



Speech by Mona Sahlin, leader of the Swedish social democrats

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I have enjoyed the previous Progressive Governance Conferences very much.

I spoke about the climate crisis two years ago in London and about the financial crisis a year ago in Viña del Mar.

Next time we see each other I hope that I will perform as “governance” again and therefore talk after lunch when the blood sugar is a bit higher.

I will describe from my perspective how our Swedish lessons from the 90s can help us today.

When I was in office during the Swedish bank-crisis in the 90s – we saw how important the saving of the general welfare service was for future possibilities after the recession.

Especially for those who had the least.

These lessons do not only apply to budget consolidation. Progressive policy should always aim at building a just society in a fair manner. And this applies to all our current topics.

We can do it better than the Conservatives.

We have and had a modern policy that in a sustainable way can save jobs the climate, and the economy.

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In the Economic Outlook of December 1994 the OECD projected that the Swedish public debt would explode.

By the millennium the public debt was expected to hit a record 128 per cent of the Swedish GDP.

Today we know that the gross debt for year 2000 turned out to be less than half of the prediction. Only 53 per cent (of the GDP).

And within a few years the double digit (11 % of GDP) budget deficit turned into a surplus.

We experienced negative growth for three years in a row between 1991 and 1993 - averaging minus two percent.

Our debt almost doubled, unemployment tripled and the budget surplus turned into deficit.

In mid 90s there were even rumors that the IMF would come in and take over.

Similar problems can be found in some of our European countries today.

Consolidating the Swedish budget was by no means an easy task. At the time, several voices in Sweden argued that no consolidation would be possible without abolishing the fair welfare state.

My view, however, was – and still is – the very opposite:

Our austerity policy would not have been possible if it had meant getting rid of our welfare model.

There were conservative voices back then, and now, who would like us to put an end to the welfare state rather than strengthen the economic foundations for the welfare model that we prefer.

I would like to highlight two lessons from my time in the government that undertook the consolidation in Sweden:

First, austerity can never be a goal in itself.

Tackling the deficit is not a sufficient political vision to gain the necessary public support for a broad consolidation. On the contrary. Our consolidation was carried out to achieve our future goals. Our future vision was clear and understandable.

In our case, consolidation was about saving the welfare state – nursery schools, education, healthcare, the foundation of the society that we had built for almost a century.

A society with broad public support.

Drastic cuts in these services would, certainly to my eye, have undermined popular support for our programs.

I do not think that a government whose aim was to diminish the progressive welfare state would have been able to consolidate the Swedish budget.

It would have failed.

It must be just.

Everybody has to contribute.

The way out of the crisis then, and now, cannot be unjust.

We aimed for a fair mix of expenditure cuts and tax increases.

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Second,

The consolidation in itself has to have the hope of a better society for all.

Even though consolidation did comprise a sizable reduction of spending – we decided to protect investment for a better Sweden.

We increased investment in higher education.

New colleges and universities were opened.

Between 1993 and 1998 – during which period we cut government spending by ten per cent of GDP – the number of students at Swedish universities and colleges increased by twenty per cent.

We introduced major public investment in climate friendly technology.

Investment in more energy-efficient housing,

Investment in alternative energy-sources as well as

Investment in more efficient production technology

All of that was undertaken during these years – despite the overriding priority to tackle the deficit.

If we had failed to bridge the education gap during that recession, a generation would have been lost. And we would have delayed the economic recovery for years.

Many of these programs need to be introduced again to foster the change in a green renewable economy.

We chose to cut spending on direct transfers rather than on public services.

Both are certainly important. But facing the choice between cutting one or the other – we chose to be more firm on transfers.

Years of poor schooling have long-term consequences for the children that are affected. Given this perspective, cuts in transfers affected hope less than cuts in services would have done.

And investments to build this better society have to be undertaken as a part of the consolidation – even though expenditure is reduced overall.

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Now, in 2010, fifteen years after our crisis many of our lessons apply to budget consolidation.

Social Democratic progressive policy should always aim at building a just society in a fair manner.

Our model showed that it is possible to create both:
security and growth,
development and equality,
growth and lower carbon emissions.

We came back and the economy started to grow.
We were proud – but not satisfied.
We continued to improve and we left office in 2006 with low unemployment and a large surplus.

The neo liberal economists said that our visions were doomed.
We proved them wrong and we will in our election in September show that we have the initiatives and ideas for the future.

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The current global economic storm brutally exposes the weaknesses of the Conservatives' idea of how we should organize our societies.
That the market is best left on autopilot.

There are policies that might work in sunny weather. But in the shadow of hard times it is not only bad for economic development.
It also leads to grave human suffering for a large number of people.

We can use the present Conservative Swedish government as an example.

During the last four years they have weakened the Swedish economy – the surplus we handed over was spent on tax-cuts for those who earn the most.
Not investing in the future.

We left office 2006 with a surplus of 7 billion euros. (70 miljarder SEK)
The next Swedish government will start with a 7 billion euros deficit.

Our economy is in a much worse state than it should be.
The budget deficit is growing.
But the Conservatives continue to cut taxes for those who earn the most.
Today they cut it on credit because the surplus is gone.

And they continue to cut taxes when thousands of ill people are losing their insurance.

It also becomes more and more obvious that we have an ideological division in the way governments choose to handle the current crisis.

The UK election is one example which is similar to the Swedish situation. Our Conservative government has chosen to remain passive on investment for the future.

That's neither the solution for a successful UK nor Sweden in the future.

Thank you.

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