

9

The Swedish JAK: Cooperative and Interest-Free Banking

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I've been kindly asked to write a chapter in this book about JAK Members Bank. As I cannot pretend to be neutral, I prefer to point out from the beginning my subjectivity. I have formed part of JAK Members Bank for the last seven years, first as an active member, then as a volunteer in the local group of JAK Lund, and finally as an employee. It is not a secret that I like JAK.

What is JAK?

JAK is a Swedish cooperative bank with 38,136 members as of February 2014. It was first established as an association in 1965, started to collect savings and give loans in the early 1970s and was granted official bank status by the Swedish government in December 1997. JAK's three main characteristics are the following: democracy, non-interest lending and Popular Education.

Democracy

JAK has always been a democratic organization, and as a cooperative bank it works on the principle of 'one member, one vote'. In order to use the services of the bank, it is compulsory to become a member, so all the users (clients) of the bank are members (owners) and are invited to participate and to take responsibility in the development of the cooperative.

Non-interest lending

In JAK we don't use interest with each other. This means that as savers we don't expect that our savings will grow in our accounts, and

as loan-takers we know that the loan-fee that we are paying will only be used to pay for the administrative costs that are needed to keep the bank running: so no interest will be given to the savers, no profit will be distributed among the owners and no bonuses will be paid to the employees.

Popular Education

We are a group of 38,136 people from very different backgrounds that own a bank together. This is a challenge – especially when our bank is working with rules that no other bank has worked with before. With the purpose of keeping the movement alive, and empowering the members as active owners, we apply the Nordic tradition of Popular Education

The History of JAK

JAK was born in the 1930s, when the cooperative *Jord Arbedje Kapital* (Land, Labour and Capital) was founded in Denmark. Those were the days of the Great Depression and the people who founded it and got together through J.A.K. created their own tools to overcome the crisis. They issued an interest-free local currency backed with farm property in the region of Sønderjylland, created an interest-free savings-and-loan system and even developed a Local Exchange and Trade System (LETS) – a checking account system used by the members to exchange goods and services with each other without cash.

Unfortunately, the interest-free currency was banned by the Danish government in 1933, despite its success (or maybe because of it), followed by the closure of the other two projects at the end of the decade due to inherent problems in the system structure and to the opposition from the Danish media and authorities.

Nevertheless, these experiments were not forgotten and the group of people that made them possible was still trying and working. As a result, in 1944 the JAK interest-free savings-and-loan system re-started, this time with new rules that made the system more stable, which helped them succeed. In 1958, they received a bank license and grew steadily and quite fast. While JAK ranked as one of the twentieth largest banks in Denmark at the end of the 1960s, it was simultaneously dealing with a liquidity problem, given its lack of