

## Debating the Issue: Sweden's Economic System

Name \_\_\_\_\_ Date \_\_\_\_\_ Hour \_\_\_\_\_

### **Beginning Inquiry questions**

Should the government play a strong role in the lives of its citizens? Why? \_\_\_\_\_

\_\_\_\_\_

What should be the role of the government? \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

### **Read the article about Sweden's mixed economy.**

#### **"Sweden Economy and Swedish Agriculture and Manufacturing"**

By E. Buchot

As in most developed nations, services—including communications and transportation, finance, education and health care, and tourism—are Sweden's most important economic activities as a share of gross domestic product (GDP). An extensive range of services in Sweden are provided by state-owned enterprises, which are funded by one of the highest levels of taxation in Europe. They include health care, housing for the needy, education, and child care for working parents.

Sweden is also an industrial giant. Sweden's output of manufactured goods is only slightly less than that of Norway, Finland, and Denmark combined. Sweden lacks a wide range of natural resources, but it does have rich deposits of iron ore, abundant waterpower resources, and extensive forest reserves. Through technological innovation and efficient work processes, Sweden has used its resources to become one of the world's leading manufacturing and exporting nations. Traditional exports include paper and pulp and steel (Iron and Steel

Manufacture). In recent decades newer industries, including information technology, biotechnology, and pharmaceuticals, have grown in importance. Industrial diversification has helped stabilize Sweden's economy by moderating the effects of fluctuations in international demand. Sweden promotes a liberal trade policy and was a founding member of the European Free Trade Association (EFTA, established 1960). In 1995 Sweden became a full member of the European Union (EU), at which time it withdrew from EFTA. Since the 1930s Sweden has operated a mixed economy (often referred to as the "Swedish model"), a system that has created an unusual degree of economic equality among citizens and a highly developed infrastructure. Although more than 90 percent of Swedish industry is privately owned, the government exerts substantial control over economic life to promote full employment, economic development, and the provision of generous social welfare benefits. Nearly 80 percent of Swedish workers belong to labor unions, one of the world's highest rates of unionization. Labor-management relations are generally excellent, and strikes are rare. The high level of unionization has created a comparatively high minimum wage, even for low-skill jobs. For many decades the Swedish model has proved remarkably successful, providing Swedes with low unemployment and one of the world's highest per-capita standards of living.

A severe recession in the early 1990s—the worst to hit Sweden since the Great Depression of the 1930s—raised concerns about Sweden's ability to maintain its mixed economy. Both the budget deficit and unemployment soared. The Swedish government quickly responded with austerity measures that included tax reforms, a reduction in civil service employment, cuts in some social-welfare programs, and the partial privatization of some state-owned enterprises (particularly in postal services, telecommunications, and railroad transportation). The moves, which resulted in a modest reduction in the public sector, helped

restore confidence in Sweden's economy and promoted an economic recovery that only slowed with the global economic downturn of 2001. The episode refocused Swedish attention on economic growth and marked the emergence of a broad consensus underlining Sweden's commitment to egalitarian policies while limiting unwise public spending.

Just 7 percent of the land in Sweden is cultivated. Nevertheless, agricultural output is quite high. Scientific farming, including intensive fertilization and mechanization, makes possible good crop yields despite generally poor soils, rugged topography, and a short growing season. Agriculture is intensively developed in the southern lowlands, especially in the plains of Skåne. Most agricultural production is for domestic consumption. Agriculture dominated Sweden's economy until the 1930s, but today less than 2 percent of the total work force earns a livelihood by farming. Modern Swedish farms vary in size from large estates to small holdings of a few hectares. In recent years, many small farms have been combined into larger units. After World War II, dairy farming, traditionally an important sector of Swedish agriculture, declined compared to the production of cereal grains and vegetables. The leading farm commodities remain livestock and livestock products, especially dairy products. The major crops are wheat, barley, oats, potatoes, canola, rye, and sugar beets. Sweden is also a leading producer of fur pelts, particularly mink.

Sweden's highly skilled work force has used the nation's mining, timber, and waterpower resources to build a diversified and exceptionally modern industrial base. Metallurgical and engineering industries, followed by the lumber, pulp, and paper industries, have long dominated Sweden's export-oriented manufacturing sector. Sweden produces goods such as iron and high-grade steel, ball bearings, automobiles, agricultural machinery, airplanes, machine tools and precision gauges, appliances, and telecommunications equipment. The Swedish automobile

companies Volvo and Saab are widely respected for their well-engineered products. Sweden is also home to vigorous chemical and pharmaceutical industries. Other important manufactured goods that have earned Sweden a worldwide reputation include furniture of modern design, glassware, textiles, countless handicraft items, cutlery, and processed foods. Important manufacturing centers include Stockholm, Göteborg, Linköping, Malmö, and Trollhättan.

Source: [http://voyagesphotosmanu.com/sweden\\_economy.html](http://voyagesphotosmanu.com/sweden_economy.html)

Known as the Swedish Model, could Sweden's economy type work in the United States? And what are the advantages and disadvantages of Sweden's mixed market system? Please explain your answer in detail.

[illegible]