Barack Obama is being urged to follow Swedish model in order to save capitalism.

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Capitalism is under fire. As the global financial crisis grows more severe, unemployment surge and families are forced out of their homes, criticism against the capitalistic system is growing all over the world.

During the last few months a growing number of well-known economists have called attention to the Swedish model, described as a middle way between a capitalist and socialist economy – a way of achieving high levels of social equality with liberal export-friendly entrepreneurship.

As the American central bank and Treasury keeps pumping hundreds of billions of taxpayer's dollars into troubled bank to get the financial system back on its feet, people are starting to lose faith in the plan.

Michael R. Sesit, a columnist at Bloomberg News, believes that a bit of Swedish socialism might do the American banking system some good. His advice is that the Barack Obama administration shouldn't hesitate to national banks that need to be bailed out, just as Sweden did during the bank crisis 1992.

At the time, two of Sweden's largest banks and a number of lenders were nationalised and the government made the institutions write down bad assets to realistic levels. To guarantee the banking system's creditors and depositors, the government established a "bad bank" that purchased toxic assets. The more a bank asked for, the bigger stake it gave to the state. The shareholders were not protected.

In the end the taxpayers profited when the nationalised banks were sold a few years later.

"If this smacks of socialism, so be it. We need a temporary dose to save capitalism", Michael R.

Sesit writes.

In the New York Times, Nobel Prize-winning economist Paul Krugman also laid stress upon that Barack Obama shouldn't be indecisive about national banks. The current rescue plan appears to give shareholders all the advantages when times are in bloom, and put the taxpayers money on risk when the economy turns bad, Krugman points out.

"If taxpayers are footing the bill for rescuing the banks, why shouldn't they get ownership, at least until private buyers can be found?" Krugman writes. "But the Obama administration appears to be tying itself in knots to avoid this outcome."

Also the famous economists Nassim Nicholas Taleb and Nouriel Roubini has pointed out that nationalisation is the most sensible thing to do if the banking system is to be brought out of insolvency.

The Financial Times columnist Christopher Wood, equity strategist for CLSA Ltd in Hong Kong and author of The Bubble Economy, gives prominence to how the Swedish rescue plan in 1992 managed fully align the interest of the institutions with the taxpayers.

"This left none of the massive conflicts of interest, as well as perverse unintended consequences, caused by the present anomalous situation in the west where too many banks are being rewarded for failure - leading, incidentally, to a massive competitive disadvantage for those banks that managed their affairs more prudently", Christopher Wood writes.

"A crucial principle of the Swedish model is that banks were forced to write down their assets to market and take the hit to their equity before the recapitalisation began. This is of course precisely what has not happened in either the US or Britain".

The current rescue plan in the US and UK, Christopher Wood argues, is more similar to the Japanese policy from the 1990's – that clearly didn't work out.

”The outcome, as then, is increasingly zombie-like banks”, he writes as a warning to the policy makers.

Sweden had been under socialistic rule most of the last century. But it was the right-wing government that guaranteed all bank deposits and creditors of the nation’s 114 banks in 1992. Sweden spent 4 percent of its GDP to rescue ailing banks, which totals 65 billion kronor, $18.3 billion in today’s dollars.