Summary

The principal topic of this thesis is the relationship between the state and the banks in advanced capitalist societies. I demonstrate how this relationship is fundamentally contradictory in the sense that it is characterised simultaneously by mutual dependence and conflict: The state is dependent on the banking sector, at the same time as lacking control over its destabilising effects. This contradiction is particularly decisive within what is described here as *liberal banking regimes*. Such regimes are distinguished by an absence of direct state control over banking activity, which finds particular expression in relation to systemic banking crises: Authorities of the state are in a position where they have limited possibilities to prevent such crises, while they are forced to intervene to stop financial collapse. Developments in recent decades have shown that this remains a problem of the utmost relevance.

With this as a starting point, the thesis analyses the state’s role in two systemic banking crises that occurred in Norway during the twentieth century: 1920–28 and 1988–93, respectively. Relative to the national economy, these two crises were among the most serious in these periods of western capitalism. They occurred at historical moments and within institutional contexts that were decidedly different, but that also had some striking similarities that make a comparison especially interesting. The focus is directed towards the state’s handling of the crises, and especially at their latter stages, the so-called ‘collapse’ or ‘revulsion’ phase. The development of the two banking crises themselves, and the authorities’ crisis measures, have been documented to a great extent in public enquiries and earlier historical research, and the empirical material that is used here is partly taken from these analyses. (In addition, the dissertation makes use of public documents from the Norwegian parliament and government, and from national and international historical statistics). The principal objective of the analyses is consequently to reveal the structural preconditions for the historical developments, with emphasis on similarities and differences in the conditions for the state’s management of the crises. This is a question of uncovering the historically specific structures that form the basis for certain causal mechanisms and, in this way, to explain the similarities and differences in the development of the crises and their outcomes. The purpose of this work is consequently twofold. I wish partly to provide historical explanations of the development of both crises, and in that context, partly to develop more general theoretical knowledge on the relationship between the state and the banking sector, and on the state’s role in similar types of banking crises.

The thesis relates to several different theoretical traditions (mainly Marxist and institutional theory) and further builds on different types of empirical analyses of the finance
sector and financial instability, in Norway in particular and in western capitalist countries in general. It consists of several chapters of principally theoretical content. In chapters 2–4 the general theoretical framework is developed in order to be able to understand the relationship between the state and the banks.

The starting point of the interpretation is some fundamental characteristics of the modern state and the relationship between state and society. A key point is that the state is a fundamentally ambiguous institution: It forms a delimited sector of society, while simultaneously maintaining universal functions that are constitutive for the state-centred society, of which it is a part. With this as a point of departure, I proceed to discussing the more specific question of the relationship between the state and the capitalist market sphere. Here, the theories on structural contradiction play an important role: The state is economically dependent on the market. At the same time, this domain is structurally separated from the state and undermines attempts at state control. From this, it follows that the state’s policy is subject to conflicting ‘imperatives’, something which manifests itself in contradictory causal mechanisms in economic policy. In chapter 4, I show how this type of mechanism is especially important when it comes to the state’s relationship to the banking sector, particularly its attempts to prevent and intervene in systemic banking crises.

Chapters 5 and 6 look closer at the historical context for the two banking crises, and analyse the entireties of the structures and institutions that regulated the relationship between the state and the banks in the two periods, described here as banking regimes. The focus is not only on the relationship that was characteristic of Norway, but rather on structures that also dominated in other western capitalist states during the same periods: The crisis of the 1920s occurred during a period in which the international gold standard formed an important basis for states’ economic policy. The relationship between the state and the banks was, moreover, marked by few national regulations and weak state institutions, described here as a classical liberal banking regime. The crisis of the 1990s occurred during a period when global and national credit markets had once again been liberalised, but in conjunction with a great capacity for national (indirect) regulation of the banking sector. This is described as a neoliberal banking regime. In spite of the differences between these two periods, it was in both instances nevertheless a matter of banking regimes in which liberal, pro-market, regulations dominated the banking and finance sector. Both regimes in which the crises took place can therefore be described as liberal banking regimes.

These structural similarities and differences between the two periods form the starting point for the historical analyses of similarities and differences in the state’s handling of the two Norwegian banking crises, in 1920–28 and 1988–93 respectively. The main methodical strategy
consists of revealing structural factors and how these form the basis for causal mechanisms that characterised the state’s crisis management. In part, this is a matter of structures and mechanisms that are common to both crises (liberal regimes), and in part a matter of structures and mechanisms that are particular to each of them (classically liberal and neo-liberal regimes, respectively).

The historical analyses examine three different aspects of these crises, namely dependence, capacity and legitimacy. The first (which is dealt with in chapter 7) concerns the degree of structural dependence between the state and the banks in light of the banking sector’s relative size and internal operating modes. This was decisive for how much pressure the state was under to intervene in order to secure its own basic interests. At the same time, the chapter clearly demonstrates how, in both cases, this intervention was marked by the same type of structural divisions between the state and the banks that generally characterise liberal banking regimes. In chapter 8, the second aspect is analysed, namely differences in the state’s capacity to regulate and intervene in the banking sector during the two crises. Here, various forms of capacity are investigated (financial, legal-administrative and with respect to monitoring) and how these differences in capacity had decisive significance for the management and the outcome of the crises. I show that the crisis management, in spite of the differences mentioned, was subject to many of the same structural limitations. The third factor, which concerns the basis for the state’s legitimacy, is discussed in chapter 9. The focus here is turned towards the two different political regimes in which the crises occurred, and the hegemonic conception of the state’s role in the economy. The question is how this may explain similarities and differences in the legitimacy (or lack of legitimacy) of the crisis measures taken for the banks, and the political opposition faced by the state.

In the closing chapter (chapter 10) I summarize some main similarities and differences between the two banking regimes and the two banking crises. There is also a discussion of the relevance of the findings from the analysis of the two Norwegian crises for other banking crises within the same type of banking regime, in light of the theoretical framework. As an extension of this, the thesis concludes with a wider analysis of the global financial crisis of 2007–10 and the national banking crises that followed in its wake. The chapter demonstrates how the structures and mechanisms I have uncovered concerning both the Norwegian crises (in respect of what both have in common, and what is particular to neo-liberal regimes) also applied to these later banking crises. The findings that are presented in the thesis ought, therefore, to be relevant for understanding the current situation and the relative strength of the state and the banks.