedish financial sector. Göran Persson, finance minister and later social democratic prime minister between 1996 to 2006, has occupied various positions in the Swedish business community, including chairman at Swedbank, one of Sweden's four big banks. Thomas Östros, a former minister and economic spokesperson for the social democrats, chaired the Swedish Banker's Association between 2012 to 2015. Östros and Kerstin af Jochnick, chairwoman at the Swedish Banker's Association between 2009 and 2011 and later Riksbank deputy governor, have explicated a 'Swedish [financial and asset-based welfare] model', that has evolved since the early 1980s (Bankfokus, 2014; af Jochnick, 2014). According to their narrative, the model produces 'welfare gains' for ordinary citizens and rests on two pillars. Firstly, governments have encouraged Swedish citizens to invest in equity markets rather than to save through deposits since the 1970s (Jonsson & Lounsbury, 2004). This 'pillar' has contributed to a 'mass investment culture' (Belfrage, 2008; Belfrage & Ryner, 2009), as 3,3 million Swedes, about one third of the population, invest in capital markets through the Investment savings account reform of 2008 ('*Investeringssparkonto, ISK*'), essentially making dividends tax free for households. Secondly, banks' loss of depositors has been offset by the issuance of mortgage bonds and eventually CBs, allowing for cheaper mortgage lending (Bankfokus, 2014; af Jochnick, 2014).

Aside from the social democratic party, there is an absence of countervailing forces that intellectually or politically oppose financialization in Sweden. Unions have essentially not critiqued Sweden's intensifying financialization and the policies that underpins it for some three decades (Ryner 2013). While Erixon (2015) claim that union economists have been impacted by neoliberal economics, Ryner claims that they were 'not recognized as performers of authoritative speech-acts in the financial field, and their strategic retreat amounted to a form of self-censorship' (Ryner 2013). Svallfors (2016:512) points out that 'it took very long – well into the first decade of the 2000s – for the blue-collar union LO to develop organisational capacities to deal with financial markets. Even today, only a handful among LO's staff concerns themselves with capital markets and capital taxation, while the union employs or retains scores of policy professionals who are experts on labour markets or the social insurance system. For a long time, financial markets were simply not defined as core trade union issues'.

Epilogue – Sweden's Financialized Political Economy

Amid high growth levels, an abundance of financial capital, large, competitive and well-capitalized commercial banks, a structural housing shortage and a neoliberalized mode of regulation (Skyrman et al., 2022), Sweden has become extensively financialized compared to many other Western nations. A non-exhaustive list of indicators includes household indebtedness (Christophers, 2013; Andersson & Jonung, 2015; Gaál, 2017) and non-financial firm indebtedness (BIS, 2022), inflated housing, property and land prices (*Table 1, Figure 5*), low levels of capital taxation (Belfrage & Kallifatides, 2018), financial sector size including the relatively large size of the banking sector and the Private Equity sector (Stenfors et al., 2014; Skyrman, 2020:40-41) and the large size of the stock market and institutional investors

(OECD, 2000). Additional indicators include a business sector largely dedicated to shareholder value ideology (Brodin et al., 2000; Skyrman, 2022)[7], an ongoing recommodification of Sweden's welfare state (Svallfors & Tyllström, 2019; Grander, 2018; Allelin et al., 2021b; Skyrman et al., 2022), where new welfare and housing companies are listed or acquired by foreign and Private Equity Firms, and consecutive governments' benevolence towards the financial sector, including striving to refashion Stockholm into a regional financial centre (Belfrage, 2008).

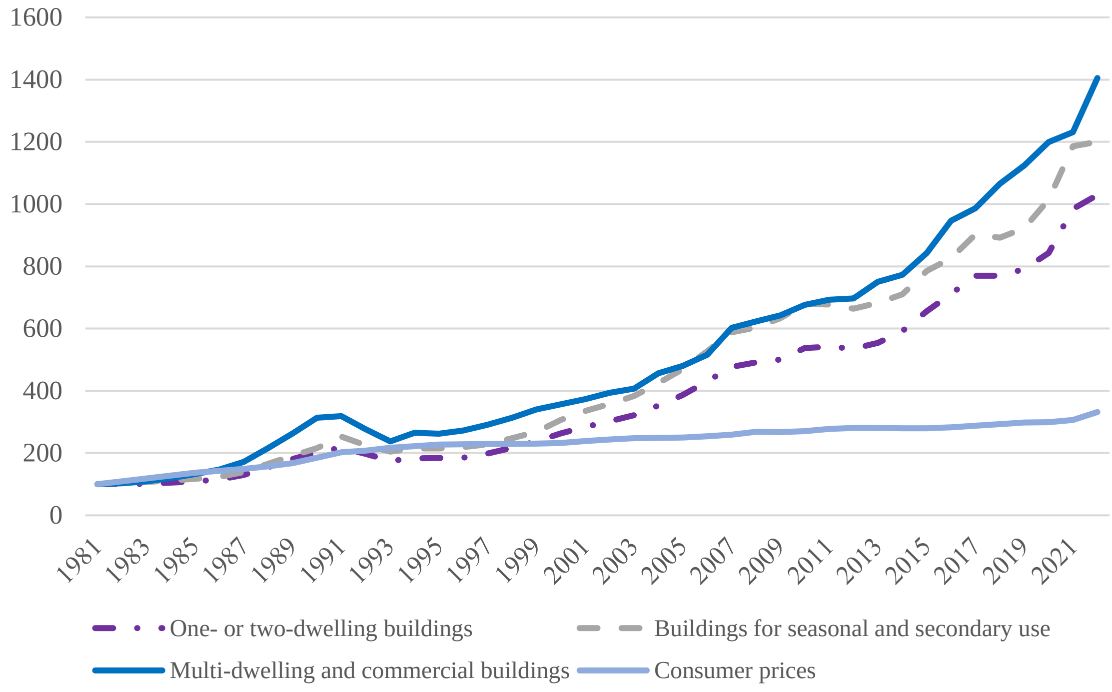

Figure 5: Real estate price index (1981 = 100), 1981 to 2022. Source: Statistics Sweden.

In this context, the contested institutionalization of CBs has decreased credit risk and improved credit ratings of Swedish bank debt, causing large inflows of international capital to Swedish banks. By retaining CBs as cheap regulatory capital, the instrument enables banks to lend more (Riksbank, 2014:46-49; af Jochnick, 2014:7, European Commission, 2018), which has fed mortgage credit and house price inflation in the Swedish economy. To be sure, there is 'a very clear link between low real interest rates, house prices and household debt' in Sweden (Ban and Helgadóttir (2022:357) citing Stenfors et al. (2014, 117)). The rise in mortgage lending from 40 percent of GDP in the mid-1990s to 90 percent in 2020 was largely refinanced with further issuance of long-term bank debt, i.e. mortgage bonds and later CBs, that more than doubled in the same period, while securitization was essentially marginalized. The extended credit boom, its sociological and cultural effects on the many homeowners that are integrated with financial markets (Pagliari et al., 2020) and the ensuing financial fragility explicated by

[7] Between 1 January 2010 to 31 December 2019, the stock market (OMX Stockholm All-Share Cap GI) rose 223 percent and distributed SEK 1718 billion to shareholders (Fokus 2020).

civil servants[8] (Riksbank, 2014:62), make politicians less prone to thwart financialization processes through capital taxation or mortgage subsidy reforms (Blackwell, 2019:210). Amid burgeoning house-price inflation (*Figure 5*) and a housing affordability crisis, Swedish cities are among the most segregated in Europe (Blackwell, 2021:339-341). As household debt approaches 200 percent of disposable income, the OECD (2021:208) notes that households are vulnerable to upcoming rising interest rates. Commenting on IMF's warnings of a housing bubble, former finance minister Magdalena Andersson said that '…although I am not averse to a tightening, any changes must be made carefully as it affects households' finances. If there are major changes, prices can be affected, which in turn affects consumption and hence GDP growth' (Blackwell, 2019:210). The European Commission estimated a negative 1,4% drop in GDP if a 10% drop in house prices takes place in Sweden (Gaál, 2017).

The number of constraints and opportunities that different types of actors asymmetrically faced in the CB institutionalization procedure are summarized in Table 3. Such biases, or 'selectivities', generally privilege or marginalize some actors, strategies, alliances, worldviews and political projects over others in different time and place (Sum & Jessop, 2013). Following a financial crisis and self-imposed austerity (Skyrman et al., 2022), the empirical analysis shows that Swedish governments eventually perceived CBs as a means to increase Sweden's financial capacity (cf. Wood, 2019) in order to stimulate investments and household borrowing. As explicated in government inquiries, it was also assumed that CBs could perform other tasks, including providing the financial system with safe assets (MoF, 1997:13, 94) and improve the nation's capital account by attracting both foreign and domestic capital to Swedish bank debt. However, the argument that remained the thrust of the legitimating narrative reiterated by banks was the ambiguous notion of a 'necessity' for Sweden's financial markets to 'compete' with other European financial actors and markets. Evidently, CBs rather than securitization provided a better 'institutional fit' with Sweden's mortgage bond system.

Structural biases

- Structural external pressure for transnational financial liberalization. Competitiveness as a universal national priority (Neilson & Stubbs 2016).
- The structural power of the financial sector, real or perceived by policymakers, over domestic economies.
- Harmonized CB legislation as a mechanism for European capital market integration.

Discursive and ideological biases

- Reoccurring arguments of suffering competitiveness in the absence of harmonized CB regulation.
- Rhetoric of levelling the playing field, both as a principle and a necessity.
- An ideological tilt held in favour of unregulated markets in mainstream economics and among regulators and policymakers (FSA 2009:38-39; Crotty et al., 2013).

[8] '[P]roblems can easily spread between the banking groups as the Swedish banks have substantial exposures to each other, partly because they own each others' covered bonds to a large extent' (Riksbank, 2014:62).

- Financial sector hegemony, including centre-left parties' consent and active support in liberalizing finance in the post-Fordist era (Bieling 2003, Jabko 2006).
- CBs are perceived as a mechanism for efficient capital allocation.

Technological biases

- Similar financial technologies to harmonized CBs ('mortgage bonds') in Sweden.
- Absence of securitized products and/or preferences for CBs over securitized products contributed to faster spread of CBs in some countries (Eastern Europe, Finland, France, Spain) compared to others (the UK, the Netherlands).

Agential biases

- The European Commission and the ECB as agents for financial liberalization and harmonization.
- Banks, collectively organized by domestic banking groups and transnationally through the European Mortgage Federation and the European Covered Bond Council, possess technical knowledge as well as authoritative status in the realm of financial regulation.

Table 3. Biases (or 'strategic selectivities') during the Swedish CB institutionalization process.

This article makes four contributions to the financialization literature. Firstly, by increasing the credit supply, it shows how CBs have contributed to fuel mortgage lending, house price inflation and household indebtedness in Sweden. Secondly, it shows how securitization was outcompeted by CBs as Swedish bankers preferred the institutionalization of the latter instrument. Against these findings, future research should investigate how CBs have affected financial systems and household financialization throughout Europe and beyond, and whether CBs similarly have successfully outcompeted securitization as in Sweden. Thirdly, the article has elaborated on some of the mechanisms and historical specificities behind Sweden's extensive financialization. Lastly, the article teases out a potential connection between mortgage debt and Sweden's institutional investor wealth. Specifically, domestic institutional investors were the largest investors in mortgage bank debt, i.e. mortgage bonds, in the post-war period, but also in later years as some 30 percent of investments in CBs emanates from domestic institutional investors, the majority of which are insurance companies (Sandström et al., 2013:14). Without the significant size of domestic institutional investors and their willingness to invest in Swedish bank debt, the Swedish credit supply would most likely be smaller. While a few scholars have pointed to domestic pension funds' seeming impact on financialization (Engelen et al., 2010; Fuller, 2015), the article lends support that also the allocation and size of a nation's insurance capital can play a role for mortgage lending and household indebtedness. Future research should scrutinize to what extent the size and allocation of the institutional wealth of nations, including domestic insurance companies, pension funds and investment funds, contribute to enlarged credit supplies via mechanisms of home bias, and thus potentially to financialization.

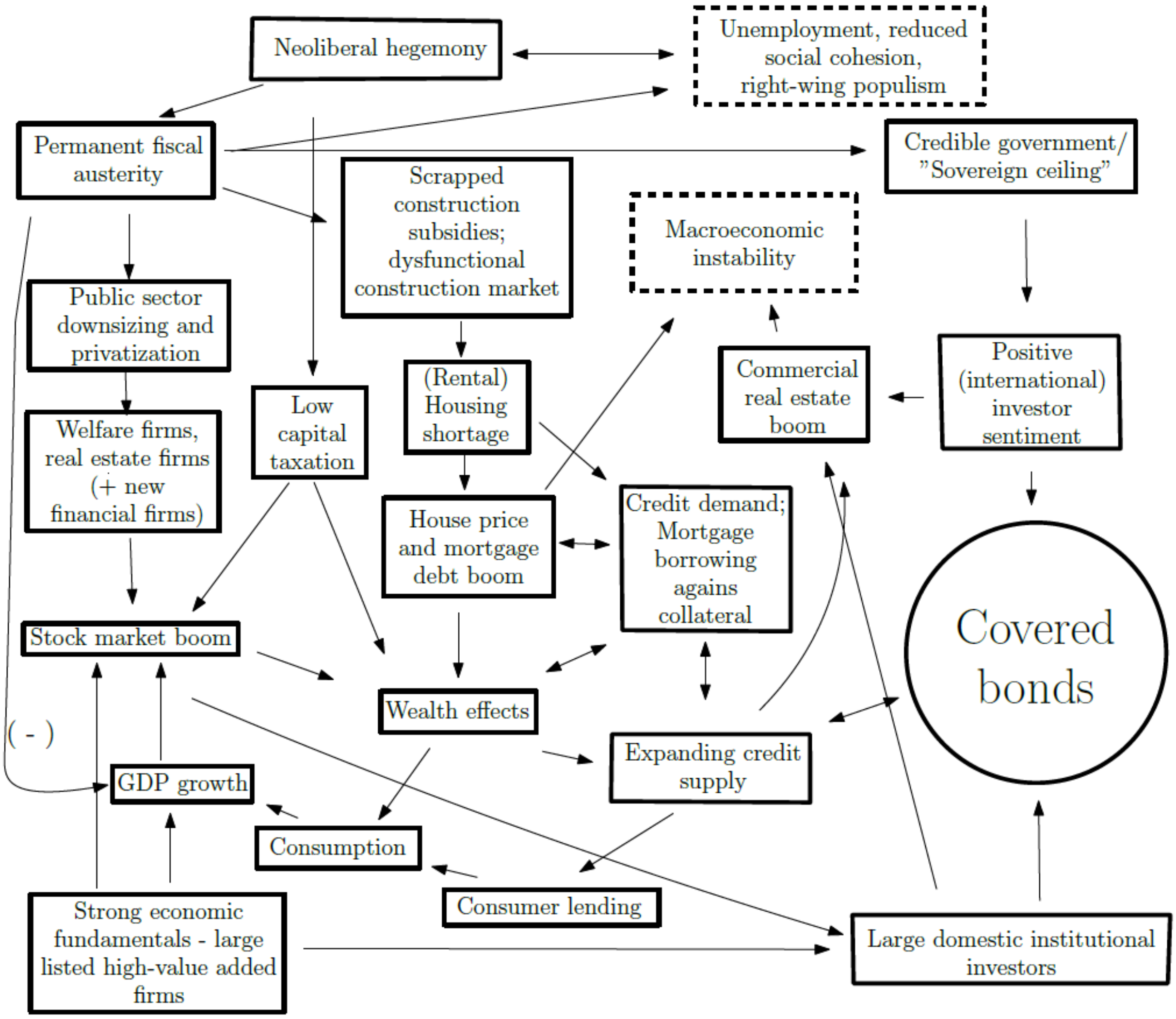

Figure 6. The interaction of economic, institutional, political and social channels in the Sweden's financialized political economy. The figure highlights some channels of 'privatized Keynesianism' (Crouch 2008), as wealth effects from asset price and housing price inflation as well as consumer lending stimulate growth while Swedish housing markets, household indebtedness and the commercial real estate boom constitute potential sources of macroeconomic instability as of writing. Source: Author elaborations. See also Buendía & Palazuelos (2014:774) and Buendía et al. (2022:311, 314). **Author note: the figure will be revised.**

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Data availability

Data will be made available on request.

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Appendix

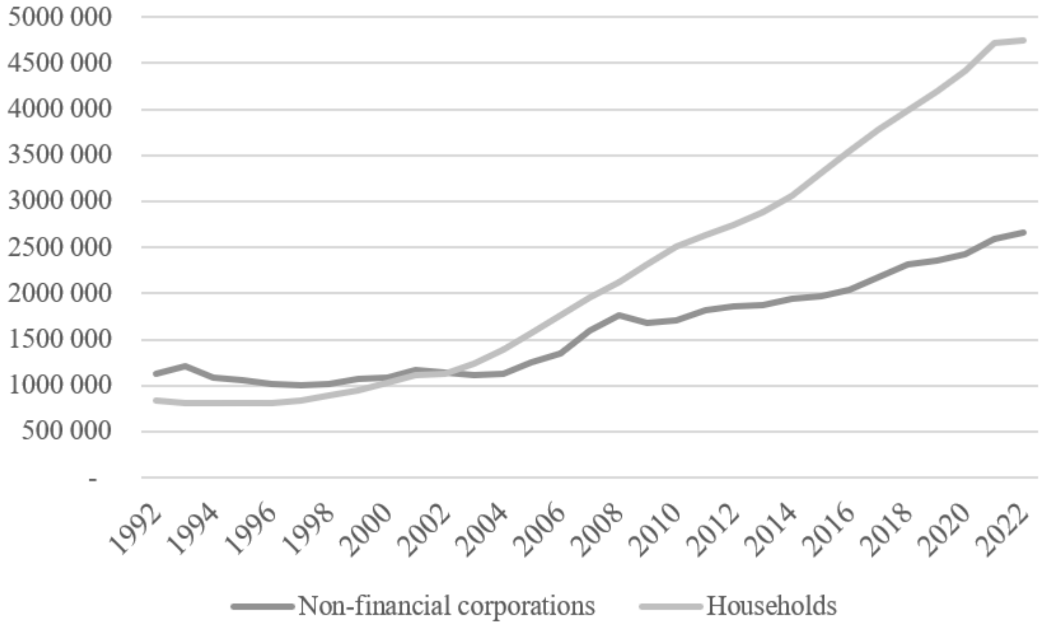

Figure 7. Lending to non-financial firms and households in Sweden. Nominal values, millions of SEK. Source: Statistics Sweden.

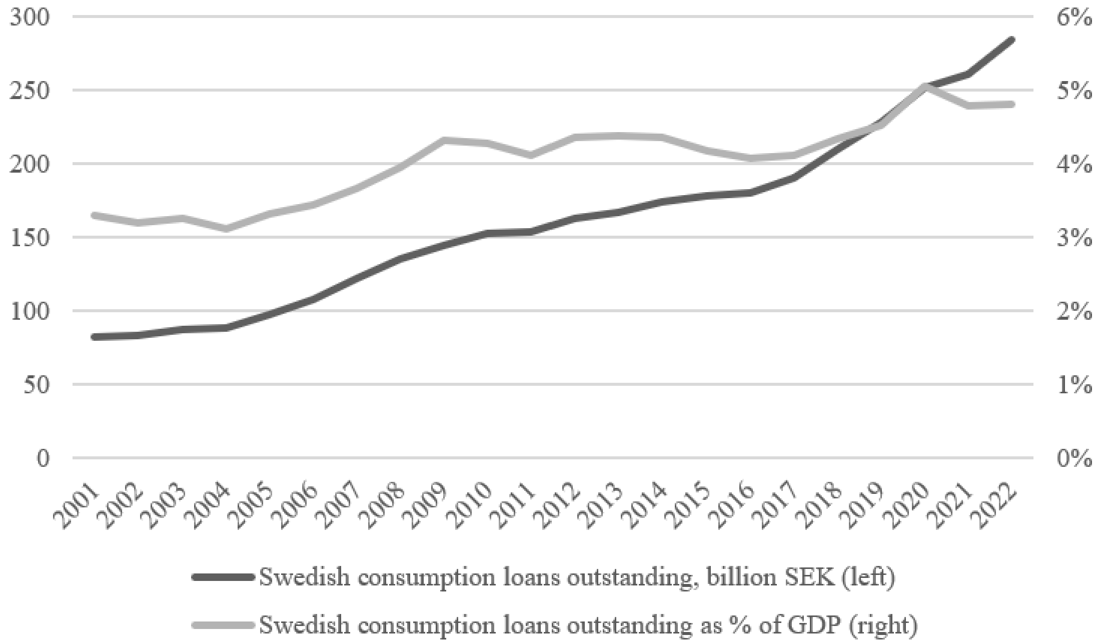

Figure 8: Swedish consumption loans, 2001 to 2022. Source: Statistics Sweden. For a cross-country comparison, see (EBA 2020:21)

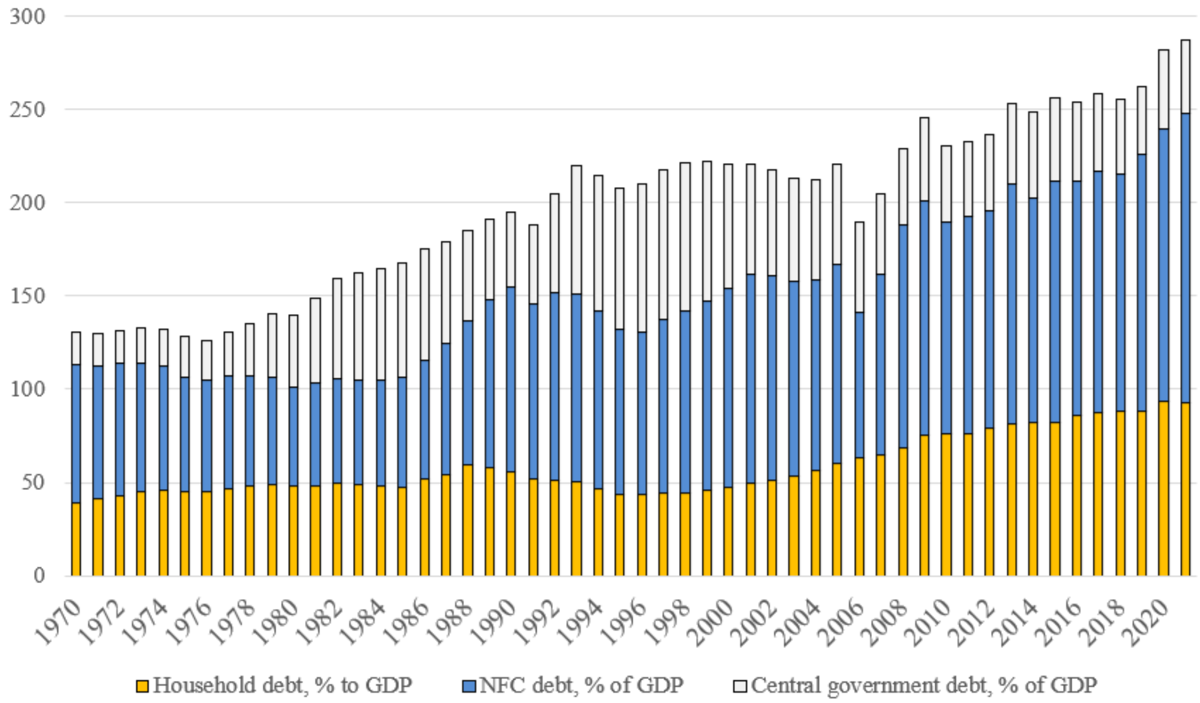

Figure 9. Debt levels to Swedish GDP. Source: IMF Global Debt Database.

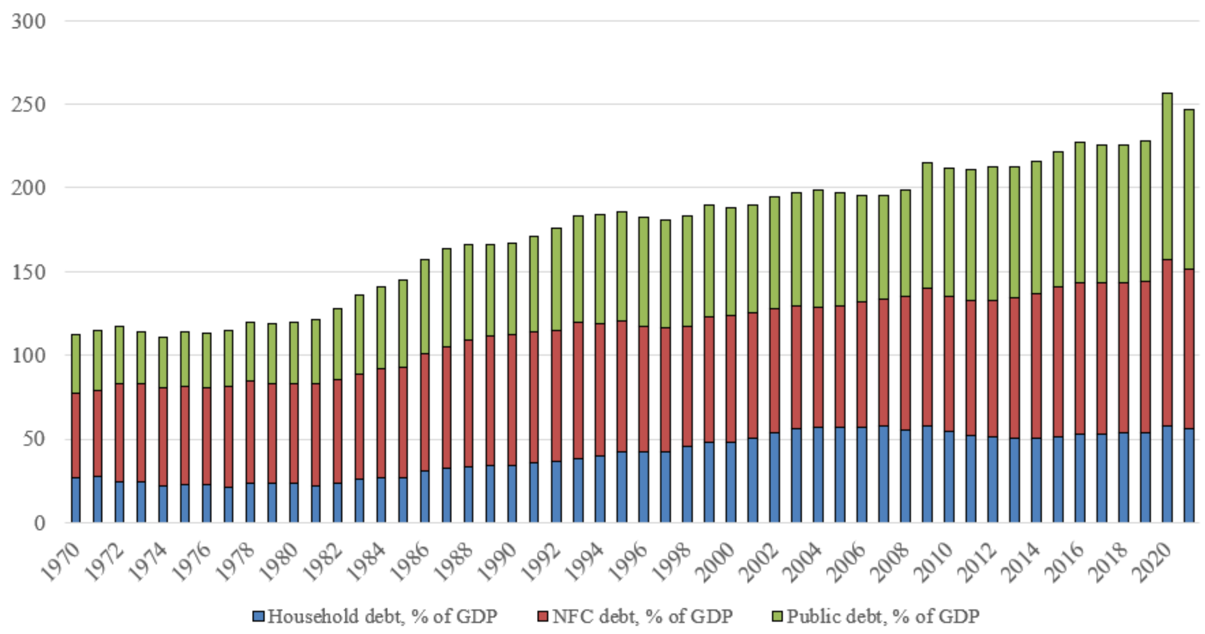

Figure 10. Debt levels to world GDP. Source: IMF Global Debt Database.

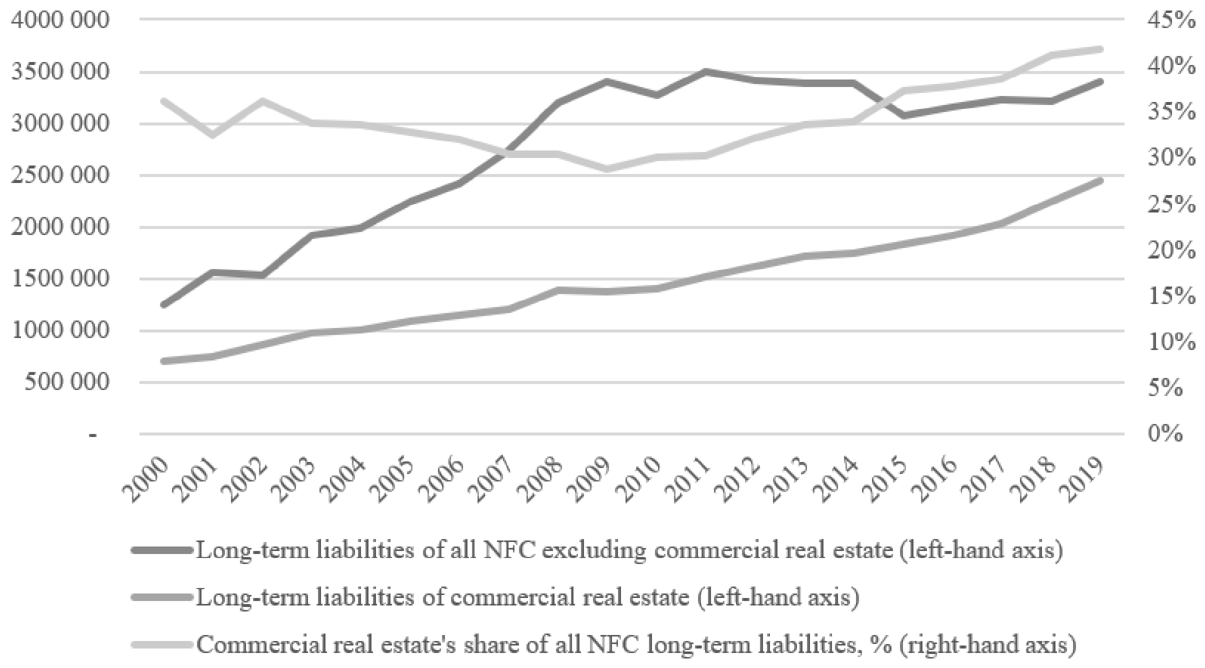

Figure 11. Lending approximated as 'Long-term liabilities, total' to non-financial corporations (NFCs) and commercial real estate (NACE 68). Source: Statistics Sweden, Structural Business Statistics.

	Sweden	Denmark	Finland
Large Cap	18	1	2
Mid Cap	19	0	0
Small Cap	3	8	4

Table 4. Listed real estate firms in Northern Europe, January 2023. Source: Modular Finance.