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Introduction

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For well over half a century, from the 1930s though the 1970s, Sweden set the standard for progressive social welfare policy and cordial government-industry relations. Under the perennial leadership of the Social Democrats, in power since the mid-1930s with only a brief hiatus, Sweden experienced a post-WWII boom that lasted through the early 1980s. Even before recession hit in the early 1990s, however, Sweden's increasingly generous social welfare system, financed by the world's highest rate of taxation on wealth and income, was projected to lead to debilitating deficits. At the same time, the high cost of labor was gradually eroding the export-dependent Swedish economy's competitive edge. Sweden had stood against the rising tide of neo-liberal economic policies spearheaded by Margaret Thatcher in Britain and Ronald Reagan in the U.S., but by the 1990s it seemed the day of reckoning had finally arrived. Many predicted the demise of Sweden's highly touted "Middle Way."

It didn't happen that way. After another brief hiatus during which a non-socialist coalition government proved unable to address the fiscal crisis, the Social Democrats bit the bullet and introduced austerity measures, including rollbacks in social welfare benefits, pension reform, and cutbacks in defense spending. These and other policies gradually succeeded in restoring stability to state finances.

With Sweden's 1992 accession to the European Union, optimism seemed to be restored. But the continuous growth of public sector employment and the ongoing loss of manufacturing jobs, compounded by Sweden's longstanding overdependence on a small number of large industrial concerns, some of which, like Electrolux, had already moved manufacturing operations abroad, did not bode well for the new century. The privatization of state monopolies, including hydro-power, the telephone company, and forest management, was belatedly carried out; but the declining fortunes of companies like SAAB and Volvo, and ultimately their acquisition by GM and Ford, respectively, was a blow to Swedish self-esteem. Then came the bursting of the IT bubble and the near collapse of Ericsson, Sweden's flagship IT company and leading technological innovator. The government campaigned heavily in favor of a "Yes" vote in the imminent referendum on whether Sweden should join the European Monetary Union and adopt the euro, provoking serious dissension in Social Democratic Party ranks in the process. This was the atmosphere of guarded optimism, tinged with apprehension about the long-term viability of the Swedish model and the possible implications of a "No" vote on the euro, which greeted the Martindale Student Associates on their visit to Stockholm in May 2003.

The results of those Student Associates' research on a timely array of topics are presented in this issue of *Perspectives:* from Sweden's neutrality policy, to the future of nuclear power generation, to economic development in the Öresund region, to the climate for entrepreneurial activity, tax policy, public pensions, the environment, the biotech and IT industries, and Swedish voters' rejection of the euro. The Student Associates' research benefited enormously from the unprecedented access they were afforded by prominent representatives of Swedish government, industry, academic, and financial institutions. The hospitality and friendship extended by our hosts made a deep and lasting impression. Tack så hjärtligt!

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