

Sweden says 'no' to the Euro

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On 14 September 2003, Swedish voters had the opportunity to vote on whether Sweden should join the eurozone. The vote was widely seen as a vote on the monetary, fiscal and structural policies of the eurozone's leaders. In the event, Sweden voted to stay out, by a margin of 56 per cent to 42 per cent, which amounted to a vote of no-confidence in the eurozone economy. The vote provided an opportunity for Swedes to assess their place in Europe, and also an indication of electoral sentiment for other EU member states not in the eurozone to analyse, particularly Denmark (which had rejected the euro in a referendum in 2001) and the UK (where a referendum is on hold).

Sweden only joined the EU in 1995, 22 years after Denmark. The vote to join the EU was the closest of any country which has had a vote on the issue, 53 to 47 per cent. Swedish public opinion has remained sceptical about the benefits of EU membership. One Swedish worker says: 'We have definitely not seen any benefits from being in the EU. We are a net contributor to its budget, but it is money we could have used better ourselves' (Brown-Humes, 7 August 2003). Sweden's economy is based on the the social market model, dating from the 1930s, which combines a welfare state with a market economy. Extensive welfare spending has led to some of the world's highest tax rates and a large public sector: more than 50 per cent of Swedes depend directly on the state for their income, either through public sector employment or benefits. Sweden has been described as a 'consensus-driven egalitarian society' (Brown-Humes, 30 August 2002). It has lower unemployment, lower inflation and higher growth than most other EU countries.

The 'yes' campaign, supported by the government, pointed to the fact that the eurozone accounts for 40 per cent of Swedish trade and that Swedish multinationals, such as Ericsson, Volvo and Scania, rely on exports. They argued that eurozone membership would increase trade, promote jobs and bring the benefits of lower interest rates, as Sweden's key interest rate was 2.75 per cent, compared with the ECB's 2 per cent. A consequence, they urged, would be lower costs of mortgages for householders.

For the 'no' side, however, there was the persuasive argument that the Swedish economy was performing rather well and a widespread fear that prices, far from going down, would be rounded up when converted to euros. Opponents of the euro pointed to the fact that the three EU countries outside the eurozone were performing better than the 12 in the eurozone. In the end, government support for the euro seemed to crumble, as ministers went over to the 'no' side. Importantly, key trade unions supported the 'no' vote. Analysis of the results showed large majorities of 'no' voters among women, blue-collar and public sector workers and, perhaps surprisingly, 18–30-year-olds. Even Gothenburg, home to Volvo and other key exporters, voted 'no'. Most Swedes remained sceptical of the supposed benefits and opted for the system they knew. As the Financial Times' editorial commented after the vote: 'What is clear ... is that the benefits of joining will have to become more self-evident for electorates with a history of scepticism on EU matters to be convinced' (Financial Times, 15 September, 2003). This would include both Denmark and the UK. Perhaps ironically, the EU's ten newer members seem to be more eager to join the eurozone than the three more Euro-sceptic members of the EU 15.

Sources: George, N. 'Swedes normal deference aside in favour of revolt', Financial Times, 16 September 2003; Brown-Humes, C. 'Sweden's ageing model' Financial Times, 30 August 2002; Brown-Humes, C. 'Sweden's euro choice: sceptical voters fear the consequences for a cherished welfare model and isolationist heritage', Financial Times, 7 August 2003; Financial Times, 'Sweden's no vote', 15 September 2003.

Case questions

What are the lessons for Sweden's political leaders, and for leaders of other EU countries contemplating eurozone entry, in the Swedish electorate's rejection of the euro?

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