Swedish Economy

During the past century, Sweden has progressed from one of the poorest of European countries to one of the most industrially advanced, and with a high standard of living. Between 1850 and 1880, a quarter of the Swedish population emigrated to North America to escape poverty. Today unemployment is low, and Swedes enjoy the benefits of an egalitarian social security system like Canada's.

The transformation of Sweden's economy began with a number of inventions and refinements of industrial processes by Swedish companies: AGA – acetylene and automatic lighthouses; Nobel Industries – dynamite; Alfa Laval – separators and milking machines; ASEA – engineering and electric power transmission; Ericsson – telephones; and SKF – ball and roller bearings.

Faced with a small domestic market, these firms had to export to achieve profitable levels of production, and they earned their export market share largely on the basis of quality, high technical standards and technological independence.

In recent decades, Sweden's exports of specialty metals (Sandvik), machinery (Atlas Copco, Alfa Laval, Flakt and ASEA), cars and trucks (Saab and Volvo) have been supplemented by consumer goods (Electrolux, IKEA, and Tetrapak), pharmaceuticals (Pharmacia and Astra), robotics (ASEA), and communications and informatics (Ericsson).

Swedish companies are recognized for setting international standards in engineering, management and marketing, and they continue to invest heavily in research and development. Sweden has relatively low energy costs, low corporate taxes, and a well-educated work force. State ownership of industry is limited. Eighty-five percent of Swedish industry is privately owned, 5% is held by private co-operatives, and less than 10% is state owned.

Sweden has more multinational corporations per person and spends more on research and development (RAND) as a percentage of gross domestic product (GDP) than any other country. (Japan is number two.) Numerous investments within the European Community since 1987 show the determination of leading Swedish firms to secure access to the community's internal market.

Dependence on foreign trade brought the Swedish economy to the brink of crisis when world trade declined following the first oil price shock in 1973. Sweden's current account deficit grew to 4% of GDP and the cost of petroleum imports soared. Since then, Sweden has severely reduced consumption of imported petroleum products by developing new technologies and conservation techniques.

Sweden recently implemented an extensive tax reform aimed mainly at defeating inflation and encouraging work and saving. The drop in income tax rates to an average of 30% is to be self-financed through several measures, including tighter limits on tax-free allowances, raising the value-added tax (similar to GST) from 23.5% to 25%, and higher taxes on fringe benefits.