No to the Euro: The Swedish Referendum of September 14, 2003

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A Resounding No

On September 14, 2003, Swedes voted in a national referendum to keep their currency, the krona, in lieu of replacing it with the euro. The Prime Minister, Goran Persson, called the referendum “a clear expression of the people’s will,” acknowledging that “in this result we can see a deep skepticism toward the entire euro project among the Swedish people.” (Cowell, “In a Referendum...”) When all of the 5,976 voting districts in Sweden had been counted, 41.8 percent voted for the euro and 56.1 percent voted against: a resounding defeat for the common currency project, and, in some views, European integration. (Reed et al.)

Sweden’s reaction to the tide of European integration that arose out of the post-World War II political landscape has been one of hesitation. The great losses of the wars of the early 20th century spawned a movement to forge closer political and economic ties between the war-torn nations of Europe. (“EUROPA...”) In order to increase cooperation among these states, their leaders created three supranational economic bodies, the European Coal and Steel Community (ECSC), the European Atomic Energy Community (EURATOM), and the European Economic Community (EEC). In 1993, the Treaty of Maastricht created the European Union (EU) as an overarching governing structure for the members of these economic communities and put forth the outlines of an economic and monetary union as well as for new initiatives in international defense and justice. Upon joining the EU in 1995, Sweden did not request exemption from the currency union, like the United Kingdom and Denmark, and thus is legally bound to join the union at some time in the future. The results of the September 2003 referendum show that, despite Sweden’s growing ties with Europe in the nineties, Swedes are far from certain that full integration, at least in the form of membership
in the single currency, is a desirable goal. Sweden’s rejection of the euro suggests that, for many Swedes, a decision to adopt the single currency was not an automatic extension of EU membership. Even though Swedes are, overall, happy with their membership in the EU, they are not yet ready to take the next step by adopting the euro. This article examines the reasons behind Sweden’s rejection of the single currency and concludes that the outcome of the referendum was the result of Swedes’ perceptions of how the euro would affect their sovereignty, a form of which is unique to Sweden and is discussed in detail below. The analysis continues with a projection of the implications of the referendum for Sweden’s economy, internal political climate, and influence in European affairs. Finally, the article suggests possible effects of the referendum on the EU and European integration.

Factors behind the Referendum’s Outcome

Sweden’s rejection of the euro must be evaluated not as an independent event but in the greater context of European integration. From the beginning of the post-war period, Sweden, like other northern European nations including the United Kingdom, Denmark, Finland, Iceland, and Norway, was reluctant to acquiesce to calls for the forging of supranational European institutions. (Ingebritsen, p. 5; Gstöhl, p. 50) In 1951–52, the first such supranational organization, the European Coal and Steel Community, was established under the guidance of Jean Monnet and Robert Schuman. Belgium, France, Germany, Italy, the Netherlands, and Luxembourg were the original six ECSC members. When this body proved successful, albeit limited by the scope of its narrow industrial focus, the six members of the ECSC formed two additional supranational organizations, the European Atomic Energy Community and the European Economic Community, in order to establish stronger ties between their respective economies. (Harrop, pp. 15–16) Sweden’s reluctance to join the EEC, according to some the most important of the supranational bodies (Harrop, p. 16), stemmed from its determination to preserve Swedish neutrality and the welfare state. (Gstöhl, p. 59) Former Minister of Trade Gunnar Lange encapsulated Sweden’s position on European integration at the time: “The problem with joining the Six [the EEC] is not primarily an economic problem; it is instead foremost a political problem.” (Gstöhl, p. 59)

Many would also argue that despite being shrouded in the disguise of a primarily economic issue, the euro is as much a political issue as the EEC or, more recently, as EU membership. According to Erik Jones, “Any change in the technology of money that transfers control over its creation away from the state or from society is first and foremost a matter of political concern. In theory, the European Monetary Union (EMU) is apolitical. In practice, it implies a political system in its own right.” (Jones, p. 32)

Swedes seem to be in tune with this notion of the EMU, and the euro, as political institutions. To different people in different places and different times, sovereignty can denote a variety of ideas. One may argue that in Sweden during the later half of the twentieth century, sovereignty was inextricably bound to the notion of the Swedish Model, that is, Sweden’s unique approach to the social welfare state that developed out of post-war Europe’s need for full employment with price stability. Largely based on the work of two Swedish Confederation of Trade Unions (LO) economists, Gosta Rehn and Rudolf Meidner, the Swedish Model sought to reduce wage-cost pressures by keeping aggregate demand below full employment production levels as well as to create a more equal society through a large welfare system and a “wage policy of solidarity.” (Silverman, p. 70) The latter policy dictated that workers doing the same types of jobs at large, highly efficient firms would be paid the same wages as those doing the same types of jobs at small, less efficient firms. If a firm could not be profitable under these wage restrictions, it would be forced to close, allowing the workers to be redistributed to other firms.

According to Meidner, the development of this policy is largely based on Sweden’s long-standing self-image as a “‘people’s home’ — a place where all Swedes could be treated like members of a family and where such values as
equality, cooperation, helpfulness, and security would prevail," an image due in no small part to the success of the Swedish Model during the 1970s and '80s. (Silverman, p. 70) By the late 1990s, however, Rudolf Meidner saw his program disintegrate under foreign pressures:

I think that what is left of the Swedish model is the feeling, only the feeling, among people and within the labor movement that we must return to higher employment and that there are ways to do it without inflation. At this moment the Swedish government is totally committed to the European Monetary Union rules. But there is a chance that there will be no EMU in the near future, and that the Swedish government's extreme commitment to give the highest priority to price stability can be modified. I think we can at least give the same priority to full employment and try to find solutions to make full employment and price stability compatible. (Meidner in Silverman, p. 70)

In Meidner's eyes, the EMU is clearly at odds with the Swedish Model. To many Swedes, the notion of sovereignty is in some way bound up with the idea of the Swedish Model and the feeling that within Sweden lays the potential, perhaps even the duty, to position itself as a beacon of light on the middle road between fascism and communism. (Miles, pp. 26–35) Policies that threaten this calling endanger the very essence of the Swedish identity, and this cuts to the heart of many Swedes' qualms in regard to European monetary integration.

Like the other Nordic countries, Sweden resisted political integration with Europe up until the mid-1980s. Economically, however, Sweden and its neighbors have relied heavily on Europe as a major trading partner for over one hundred years. (Ingebritsen, p. 6) By 1990, in fact, 63 percent of Sweden's total foreign trade was with the European Community. (Ingebritsen, p. 8)

Several prominent scholars have recognized that such extensive economic integration has, at least in part, caused Sweden to look more favorably upon participation in the European political community since the mid-1980s, and, in turn, to relinquish many aspects of the Swedish Model. Lee Miles has proposed the "Swedish Diamond" as a framework for considering this factor, as well as several others that he believes have influenced Swedish policies toward European integration over the post-war period. (Miles, p. 17) These include Sweden's level of attachment to corporate procedures for policy making, its highly consensual democratic political system, and its neutral external environment. These three factors served as obstacles to Swedish integration with the European Community until the 1980s. At that time, according to Miles, economic factors gained greater emphasis in the Swedish government's decision-making process, pushing Sweden toward EU membership. (Miles, p. 44) This movement was expedited by a severe economic recession in Sweden from 1990–1993, during which the nation's GDP per capita fell to twelfth in the 1991 OECD survey (from third in 1970). (Miles, p. 194) As a result of this event, many Swedes began to believe that joining the European Community would increase its international competitiveness and thereby help to preserve Swedish jobs as well as the welfare state. (Miles, p. 197) Swedish industry led the call for membership in the European Community so as to ensure more stable trade relations and access to foreign markets, even going so far as to form the "Ja till Europa" ("Yes to Europe") public relations campaign. (Gstöhl, pp. 192–94) Economic woes thus forced Sweden to change its politics of integration and forge closer ties with Europe, leading to the approval of EU membership in 1994 and accession in 1995. According to Gstöhl, in trading a portion of its national sovereignty for greater influence in the European Union, "Sweden's 'third way' identity had lost much of its meaning as the welfare model and foreign policy gradually converged with the rest of Europe." (p. 195)

Sweden's rapid integration during the 1990s made it a likely candidate for full EMU membership. As in the debate over EU membership, national sovereignty, both in economic and political terms, has also proven to be a vital issue in the debate over the EMU. Yet while Swedes were willing to give up much of their sovereignty in joining the EU, they are less will-
ing to give up sovereignty when it pertains to their currency. This difference is clear from the discrepancy between Swedes’ opinions of the EU, which have remained positive since 1995, and their opinions of the euro, which have remained negative. While 52 percent of Swedes voted to join the EU in the 1994 referendum, public opinion polls taken about the same time illustrate this divide, showing only 20–30 percent of Swedish voters in favor of future full participation in the EMU. (Miles, pp. 248 and 315) Despite pressure from the political elite to begin the process of full integration, Swedes are less than enthused about the EMU and the euro.

The reasons for this divide are unclear. The amount and quality of information about the euro available to the public could have influenced Swedes’ views of the common currency. Results of one poll show that 80 percent of Swedes felt that they were not well informed about the European currency issue in 1995. The same poll, however, showed that this result was in line with the feelings of citizens in the other EU member states, as 78 percent of these respondents also said they were not well informed. (“European Citizens...,” p. 9) In another poll taken in 2001, however, over 75 percent of Swedes said they were not well informed or not at all informed about the euro, while only 53 percent of all respondents from the EU member states felt the same. (“Europeans and the Euro”) This shift in the level of perceived knowledge on the issue within the EU shows that Sweden lagged behind the rest of the EU nations in public knowledge about the euro. By the time of the referendum, however, a large majority (71 percent) of Swedes felt that they had received all of the information necessary in order to vote. (“Post-referendum in Sweden,” p. 10) These results suggest that a lack of public knowledge about the euro did not play a large role in setting Swedes against the common currency in 2003.

When researchers took exit polls in districts that accurately predicted the outcome of the September 2003 referendum, they asked participants what issues mattered the most to them in dictating how they voted. Swedes who voted no said that the welfare state was only the fourth most important issue, while interest rate control was third. Perhaps surprisingly, democracy was the most significant issue for those who voted no, and sovereignty was second. (“Why They Said No...”) Although both terms have broad meanings, they may be more specific in their Swedish contexts. Sovereignty has been discussed above in the context of the Swedish Model. Democracy in Sweden connotes openness and consensual decision-making, two characteristics which many Swedes see a lack of in EU decision-making. (Miles, pp. 18–19)

Many Swedes viewed the EU with suspicion in regard to its ability to maintain their meaning of democracy during the fall of 2003. According to a Eurobarometer Poll taken in the spring of 2003, three out of four Swedes are satisfied with the manner in which democracy functions in Sweden; only one half of respondents from the other EU countries would, on average, say the same in regard to the state of democracy in their own countries. (“Eurobarometer 60”) On the other hand, Swedes’ views of the workings of democracy within the EU are more negative than the average views of the citizens of the other member countries.

Such concerns reveal the great trepidation with which many Swedes view their place in the new Europe. Even a national tragedy, initially expected to help the yes campaign, could not turn the tables in favor of those who supported the euro. With the murder of popular Foreign Minister Anna Lindh, a likely candidate to become Sweden’s next Prime Minister and a vigorous promoter of the euro, many believed that wavering and undecided voters would vote yes in a show of sympathy for the slain leader. According to The Economist, “Mrs. Lindh’s murder has made the outcome of the referendum harder to predict. Given her enthusiasm for the single currency, her death may arouse sympathy votes on Sunday.” (“Tragedy before a Referendum”) Although Swedes bitterly mourned Lindh’s passing, their grief does not seem to have had an impact on their decisions pertaining to the euro. A Eurobarometer Poll shows that only two percent of Swedes decided how they would vote in the referendum directly after Lindh’s assassination. In fact, the poll indicates that 72 percent of voters made up their minds on the issue at the time the referendum was announced or in the early stages of
the campaign. (“Post-referendum in Sweden,” pp. 15–16)

After Lindh’s death, Prime Minister Goran Persson, the leader of the pro-euro camp, suspended all further campaigning for the yes side but maintained that the referendum should take place as planned. This was a small concession, in the end, from a campaign supported by Swedish business owners that outspent the no side five to one. Just over a week before the referendum, The Economist speculated that “the riches of the yes side may be helping the no team by making it look like David to the pro-yes Goliath: the people versus the establishment.” (“The Noes Are Ahead”)

The no side may also have benefited from their lack of a leader, without whom that of the yes side, Persson, had no one with whom to compete for votes. Although this may seem like an advantage, Persson scrambled during the height of the campaign, never establishing a concrete strategy, even announcing that a yes vote was still, in practice, a call to “wait and see.” “He’s a very intelligent man,” Lotta Hedstrom, a Green Party MP, stated, “but one minute he’s telling people to vote for the euro, the next he’s attacking the Stability Pact which is key to the euro.” (Willsher)

Persson’s misgivings about the Stability and Growth Pact are not outlandish, and, in fact, may reflect the concerns of many Swedes. The Pact emerged in 1997 at the European Council in Amsterdam and articulated the principle that member states should avoid significant budget deficits. (Jones, p. 40) The largest EU countries, France and Germany, have both surpassed the Pact’s maximum budget deficit limit, that is, three percent of a country’s GDP. Less than a week prior to the Swedish referendum, French Budget Minister Alain Robert said that France’s budget deficit would remain above the limit until at least 2006. Germany’s budget deficit for 2003 was 3.9 percent of GDP, putting it in breach of the Pact for the third consecutive year. France and Germany certainly did not help the situation when both countries asked for and were granted exemptions from paying fines of 0.5 percent of GDP for these transgressions. Such a blatant disregard for the terms of the Stability and Growth Pact has led Swedes to question the benefit of joining the monetary union. (Rhoads) Why should Swedes abide by the terms of the Pact, the budget restrictions of which would threaten Sweden’s ability to maintain its comprehensive welfare system, when other nations refuse to do so? As a result of these events, many Swedes perceive keeping the krona for the time being as a better economic decision than adopting the euro.

In addition to the financial transgressions of France and Germany, the case for joining the EMU was hurt by the state of the Swedish economy, which, in the months leading up to the referendum, was outperforming the euro-zone economy in several key measures. While Sweden’s unemployment rate was around 5.4 percent in September 2003, the euro-zone’s unemployment rate hovered around nine percent. Furthermore, according to the Economist Intelligence Unit, Sweden’s expected GDP growth for 2003 was 1.3 percent, compared to 0.6 percent in the EMU countries. For 2004, Sweden’s predicted GDP growth, 2.3 percent, is also expected to outperform that of the countries currently using the euro, whose GDP growth is projected at only 1.8 percent. (“Tragedy before...” and “Why the Voters...”) A study of Eurobarometer data from 1992 to 2000 suggests that support for the euro has historically depended on the performance of the domestic currencies in those countries that, at the times the polls were taken, had adopted the euro. (Banducci et al., p. 700) The stronger economic performance in Sweden, combined with France and Germany’s open disregard for the Stability and Growth Pact, made the euro a hard sell for many Swedes.

The fear that the budget restrictions of the Stability and Growth Pact might force Sweden to pull back from its “cradle to the grave” welfare system has, in some ways, already become a reality. Currently, the state appears to be overburdened in some fundamental sectors. A highly public example of this tension involves an inmate of a psychiatric institute who, due to the rising costs of state-provided care for such people, could not be confined to the facility caring for him and thus was free to come and go as he wished. During the week prior to the referendum, he kidnapped a five-year-old girl known as “Sabina” and stabbed her to death. (Cowell, “Sweden’s Brooding...”) For a country with low
violent crime rates and in which senior politicians walk to work with no bodyguard, such an act highlights the limits of Sweden’s welfare system and the urgency of this problem.

Fear that the Swedish welfare state would come apart under the euro is apparent from the demographics of the final results of the referendum. The groups of voters who were largely against the euro were also those who stood to gain the most from living in a welfare state: women, the young (voters aged 18–30 voted no to the euro more than any other age group), blue-collar workers, and public sector employees. (“Why They Said No”) The most affluent, cosmopolitan areas of Sweden, such as Stockholm County, were the only areas to record more voters in favor of the euro than against. The majority, in fact, of the more rural, isolated counties north of Stockholm recorded that at least 70 percent of their populations voted against the euro. (Aylott, “Referendum...,” p. 5)

The Impact of the Referendum on Sweden

Just as there was much debate before the referendum, much discussion of what the result would mean for Sweden’s future emerged in the months following the vote. Politically, the consequences will not be grave, especially for Goran Persson and the Social Democrats. The Prime Minister said long before the referendum that if his country rejected the euro he would not resign. (Aylott, “Referendum...,” p. 2) On the other hand, the loss of Anna Lindh, a staunch ally of Persson, as well as divisions in the party stemming from its internal disagreements over the euro, may weaken the Social Democrats’ ability to maintain power. According to Reed et al., “The 14-point margin of victory for the no’s...left Swedish politics in tatters.” (p. 28) It remains to be seen whether this assessment will ring true, or whether Persson and the Social Democrats will maintain power.

After the defeat, Persson said that “Sweden would suffer in the long term for staying out of the euro.” (“Keeping the Krona”) Whether such an ominous warning has merit is a point of debate, particularly in terms of Sweden’s ability to function in international affairs. The European Commission recently stated that Sweden’s inward investment in the EU had dropped from six percent to three percent in the past few years. (“Keeping the Krona”) Although Sweden fares relatively well in comparison to its competitors in attracting international capital and is likely to continue to do so even after the referendum, many believe that adopting the euro would allow the country to attract an even greater amount of such inward investment. (“Tragedy before...”) Outside of the euro-zone, volatile exchange rates could lessen Sweden’s role in the global capital market over time. (“Tragedy before...”)

Despite this analysis, the economic benefits that Sweden would have accrued by joining the euro were never clear. Greater foreign direct investment and stable exchange rates would certainly have aided Swedish business. The macroeconomic effects of the euro, however, were less clear, since the loss of control over monetary policy could have both helped and hindered the Swedish economy. (Jakobsson) One cannot say for sure whether or not the Swedish economy will feel significant direct effects from the referendum.

Sweden may, however, see greater repercussions in its relationship to the EU. Its geographic location and long history of neutrality in European and world affairs have made it, to some extent, a European outsider. Without further committing to Europe by adopting the euro, Sweden could miss out on future opportunities to influence important EU economic developments.

Others see Swedes asserting more influence on euro-zone monetary policy outside of the common currency. (“Keeping the Krona”) After emerging from a public finance crisis in the early 1990s, Sweden has sought to implement a more conservative and responsible fiscal planning system. (“Keeping the Krona”) If Sweden continues to prosper, it may set a better example for the EU to follow as a euro-zone outsider than as an insider.

Repercussions for the EU

How will the Swedes’ rejection of the euro affect the EU? Perhaps the most immediate
impact of the referendum will come in the United Kingdom and Denmark, the other two northern EU nations who have, like Sweden, so far eschewed the euro. The no sides in both countries will be bolstered by Sweden’s decision, and their governments may postpone any decision on the issue, through referendum or otherwise. (“Voters Can Be Such a Nuisance...”)

In the U.K., public opinion is still very much against the EMU. Blair’s government cancelled a pro-euro “road show” campaign planned for the summer of 2004. There is little likelihood that there will be a British decision on the euro before the next election in 2005 or 2006. (Cowell, “Without Glue...”) With the economies of both the U.K. and Denmark, like that of Sweden, doing better overall than the euro-zone economies, warnings of economic stagnation have not yet taken hold. (Reed et al.) Only time will tell if these three major outliers will eventually join the EMU.

When the EU expanded in May 2004, it incorporated ten new countries, many of which are smaller and less prosperous than the U.K., Denmark, and Sweden. All of the newest members will be required to adopt the euro when they meet the convergence criteria; although this same requirement has not stopped Sweden from staying out of the euro-zone, the newest member states are more favorable to the idea. The eventual inclusion of these nations within the euro-zone, however, may create problems for the EU. The Czech Republic, Hungary, and the Baltic states, for example, all possess inefficient agricultural sectors and poorer populations which will force the EU to alter programs such as the Common Agricultural Policy (CAP) and funds for regional development. (Gilbert, p. 225) To such countries, the euro-zone’s economic strength is highly attractive, whereas it is less than desirable to those countries, such as the U.K., Denmark, and Sweden, whose economies currently outperform the euro-zone. This fact could prove to be a major disadvantage in the EU’s expansion as it adopts new member states and eventually includes them in the euro-zone. (Champion and Rhoads)

Some commentators have said that before the EMU can work, a greater European political identity is necessary. According to this view, EU officials should not rely on monetary union to bring about political accord; the latter must arise independently of the euro. Jonathan Lipow of the Jerusalem Post cites the United States as an example of a currency union that “has been a smashing success,” eliminating “a major barrier to cross-border trade and investment.” (Lipow) While the United States established its currency union after it had become politically unified, the EMU is designed to foster political union and even a European identity. This is a dangerous proposition for a continent with such strong historical divisions.

The results of the Swedish referendum are unlikely to stop European integration in its tracks. According to a survey taken days after the referendum, 60 percent of Swedes approve of their country’s membership in the European Union, with only 32 percent disapproving. (“Post-referendum in Sweden,” p. 29) The survey also showed that a large majority of the population (87 percent) believes that Sweden will adopt the euro as its currency at some point in the future. Only eight percent of Swedes believe that the euro will never replace the krona. These statistics strongly indicate that Sweden’s future will include the adoption of the euro and, as a result, further integration with the other members of the EU. The European Commission has sought to minimize the significance of the rejection by stating that one “shouldn’t extrapolate” more meaning than is necessary from the Swedes’ decision not to adopt the euro and that one should take the results “for what they are.” (Champion and Rhoads) Still, however, clear obstacles remain for the EU to overcome in its path to a unified Europe.

Popular opinion, even in the euro-zone nations, wavers on the currency. Surveys show that from January 2002 to November 2003 public satisfaction with the euro has fallen continuously. While 67 percent of euro-zone citizens were very or quite satisfied with the euro in the beginning of this period, that number had fallen to 47 percent by November 2003. (“Euro — Two Years Later,” p. 54) This shift may be due in part to the fact that many citizens of the euro-zone countries have not yet been con-

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1The ten new EU members as of May 1, 2004, are the Czech Republic, Cyprus, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Slovakia, and Slovenia.
vinced of the economic merits of the currency. Price increases during the changeover have left Europeans in many countries unsure of the currency’s benefits. A shop owner in Rome griped, “The price increases have been ridiculous.... We should go back to the Italian lira because with the euro everyone is trying to rip us off.” (Fleishman) Perhaps these problems are mere growing pains in the early stages of the EMU or are the byproducts of a weak U.S. dollar. They must, however, give some pause as to the future ability of the euro project to bring about further European integration.

**No to the Euro, but What to Europe?**

On the voting ballots of the September 14 referendum, Swedes were asked the question, “Do you think Sweden should introduce the euro as its currency?” The simplicity of the question belies the complex reality of the issue. The EMU, born from institutions that emerged out of the devastation of the first half of the twentieth century, is more than a monetary union to Europe; rather, it is an integral part of a broader project to unify the continent, prevent future conflict, and increase its global importance as a collective body.

For Sweden, the euro is more than just a currency. It is a symbol of supranational cooperation and Sweden’s role in European political integration. Although the economic impact of the no vote may not alter Sweden’s course for the near future, the political impact of the vote may prove more lasting. By remaining outside of the euro-zone for at least the next several years, Sweden may be disabling its opportunity to shape the still-developing EU into a form which is in greater accord with the Swedish model. There will come a time when Sweden will no longer be able to afford to be half European and half Swedish; one day soon, it must decide whether or not to be Swedish is also to be European.
REFERENCES


