

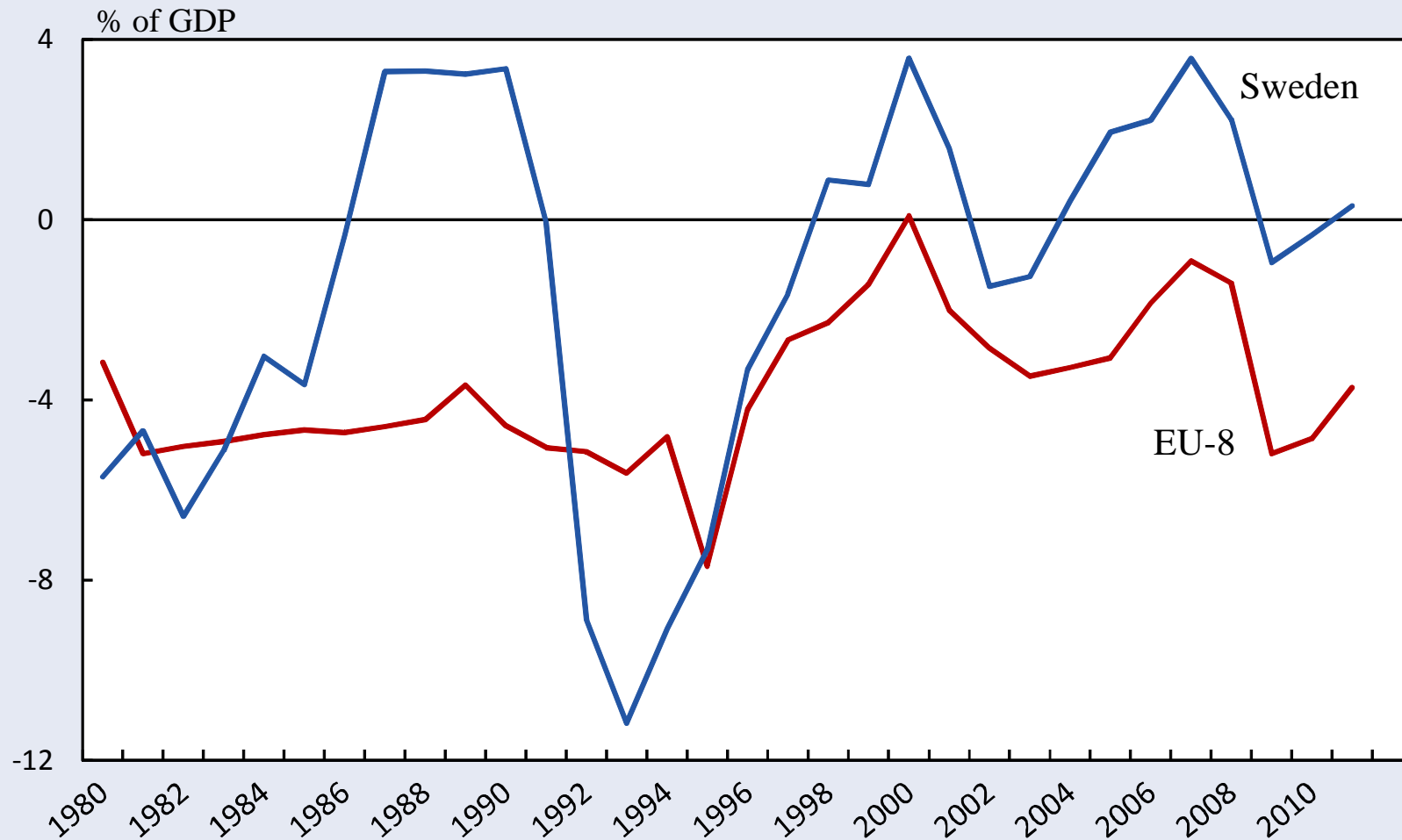
# Some lessons from Swedish economic-policy experiences

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French embassy, Stockholm

25 March 2013

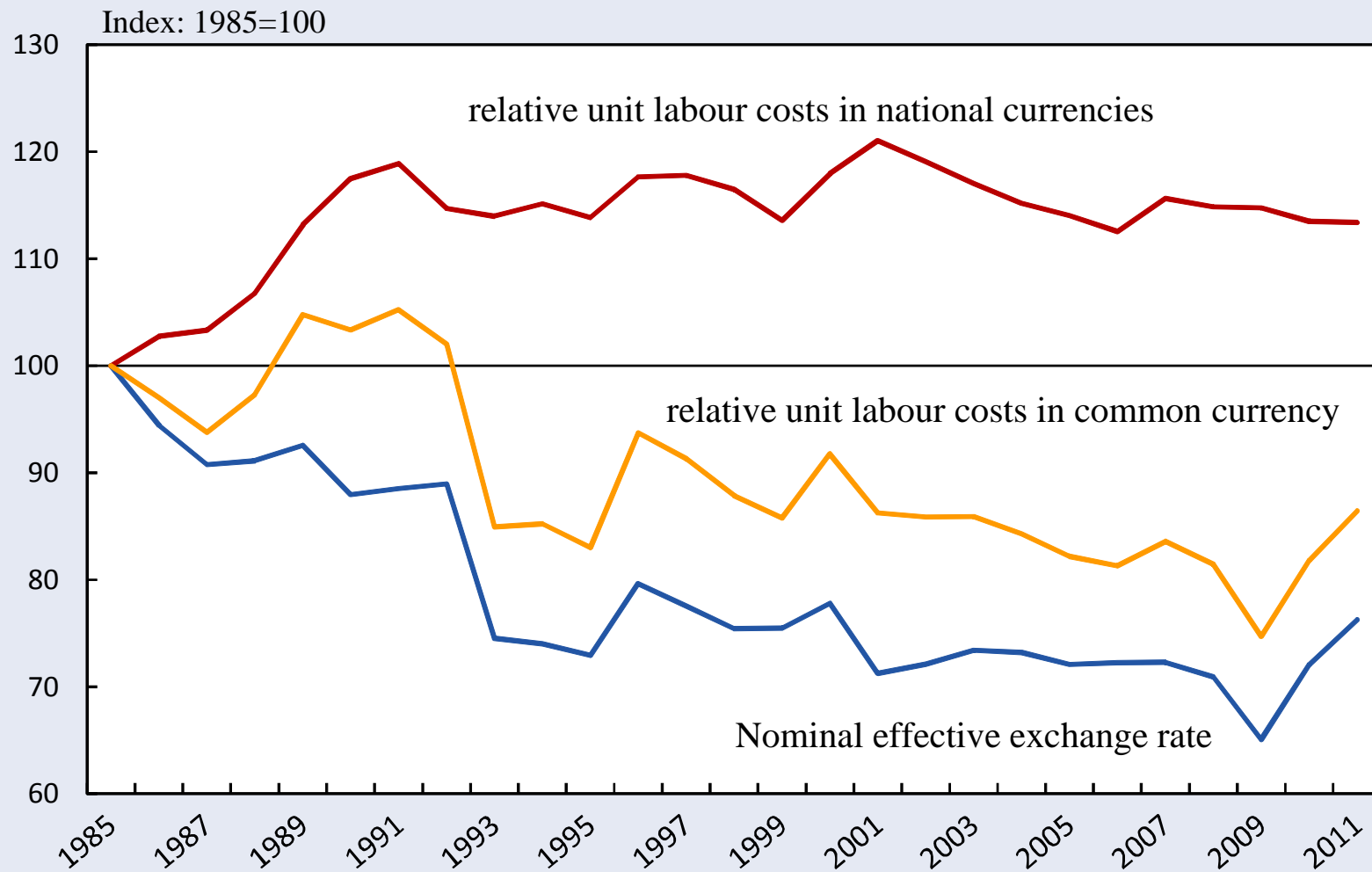
## General government net lending in Sweden and the euro area



Note: EU-8 is a weighted average for Austria, Belgium, Finland, France, (West) Germany, Italy, the Netherlands and Portugal.

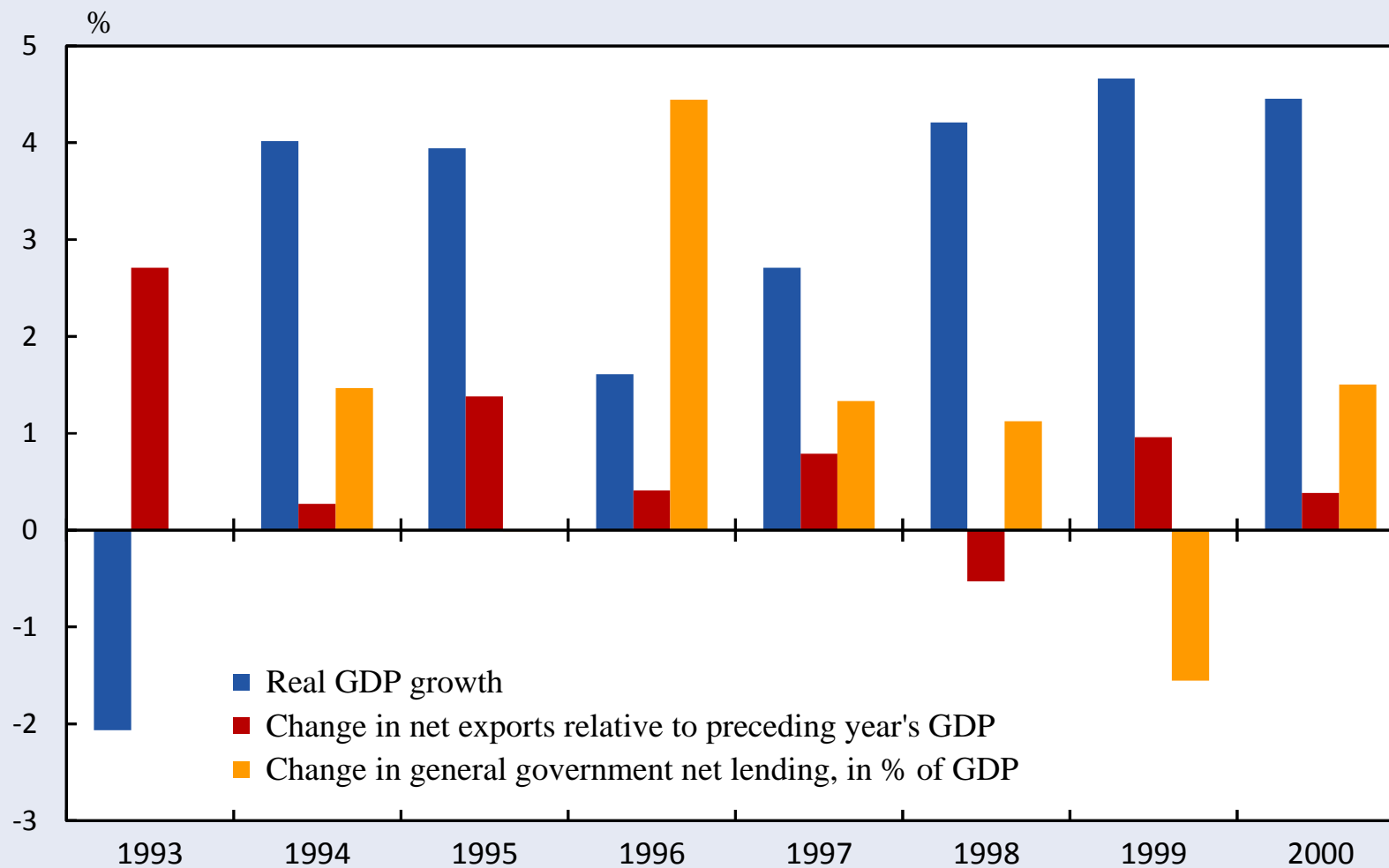
Sources: OECD Economic Outlook No. 89 (Sweden); and Ameco and own calculations (EU-8).

# Nominal exchange rate and relative unit labour costs vis-à-vis EU-15 for Sweden

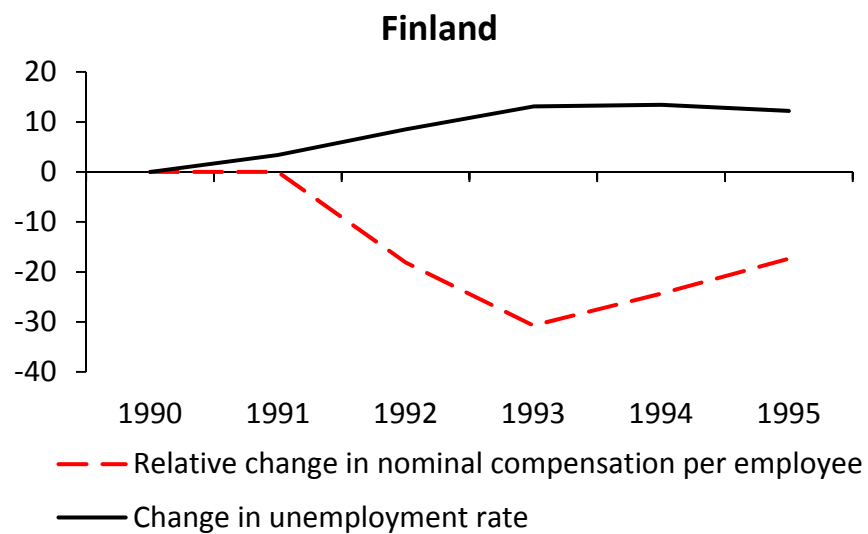
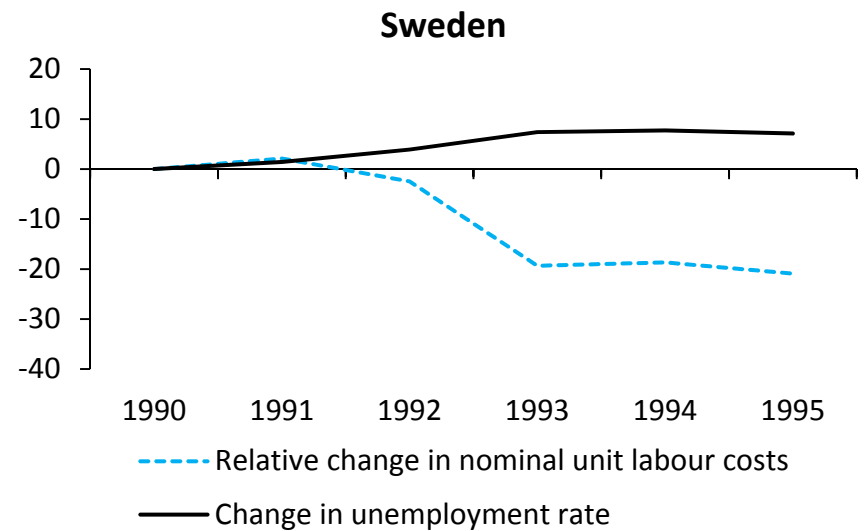
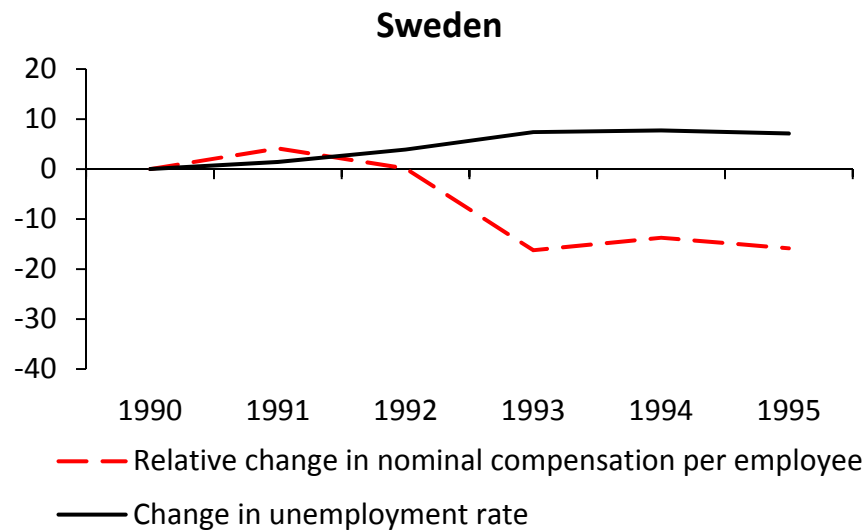


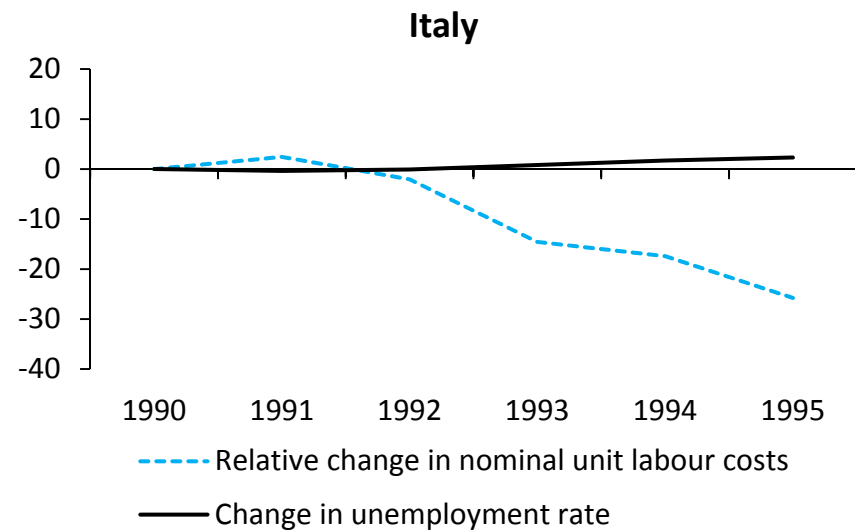
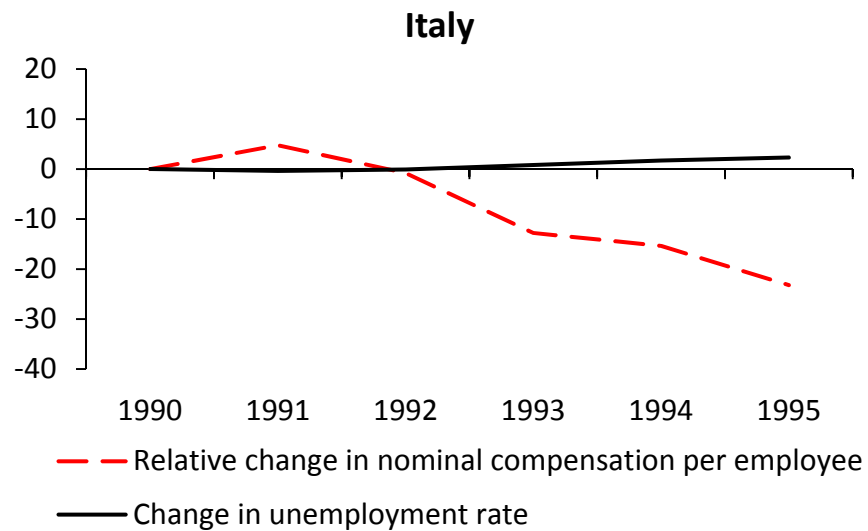
Sources: Ameco and own calculations.

## Fiscal consolidation, GDP growth and change in net exports in Sweden, 1993-2000

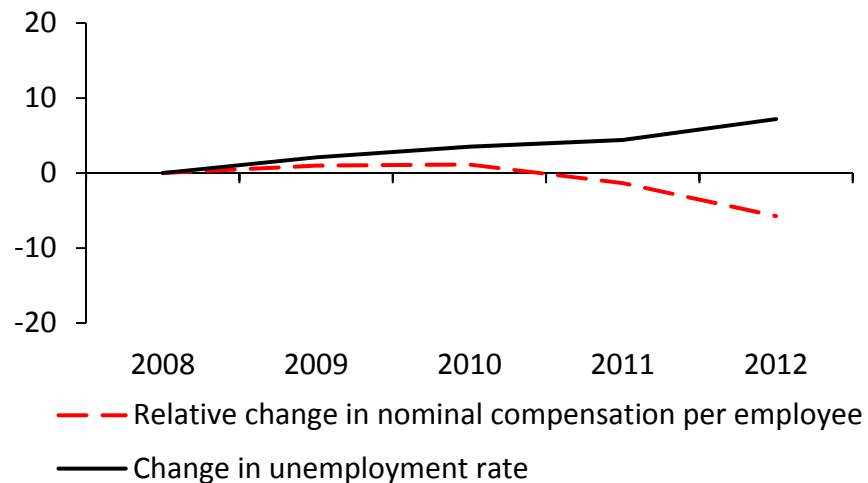


Sources: Ameco and own calculations.

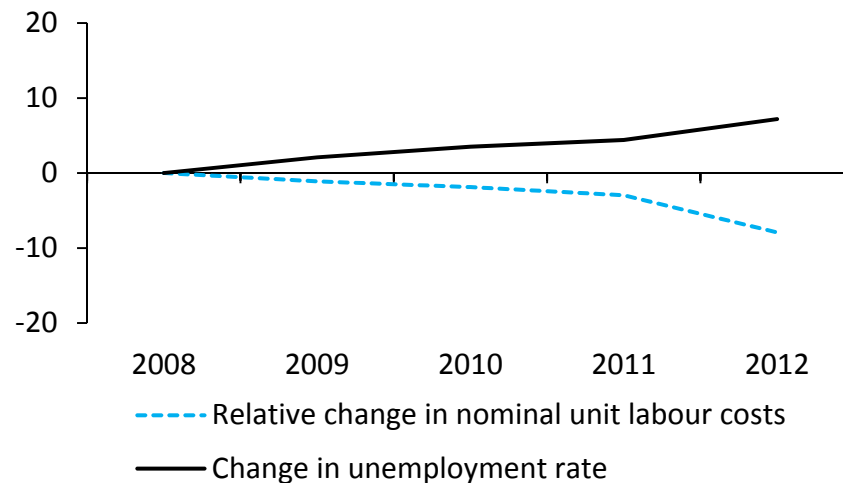




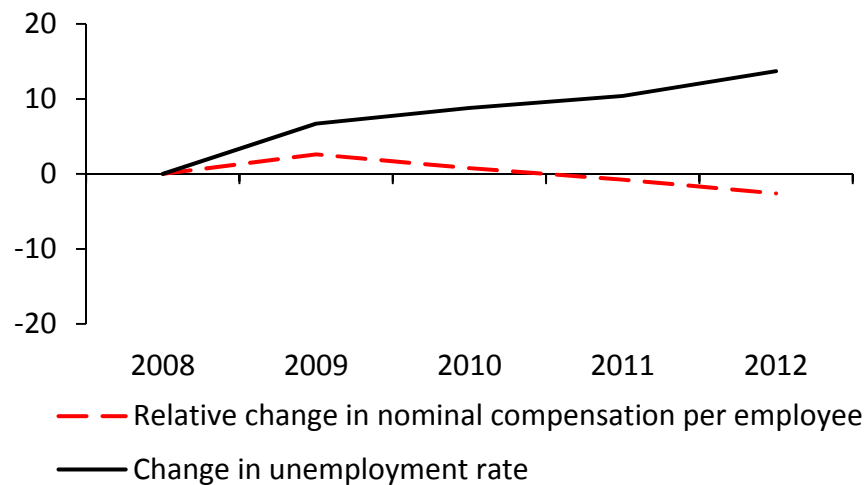
**Portugal**



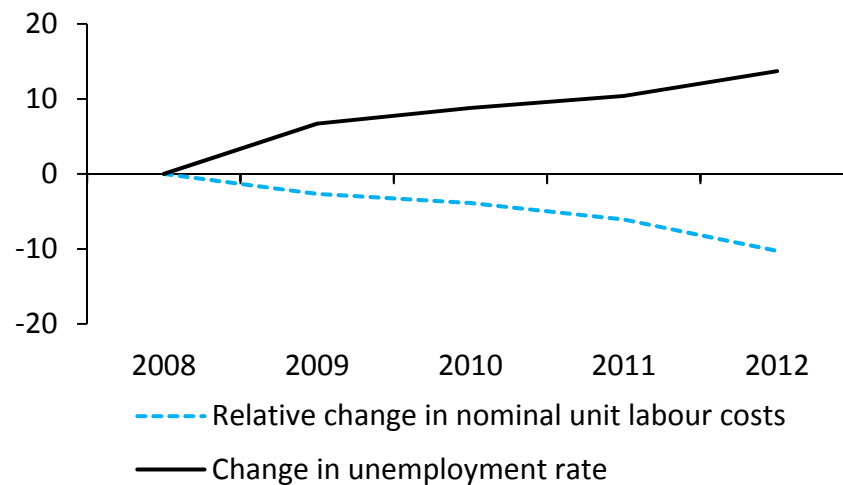
**Portugal**

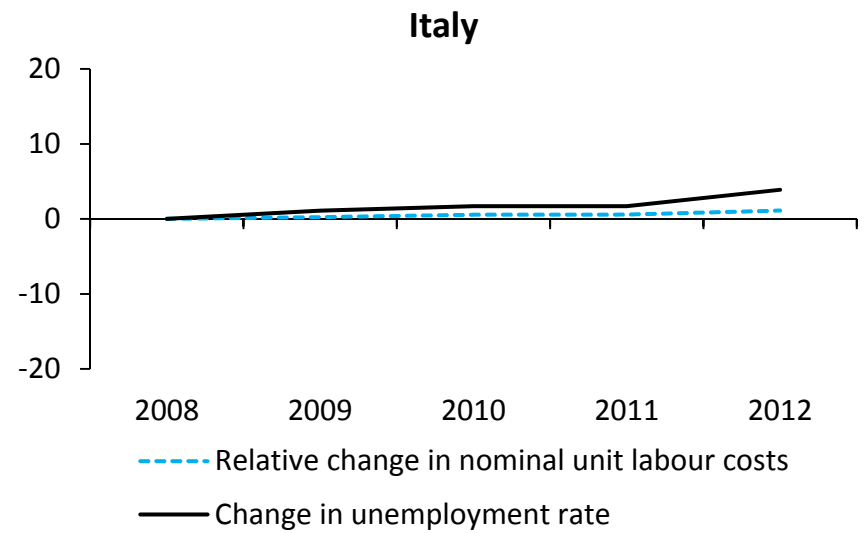
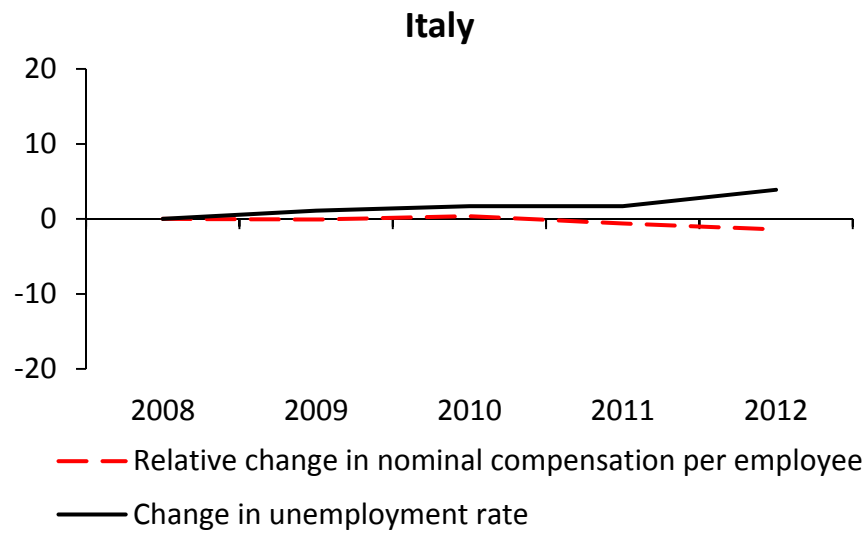
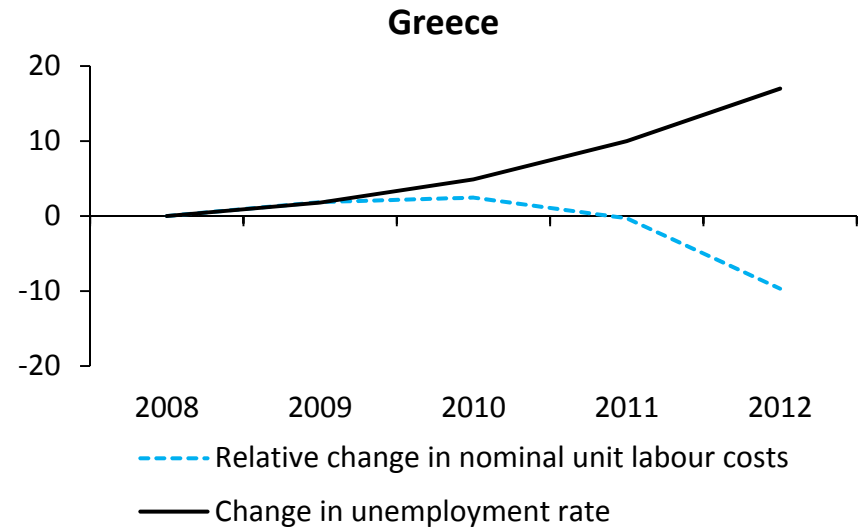
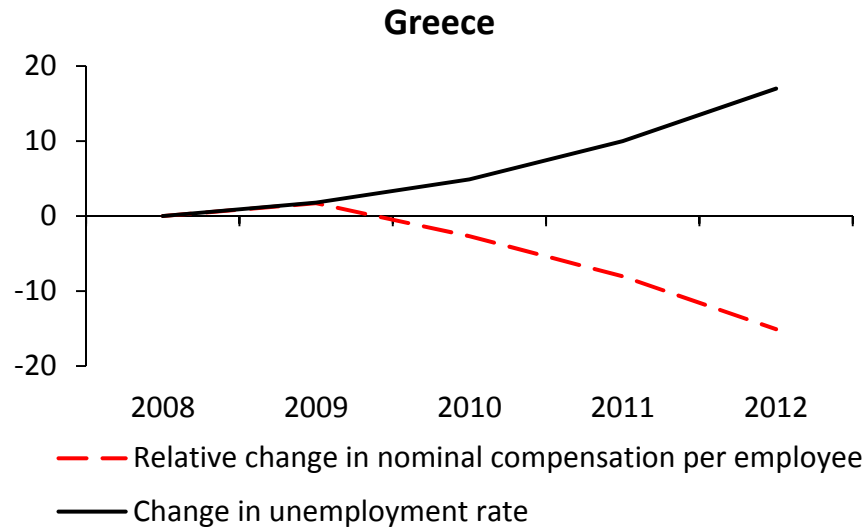


**Spain**

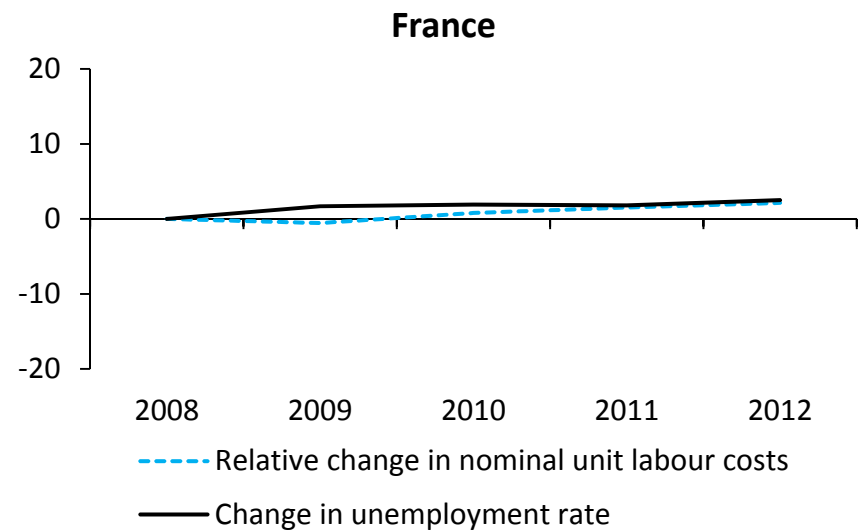
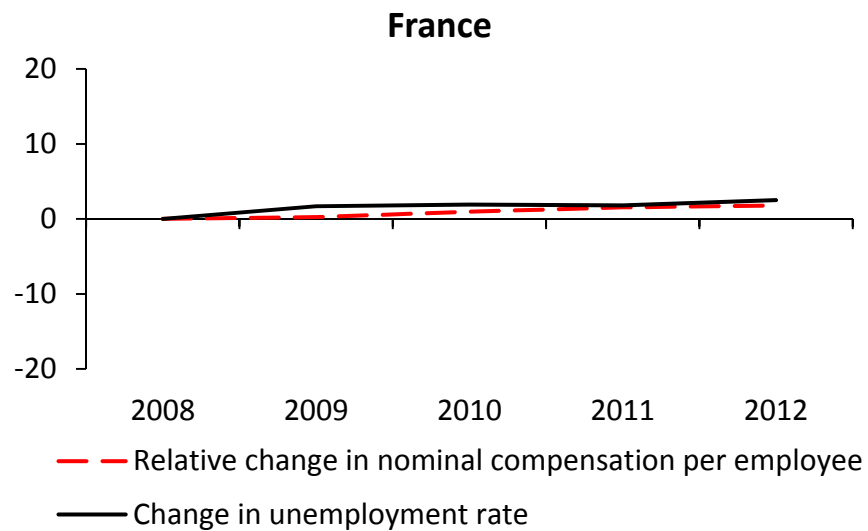
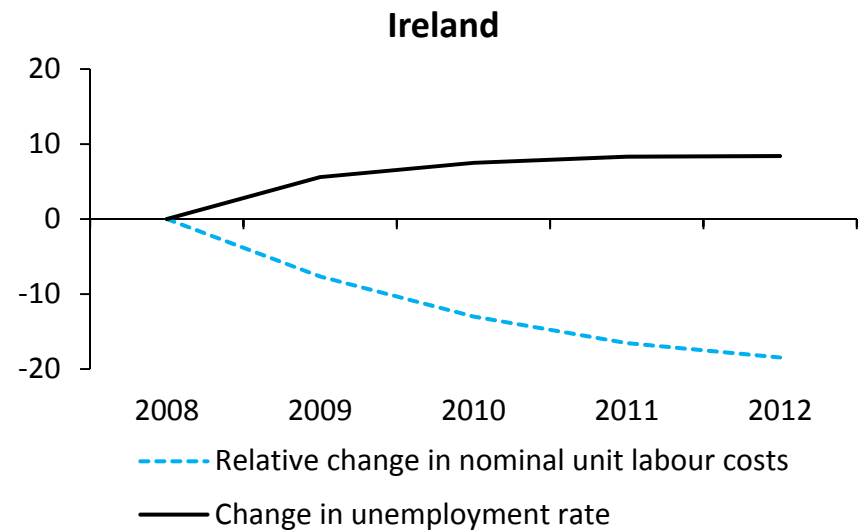


**Spain**









## Sacrifice ratios

### Relative unit labour cost

	year 1	year 2	year 3	year 4
Greece (2008)	<b>-0.97</b>	<b>-2.00</b>	33.77	1.75
Ireland (2008)	0.73	0.58	0.50	0.46
Italy (2008)	<b>-4.49</b>	<b>-3.08</b>	<b>-2.91</b>	<b>-3.48</b>
Portugal (2008)	1.89	1.87	1.48	0.91
Spain (2008)	<b>-2.51</b>	2.26	1.71	1.34
Finland (1990)	2.97	0.43	0.38	0.44
Sweden (1990)	<b>-0.66</b>	1.57	0.38	0.41

## Sacrifice ratios

### Relative wage cost per employee

	year 1	year 2	year 3	year 4
Greece (2008)	<b>-1.05</b>	1.82	1.24	1.13
Ireland (2008)	2.12	1.02	0.90	0.83
Italy (2008)	12.38	<b>-4.63</b>	2.81	2.77
Portugal (2008)	<b>-2.15</b>	<b>-3.09</b>	3.27	1.26
Spain (2008)	<b>-2.57</b>	11.44	13.83	5.27
Finland (1990)	2.00	0.47	0.43	0.55
Sweden (1990)	<b>-0.34</b>	27.68	0.46	0.56

# Political consensus on budget discipline and fiscal framework in Sweden

- Top-down budget process
- Fiscal surplus target of one per cent of GDP
- Central government expenditure ceiling
- Local government budget balance requirement
- Reformed pension system
- Monitoring institutions with substantial independence
- Government calculations of the annual **scope for reform**
- Relative importance of change in fiscal culture (mindset) and fiscal framework
  - change in mindset likely to be most important
  - best guarantee for fiscal discipline is an earlier crisis (without bail-outs from others)
  - cf Greece and Sweden

# Fiscal framework in Sweden and in the Euro area

## **Euro area**

- Formally strict budget rules (TFEU, Stability pact, Fiscal compact)
- Automatic correction mechanisms
- Possibility of sanctions

## **Sweden**

- Flexible rules
- No automatic correction mechanisms
- No sanctions
- Transparency and qualified public debate
  - information given and required by the government
  - monitoring institutions
  - tradition to listen to economists