



## Time to Follow Sweden's Lead on Fiscal Policy

- [Daniel J. Mitchell](#)

Sweden has a very large and expensive welfare state, but it's actually becoming a bit of a role model for economic reform. I've already commented on the [country's impressive school choice system](#) and noted that the [Swedes have partially privatized their Social Security system](#).

I even wrote a [Cato study](#) looking at the good and bad features of economic policy in the Nordic nations, and cited a Swedish parliamentarian who explained that [his nation became rich because of small government and free markets](#) and how he is hopeful his country is returning to its libertarian roots.

Notwithstanding the many admirable features of Sweden, I never thought they would be moving in the right direction on fiscal policy while the United States was heading in the opposite direction.

Yet that's the case. We all know that America has had made many [mistakes during the Bush-Obama years](#), particularly with [failed stimulus schemes in 2008 and 2009](#).

Sweden, by contrast, has put in place pro-growth reforms. Here's what [Fraser Nelson wrote for the UK-based Spectator](#).

*When Europe's finance ministers meet for a group photo, it's easy to spot the rebel — Anders Borg has a ponytail and earring. What actually marks him out, though, is how he responded to the crash. While most countries in Europe borrowed massively, Borg did not. Since becoming Sweden's finance minister, his mission has been to pare back government. His 'stimulus' was a permanent tax cut. ... Three years on, it's pretty clear who was right. 'Look at Spain, Portugal or the UK, whose governments were arguing for large temporary stimulus,' he says. 'Well, we can see that very little of the stimulus went to the economy. But they are stuck with the debt.' Tax-cutting Sweden, by contrast, had the fastest growth in Europe last year, when it also celebrated the abolition of its deficit. ... 'Everybody was told "stimulus, stimulus, stimulus",' he says — referring to the EU, IMF and the alphabet soup of agencies urging a global, debt-fuelled spending splurge. Borg, an economist, couldn't work out how this would help. 'It was surprising that Europe, given what we experienced in the 1970s and 80s with structural unemployment, believed that short-term Keynesianism could solve the problem.' ... He continued to cut taxes and cut welfare-spending to pay for it; he*

*even cut property taxes for the rich to lure entrepreneurs back to Sweden. The last bit was the most unpopular, but for Borg, economic recovery starts with entrepreneurs. If cutting taxes for the rich encouraged risk-taking, then it had to be done.*

The article notes that government is still far too large in Sweden, but it's also clear that moving in the right direction generates immediate benefits.

[I posted a video](#) back in 2010, narrated by a Swedish economics student, and asked a rhetorical question of why Obama wants to make America more like Sweden when the Swedes are moving in the other direction.

Unfortunately, there was no good answer then and there's no good answer now.

Let's close with some irony. Last year, I cited a [study showing how large public sectors undermine economic performance](#). The study was written by two Swedish economists. In addition to trading Geithner for Borg, perhaps we can ship Krugman to Stockholm and bring those economists to America.