



**The Nordic model:
Victories and new challenges
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The Nordics are hot



NORDISK MODELL. En namnkunnig skara talade om ekonomin i norra Europa. Klas Eklund, Lars Lokke Rasmussen, Fredrik Reinfeldt, Tarja Halonen, Jens Stoltenberg och Olafur Ragnar berättade om erfarenheter från sina hemländer.

FOTO: MICHAEL WÜRTEMBERG

Bra så in i Norden

The 1990s crisis in Sweden

The “Swedish model” cracked in the 1970’s

Two decades of slow growth, devaluations and inflation

1990’s: Deep crisis:

- Over-heating, currency crisis, rate hikes, banking crisis, depression, unemployment, budget chaos

The grim realization: We were not God’s chosen people!

Forced brutal adaptation

Comprehensive Swedish reforms

Big tax reform 1990-91

Financial market and FX deregulation 1991

Bank crisis resolution 1992-93

Utilities deregulation 1992

Floating currency 1992

Inflation target 1993

Independent central bank 1994

Fiscal austerity program 1993-96

Budget reform 1995

EU membership 1995

Pension reform 1996

Wage negotiations overhaul 1996

The results

Well consolidated banks

Current account surplus

Budget surplus/balance

Falling government debt

Low inflation

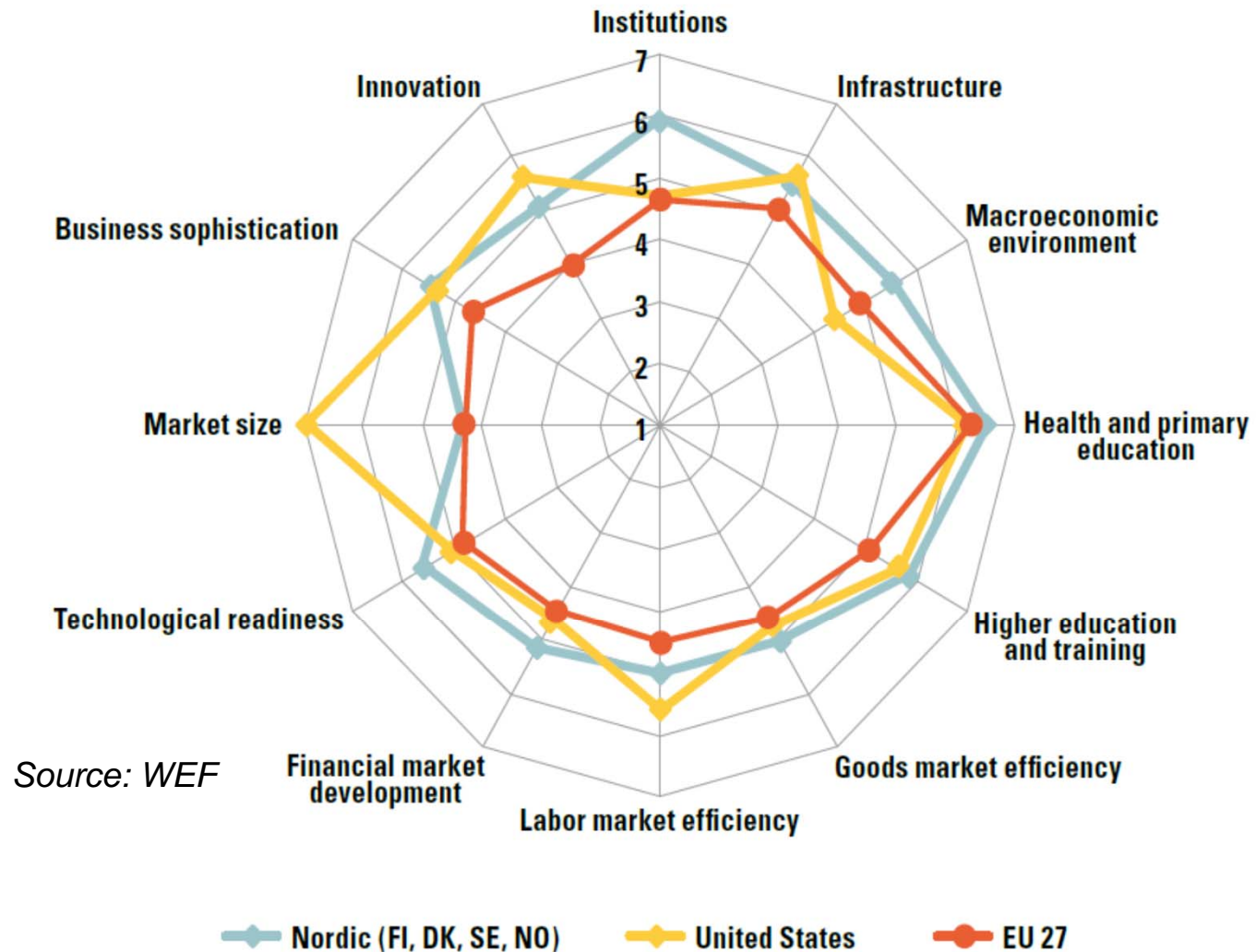
Low interest rates

Rapid productivity growth

But still high unemployment

Now: Nordic strength

Strong Nordic competitiveness



The peculiar Nordic Way

Big unions, big industry, big government, high taxes, egalitarianism

And openness, readiness to innovate

Ambition to combine equity with efficiency

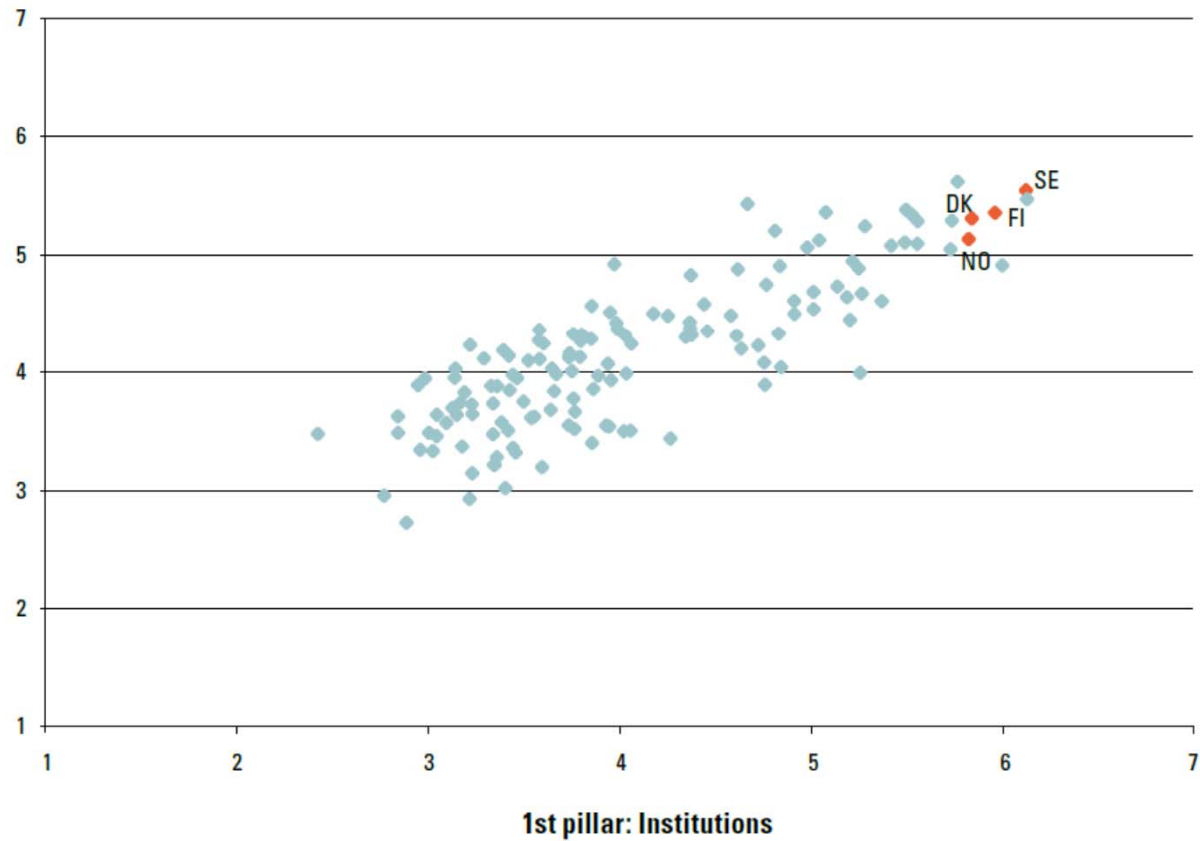
**Neither Anglo-Saxon unfettered markets nor
Continental European rigidities**

**A strange mix of egalitarianism, high taxes –
and free markets with individualism**

Nordic trust

Trustworthy public institutions in the Nordics

Global Competitiveness Index 2010–2011



Present economic policy challenges

Monetary policy

- Flexible inflation targeting – or?
- The household debt level
- Supply problems in housing
- Organisation of macro-prudential supervision

Fiscal policy

- The future of the surplus target

Long-term challenges

- **Globalisation**
- **Labour market**
- **Demography**
- **Organisation of the welfare state**

Conclusions

When in crisis:
“Never waste a good crisis”
Bite the bullet, comprehensive reforms

Preparing the future:
Solid macro foundations
Build innovative climate
Dynamism, flexibility, entrepreneurship