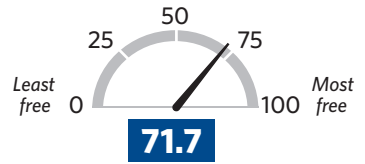


# SWEDEN

## Economic Freedom Score



World Rank: **21** Regional Rank: **10**

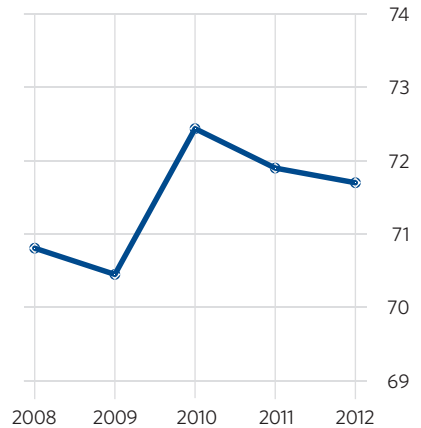
**S**weden's economic freedom score is 71.7, making its economy the 21st freest in the 2012 *Index*. Its score has decreased by 0.2 point since last year, with a decline in the score for government spending offsetting a gain in investment freedom. Sweden is ranked 10th out of 43 countries in the Europe region, and its overall score is above the world and regional averages.

The Swedish economy performs remarkably well in regulatory efficiency, with open-market policies that sustain flexibility, competitiveness, and large flows of trade and investment. The transparent and efficient regulatory and legal environment encourages robust entrepreneurial activity. Banking regulations are sensible, and lending practices have been prudent. Monetary stability is well maintained, with inflationary pressures under control. The judicial system provides strong protection for property rights.

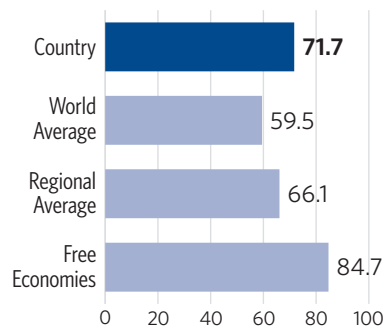
Sweden's respect for the concept of limited government has not been particularly strong. Government spending has been expansive. The overall tax regime needed to finance the ever-growing scope of government has become more burdensome and complex, although such institutional assets as high degrees of business efficiency and regulatory flexibility have counterbalanced some of the shortcomings of heavy social spending.

**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 joined the European Union in 1995 but rejected adoption of the euro in 2003, and its public remains hostile to euro-zone membership. Before the international financial crisis, Sweden enjoyed a buoyant economy, but being heavily dependent on European trade, it experienced a downturn in 2009. Banks remained well capitalized, and Stockholm weathered the financial crisis better than others in Europe. Principal exports include automobiles, telecommunications products, construction equipment, and other investment goods.

## Freedom Trend



## Country Comparisons



## Quick Facts

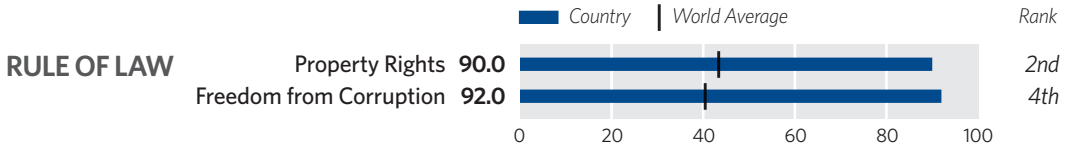
- Population:** 9.3 million
- GDP (PPP):** \$354.7 billion
- 5.5% growth in 2010
- 5-year compound annual growth 1.4%
- \$38,031 per capita
- Unemployment:** 8.4%
- Inflation (CPI):** 1.9%
- FDI Inflow:** \$5.3 billion
- Public Debt:** 39.7% of GDP

2010 data unless otherwise noted.  
Data compiled as of September 2011.

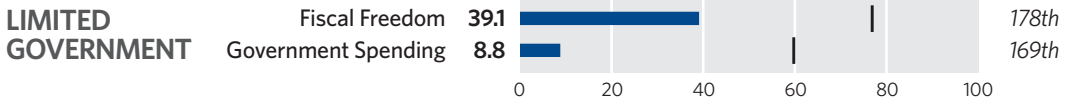
### How Do We Measure Economic Freedom?

See page 455 for an explanation of the methodology or visit the *Index* Web site at [heritage.org/index](http://heritage.org/index).

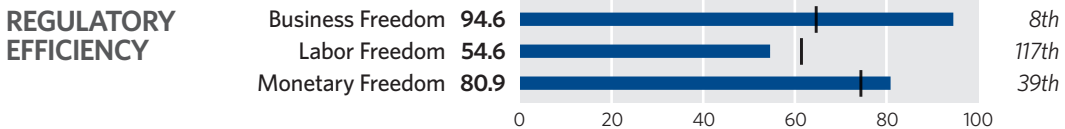
**THE TEN ECONOMIC FREEDOMS**



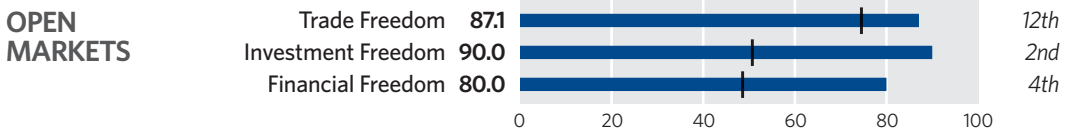
The rule of law is well maintained. Sweden’s judicial system operates independently and impartially, with consistent application of laws. Property rights and contract enforcement are very secure, and expropriation is highly unusual. Protection of intellectual property rights is consistent with world standards. Effective anti-corruption measures discourage bribery of public officials and uphold government integrity.



The top income tax rate is 57 percent, and the top corporate tax rate is 26.3 percent. Other taxes include a value-added tax (VAT) and a capital gains tax, with the overall tax burden amounting to 46.4 percent of total domestic income. Government spending has risen to a level equivalent to 55.2 percent of GDP. The budget balance has recorded small deficits in recent years, and public debt amounts to a bit more than one-third of total domestic output.



Sweden’s regulatory environment is highly efficient. The minimum capital requirement for limited liability companies has been cut in half, making it even easier to establish a company. It takes only three procedures to start a business, compared to the world average of seven. Bankruptcy procedures are straightforward. Labor regulations are among the most rigid in Europe. Monetary stability has been well maintained.



Trade policy is the same as that of other members of the European Union, with the common EU weighted average tariff rate of 1.4 percent. However, myriad non-tariff barriers increase the cost of trade. The modern investment regime is open and generally transparent, and regulations are applied consistently. The banking sector has regained much of its stability, but an implicit state guarantee raises the risk of future bailouts.

**Score Changes**

RULE OF LAW	LIMITED GOVERNMENT	REGULATORY EFFICIENCY	OPEN MARKETS
Property Rights	Fiscal Freedom	Business Freedom	Trade Freedom
Freedom from Corruption	Government Spending	Labor Freedom	Investment Freedom
0	+1.5	-0.4	-0.5
0	-8.5	+0.6	+5.0
		Monetary Freedom	Financial Freedom
		+0.8	0