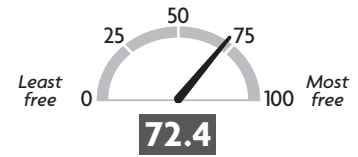


SWEDEN

Economic Freedom Score



World Rank: **21**

Regional Rank: **10**

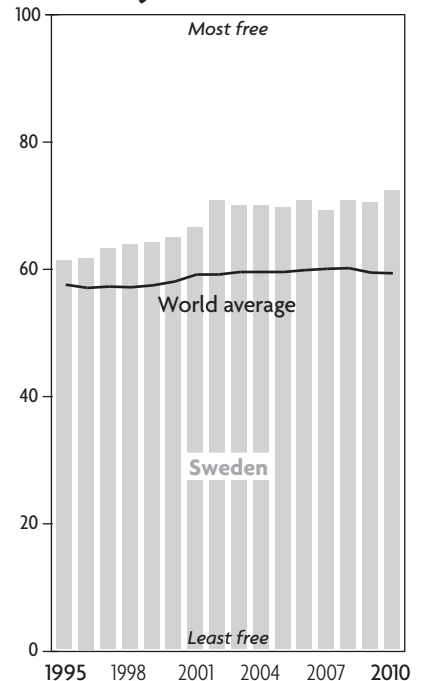
Sweden's economic freedom score is 72.4, making its economy the 21st freest in the 2010 *Index*. Its score has increased by 1.9 points since last year, reflecting improved scores in five of the 10 economic freedoms. Sweden is ranked 10th out of 43 countries in the Europe region, and its overall score is above the world and regional averages.

With its economy open to global trade and investment, Sweden scores well in trade freedom, investment freedom, monetary freedom, and financial freedom. The overall regulatory and legal environment, transparent and efficient, encourages robust entrepreneurial activity. Banking is guided by sensible regulations and prudent lending practices. Monetary stability is well maintained, with inflationary pressures under control. The judicial system, independent and free of corruption, provides strong protection of property rights.

However, Sweden's scores in fiscal freedom and government spending are among the lowest in the world. Although the corporate tax rate has been reduced and the wealth tax has been abolished, the overall tax burden remains large. The top income tax rate of 57 percent is one of the world's highest. Total government spending is more than half of GDP.

BACKGROUND: Sweden has enjoyed a buoyant economy since becoming a member of the European Union in 1995, although growth came to a halt in 2009 as a result of the international financial crisis. The economy relies heavily on international trade, mostly within Europe, and total trade accounts for more than 50 percent of GDP. Sweden rejected adoption of the euro by popular referendum in 2003. The Alliance for Sweden, a center-right coalition headed by Moderate Party leader Fredrik Reinfeldt, unseated the Social Democrat Party of Göran Persson in September 2006 with a pledge to sell state assets, increase growth, and reduce government debt. Sweden's principal exports include paper products, machinery and transport equipment, and chemicals.

Country's Score Over Time



Quick Facts

Population: 9.2 million

GDP (PPP): \$344.7 billion

−0.2% growth in 2008

2.5% 5-year compound annual growth

\$37,383 per capita

Unemployment: 6.2%

Inflation (CPI): 3.3%

FDI Inflow: \$43.7 billion

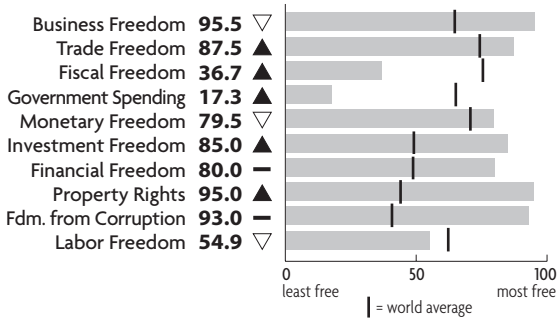
2008 data unless otherwise noted

Data compiled as of September 2009

How Do We Measure Economic Freedom?

See page 457 for an explanation of the methodology or visit the *Index* Web site at heritage.org/index.

SWEDEN'S TEN ECONOMIC FREEDOMS



BUSINESS FREEDOM — 95.5

The overall freedom to start, operate, and close a business is strongly protected under Sweden's regulatory environment. Starting a business takes 15 days, compared to the world average of 35 days. Obtaining a business license takes less than the world average of 18 procedures and 218 days. Bankruptcy proceedings are fairly easy and straightforward.

TRADE FREEDOM — 87.5

Sweden's trade policy is the same as that of other members of the European Union. The common EU weighted average tariff rate was 1.3 percent in 2008. 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. Sanitary and phytosanitary regulations are burdensome, and enforcement of intellectual property rights is problematic. Ten points were deducted from Sweden's trade freedom score to account for non-tariff barriers.

FISCAL FREEDOM — 36.7

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, reduced from 28 percent as of January 1, 2009. Other taxes include a value-added tax (VAT), a property tax, and a capital gains tax. In the most recent year, overall tax revenue as a percentage of GDP was 48.9 percent.

GOVERNMENT SPENDING — 17.3

Total government expenditures, including consumption and transfer payments, are very high. In the most recent year, government spending 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 — 79.5

Inflation has been low, averaging 2.7 percent between 2006 and 2008. 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 policies that distort domestic prices.

INVESTMENT FREEDOM — 85

Foreign companies may invest in most sectors in Sweden. Government monopolies are maintained in the retail sales of pharmaceuticals and alcoholic beverages. 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

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 — 95

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 — 93

Corruption is perceived as almost nonexistent. Sweden tied with Denmark and New Zealand for 1st place out of 179 countries in Transparency International's Corruption Perceptions Index for 2008. Comprehensive laws on corruption are fully implemented, and Sweden has ratified the 1997 OECD Anti-bribery Convention. The constitution and law provide for public access to government information.

LABOR FREEDOM — 54.9

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