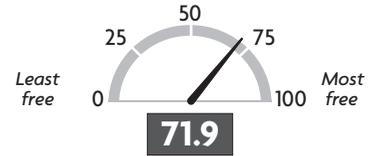


SWEDEN

Economic Freedom Score



World Rank: **22**

Regional Rank: **11**

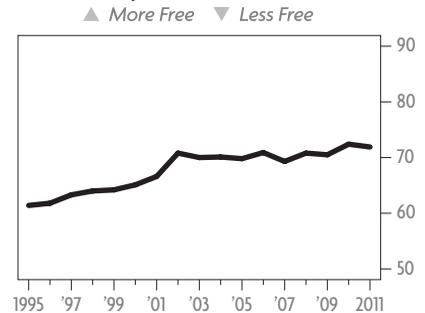
Sweden's economic freedom score is 71.9, making its economy the 22nd freest in the 2011 *Index*. Its score has decreased by 0.5 point since last year, reflecting small declines in four of the 10 economic freedoms. Sweden is ranked 11th out of 43 countries in the Europe region, and its overall score is above the world and regional averages.

The Swedish economy enjoys high levels of trade freedom, investment freedom, monetary freedom, and financial freedom. The overall regulatory and legal environment, transparent and efficient, encourages robust entrepreneurial activity. Banking regulations and lending practices are prudent and sensible. Monetary stability is well maintained, with inflationary pressures under control. The judicial system, independent and free of corruption, provides strong protection of property rights.

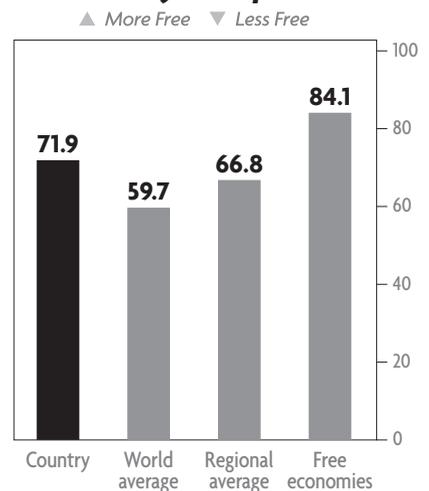
Government spending and taxes are very high. Although the budget balance has swung from a surplus to a deficit, prudent fiscal management in the years prior to the global economic turmoil created fiscal space for some stimulus measures, including labor market support and income and social security tax cuts. Labor regulations are among the most rigid in Europe.

BACKGROUND: The center-right Alliance for Sweden coalition headed by Moderate Party leader Fredrik Reinfeldt unseated the Social Democrat Party in September 2006, pledging to sell state assets, increase growth, and reduce government debt. Sweden assumed the rotating presidency of the EU Council in the latter half of 2009. Sweden enjoyed a buoyant economy after joining the European Union in 1995, but the international financial crisis brought growth to a halt in 2009. The economy relies heavily on international trade, mostly within Europe, and total trade accounts for more than 50 percent of GDP. Principal exports include paper products, machinery and transport equipment, and chemicals. Sweden rejected adoption of the euro in 2003.

Country's Score Over Time



Country Comparisons



Quick Facts

Population: 9.2 million
GDP (PPP): \$331.5 billion
 -4.4% growth in 2009
 0.5% 5-year compound annual growth
 \$35,965 per capita
Unemployment: 8.3%
Inflation (CPI): 2.2%
FDI Inflow: \$10.9 billion

How Do We Measure Economic Freedom?

See page 447 for an explanation of the methodology or visit the *Index* Web site at heritage.org/index.

2009 data unless otherwise noted.
 Data compiled as of September 2010.

THE TEN ECONOMIC FREEDOMS

BUSINESS FREEDOM: 95 - 0.5

The efficient regulatory framework strongly facilitates entrepreneurial activity, allowing business formation and operation in Sweden to be dynamic and innovative. The government generally takes a hands-off approach in sectors dominated by small businesses.

TRADE FREEDOM: 87.6 + 0.1

Sweden's trade policy is the same as that of other members of the European Union. The common EU weighted average tariff rate was 1.2 percent in 2009. However, the EU has high or escalating tariffs for agricultural and manufacturing products, and its MFN tariff code is complex. Non-tariff barriers reflected in EU and Swedish policy include agricultural and manufacturing subsidies, quotas, import restrictions and bans for some goods and services, market access restrictions in some services sectors, non-transparent and restrictive regulations and standards, and inconsistent regulatory and customs administration among EU members. Ten points were deducted from Sweden's trade freedom score to account for non-tariff barriers.

FISCAL FREEDOM: 37.6 + 0.9

Sweden has a very burdensome income tax rate and a moderate corporate tax rate. The top income tax rate is effectively 57 percent, and the corporate tax rate is 26.3 percent. Other taxes include a value-added tax (VAT), a property tax, and a capital gains tax. The wealth tax has been abolished. In the most recent year, overall tax revenue as a percentage of GDP was 47.9 percent.

GOVERNMENT SPENDING: 17.3 *no change*

Government spending is very high. In the most recent year, total government expenditures, including consumption and transfer payments, equaled 52.5 percent of GDP. In response to the global crisis, Sweden undertook one of the largest fiscal stimulus programs in all of the European Union, estimated at 6.6 percent of GDP.

MONETARY FREEDOM: 80.1 + 0.6

Inflation has been low, averaging 2.5 percent between 2007 and 2009. As a participant in the EU's Common Agricultural Policy, the government subsidizes agricultural production, distorting the prices of agricultural products. Prices are generally set by the market, but oligopolies may hinder competition, and the government influences prices through regulations and state-owned enterprises and utilities. Ten points were deducted from Sweden's monetary freedom score to account for measures that distort domestic prices.

INVESTMENT FREEDOM: 85 *no change*

Foreign companies may invest in most sectors in Sweden without any more restrictions than are applied to domes-

COUNTRY'S WORLD RANKINGS			
Business Freedom	No. 7	Investment Freedom	No. 9
Trade Freedom	No. 12	Financial Freedom	No. 4
Fiscal Freedom	No. 178	Property Rights	No. 2
Government Spending	No. 170	Freedom from Corruption	No. 3
Monetary Freedom	No. 38	Labor Freedom	No. 117

tic firms. The government has made progress in privatizing monopolies in the retail sales of pharmaceuticals and alcoholic beverages, but those efforts were slowed by the global financial crisis. In general, investment laws and the bureaucracy are efficient. A complex network of permits and licenses applies to domestic and foreign firms, and labor and environmental regulations add to the cost of investment. Residents and non-residents may hold foreign exchange accounts. There are no controls on payments and transfers or repatriation of profits. The purchase of real estate by non-residents may require a permit.

FINANCIAL FREEDOM: 80 *no change*

Regulation of the financial system is transparent and largely consistent with international norms. Banks offer a full range of financial services. Nearly all commercial banks are privately owned and operated, and credit is allocated on market terms. Foreign insurers are well represented in the insurance sector. The Stockholm Stock Exchange is modern, active, and open to domestic and foreign investors. Sweden's banking system has weathered the global financial crisis relatively well. No government takeovers of banks have occurred.

PROPERTY RIGHTS: 90 - 5.0

The judiciary is independent and fair. Contracts are respected, and Swedish law generally provides adequate protection for all property rights, including the right to intellectual property.

FREEDOM FROM CORRUPTION: 92 - 1.0

Corruption is perceived as almost nonexistent. Sweden ranks 3rd out of 180 countries in Transparency International's Corruption Perceptions Index for 2009. Comprehensive laws on corruption are fully implemented, and Sweden has ratified the 1997 Organisation for Economic Co-operation and Development Anti-bribery Convention. The constitution and law provide for public access to government information.

LABOR FREEDOM: 54 - 0.9

Sweden's labor regulations remain rigid. The non-salary cost of employing a worker is high, and dismissing an employee is costly and burdensome.