

Sweden edges towards adopting the euro

New attacks prepared against working class

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18 March 1999

The Swedish coalition government of the Social Democratic Party, the Left Party and the Greens faces two strategic decisions. Within a short period, months at most, the government will have to make clear how it intends to take Sweden into the single currency "euro-zone". At the same time, in April's budget, the government will set out plans to radically decrease taxes on private and corporate wealth and to privatise 25 of 59 remaining nationalised industries.

Taken together, the moves show how fully the "Swedish model" of welfare-state capitalism has been abandoned. In the last months, most major Swedish companies have merged with international competitors, and many have moved production out of Sweden. All have loudly complained that they are taxed too highly. Last year, Ericsson, the telecommunications group famous for its mobile phones, and Sweden's largest exporter, declared its intention to move much of its administration to London. The company has announced 11,000 job losses worldwide out of a global workforce of 104,000. Stora-Enso, formed through the merger of leading paper companies in Sweden and Finland, is moving its headquarters to Helsinki, as is the recently merged pharmaceutical giant Astra-Zeneca. Two leading Swedish and Finnish banks have merged, as have the chief Swedish and Norwegian telecommunications companies, Telia and Telenor.

Volvo, recently taken over by Ford, has announced that not being in the euro-zone will cost them up to \$36.9 million a year, and is urging the government to join as soon as possible. It is already using euros for part of its financial operations. The investment agency "Invest in Sweden" claimed that 25 percent of foreign companies in Sweden would cut investment simply because Sweden was not in the euro, and 32 percent of companies said they would increase investment if

Sweden joined.

The combined business campaign on taxes, and the introduction of the euro by eleven other European countries from January this year, is having an effect. The social democratic government in Sweden is preparing new tax cuts and an early entry into the euro.

For four decades after the Second World War, every Swedish government adhered to the view that living and welfare standards should always improve. Then, in the early 1990s, the social democrats announced that the "era of reform" was at an end, and promptly set about preparing tax cuts to big business and a freeze on welfare payments. For most of the decade, Sweden, which previously had jobless levels close to zero, saw unemployment rise to around 10 percent. At present, if those in "work creation" schemes are included, the figure is nearer 14 percent. A recent report in the British medical journal *The Lancet* suggests that health inequality in Sweden and the rest of Scandinavia is greater than in the rest of Europe. *The Lancet*

Although company taxes are lower than most European countries at 28 percent, Sweden remains a country where private wealth is relatively highly taxed. High earners pay as much as 56.7 percent on their income, compared to the average tax rate of 36.4 percent. There is also a 1.5 percent wealth tax, a property tax and double taxation on share dividends. Big business is insisting that this change. While Swedish workers are seeing the social gains of the post-war period eroded, a small and vocal wealthy minority at the pinnacle of society is demanding more.

SAP Finance Minister Erik Asbrink announced on February 26 that there would be "across the board" tax cuts, with the government targeting payments towards state pensions and considering the removal of a 5 percent levy imposed on those earning more than

\$4,050 a month. Asbrink told the *Financial Times*, "I would like to see income tax cuts for everybody... Everyone has endured higher taxes during the 1990s."

The government has also intensified its efforts to take Sweden into the euro. The SAP has moved forward a special conference due for 2001 and intended to discuss the party's attitude to the single currency. The conference will instead take place next year.

The issue of Europe has been the source of considerable debate. Historically, Sweden's capitalist class has attempted to balance between Britain and Germany. In the post-war period, Sweden joined the European Free Trade Area, set up by Britain to rival the newly formed French and German dominated European Economic Community (which later became the European Union).

In the 1990s, there was a pronounced shift towards European integration. But this met widespread opposition due to the austerity measures demanded in order to meet the criteria for European Union membership. This opposition was divided between newly emerged right wing parties and the ex-Stalinist left, both of which advanced explicitly anti-European policies. Only 52 percent of voters supported the referendum to join the EU in 1994, a decision implemented in 1995.

Last year's financial crisis in the Far East and Russia severely hit the Swedish currency, the krona, and interest rates were forced up. In contrast, neighbouring Finland, which decided to join the euro in the first wave of membership, was relatively insulated. This intensified the demands of Swedish business for entry into the euro. But in elections last year, support grew for the ex-Stalinist Left Party and the Greens who campaigned on an anti-EU ticket, and they were able to form part of the ruling coalition. The Left Party only entered government on the basis that no decision to join the euro could be taken without a referendum. SAP Prime Minister Goran Persson is desperate to avoid a referendum, which could easily be lost. He hopes to restrict discussion on the move to the *Riksdag*, the Swedish parliament.

Last week, Persson told reporters that the country could suffer if it waited too long outside the euro. Asked whether it was possible for Sweden to decide to join within a year, he said, "Yes, if we want to. It could create strains if we wait too long," On March 11, SAP

General Secretary Ingela Thalen, called for all-party talks on a future referendum regarding entry to the euro. Swedish politics is entering new and stormy waters.



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