Event Transcript

Lessons from Sweden on the Global Financial Crisis

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Unedited transcript

Anders Borg: Thank you very much for those very kind words. I will give a few thoughts on what we have gone through in Sweden over the last 20 years, but I will also share my views on the European situation and also give you some views on where we are currently heading for years to come.

Let me start out with the current situation in Sweden. We have done reasonably well during this crisis. Our debt has actually decreased during the crisis, and we are at a debt level that is not a major problem in the economy anymore. The debt issue is not something that is really influencing the economic policy choices that we have had to make, and that is for a small open economy where interest rate spreads has been haunting us for the last 10 to 15 years, a major change.

This is the first crisis where global bond markets have not exploded in Sweden when there has been turmoil. As late as in the dot com crisis, we actually had a credibility issue that forced the Riksbank to intervene in the currency market, and hike rates during a period of slowdown. So the fact that the debt issue is off from the agenda is something that is very, very good for us. My reading of the problems that we are now seeing in Europe is that basically it was a fiscal problem. We will obviously spend decades to dissect in what dimension it was a fiscal problem, but now we are seeing a Euro area with a debt level that is stabilizing this year and actually decreasing in the years to come.

According to the IMF forecast, we have an average deficit of 3.2 in the Euro zone and 2.7 next year. So the fiscal side of the European stuff is basically, I think, being dealt with, obviously contingent on the fact that all of these plans are now implemented and that there is no major slippage. I don't think the lack of credibility for these plans has to do with the numbers. It is not a problem whether Spain has 3 or 3.2 or 3.5 in deficit in 2013 if they are on the right track going forward. The problem is that we still haven't dealt thoroughly enough with the banking side. We've set up all the governance structures that we need on the fiscal side, but we are still lacking the necessary tools and institutions to find ways of recapitalizing banks in an efficient way. That gives the kind of dark cloud that is hanging over Europe much more than the fiscal side.

Obviously in the longer term, it is also a growth issue. If you look at unit labour cost development in Sweden compared to Germany, we have actually been able to perform quite decently over the last few years, while the Italians, the Portuguese, the Spaniards, and the Italians have been losing competitiveness in a long-term perspective. On average, total factor productivity in Italy has been -0.5 since 1995, and it's quite obvious that if you have the same kind of wage increases as they have in Germany, you cannot live with a total factor productivity that is falling.

This I think is, together with the banking sector, the crucial problem for Europe. We need to get productivity back into the Mediterranean countries. They need to fulfill the deregulations and changes that are now being implemented both from the Monti government in Italy and the Rajoy government in Spain.

If we go back and just look at the fiscal issue, if you look at the fiscal monitor that the Fund is doing, the net present value of the Italian pension system is now -33 when you are looking up to 2020. It is +35 in the US. So there has been some very fundamental changes in the fiscal setting in Europe, and also on the productivity side with the deregulations, but this I think is much more of the long-term problem for Europe than the short-term fiscal issues.

So I would argue that in the short term from the European scene, it would be of utmost importance for us to settle the credibility issues in the banking sector. That doesn't have to amount to a large amount of money. One should realize that. Given that countries like Spain are running small deficits and very limited current account deficits, we are not talking about the multi-annual program of the great dimensions. We are talking about injecting tier 1 capital into a couple of banks, which is probably amounting to some 30-40 billion euros if we are unlucky, that's at least what the media is reporting and saying.

But one should realize that that is not that much money in compared to what has already been done for Greece and Portugal and other countries. So the funding in terms of the firewall is there, but we have to get the institutions right to solve the problem, and the long term issue is about total factor productivity, competitiveness and restoring the faith in the long-term development.

Sweden has weathered this crisis pretty well compared to most others. Our growth numbers have been 1.5% on average for the last five years, which is double the US, well above the Euro zone and the EU in general. Our unemployment has increased as you can see. I think it is 0.2 higher than it was in 2006, so it is a slight increase, but not in the neighborhood of what has been seen in some other countries. Our employment growth has been quite spectacular over the last few years, particularly in the private sector. Private sector job growth has been running at quite high rates both in 2010 and 2011, and we still actually see some job growth also with the worsening of the growth prospects.

So basically, Sweden has weathered this crisis in a pretty solid manner. I think part of that has to do with the fact that we have done very substantial structural reforms of our economy. I will argue that that is one of the main factors here.

So let me now go back to the early '90s. Even I think we should think about the '80s, '90s, because we need to see the broad perspective here. In the '80s, Sweden was in a terrible situation. Our growths were lagging behind the rest of Europe, we had lower productivity growth, we had huge problems with cost pressure in our economy. Our domestic markets were on overall highly regulated. There was huge barriers to entry for entrepreneurs, particularly in the domestic service sectors. Our taxes were—are still high from American standards but for the Swedish standard, they have been reduced dramatically. The highest marginal taxes have been cut some 20 percentage points. The average tax rate is probably down substantially above that. I would argue that the average marginal tax is probably down some 25% since the highest end in the '80s.

The business climate in the '80s was very problematic. We had a very intensified political battle between the unions and the business sector, where there were proposals to basically take over the stocks from the companies and make the unions owners. So many of our absolute best entrepreneurs, the Rausings, the Gampers, they moved out of Sweden. So there was a huge problematic situation to start with, and one part of that was the wage setting. We had inflational-driven wages that was set basically with the public sector as a leader. The state and local governments were the ones that were setting the norm for the rest of the economy.

The fiscal policy was very, very difficult. We had large deficits and a debt level increase. We started out from a very strong position in the '60s and '70s. We had basically no debt, but in two decades, we built up heavy indebtedness. The macro-economic imbalances were really severe. High inflation, poor real wage growth, repeated devaluations, we built up cost pressure with no productivity and then we devaluated the currency three or four times since the Bretton Woods crash we had to devaluate the currency. That brought up also a rising public debt level and a persistent current account deficit of a rather large magnitude. So this is the starting point in the late 80s when the reform started.

Let me just give you some description of the kind of imbalances that we saw. Inflation at 10-11 percentage points can never be sustained without creating imbalances and asset price bubbles. As you can see, Sweden didn't—came into this from a long period—well, I cannot say that. From the '50s and '60s Sweden had been doing very, very well; very high growth rates, stable prices, strong public finances, good unemployment numbers and then everything started to change. One of the most striking facts is that we, from the early '70s to the mid-'90s had no real wage increase. The average wage increase was close to zero for 20 years. So Sweden went from one of the richest countries in terms of purchasing power to number 16, number 15, or something like that. That is what's happening. I mean, if you compare the real wage growth from 1990 forward, that it has been 2.3%, and if we would have had that for those 20 years, then our consumption level would have been 50% higher, because that's the effect you get from growth numbers.

So the starting point was that we had had nominal wages that had produced inflation increases rather than real wage increases. The public deficit was staggering. I was working at the Prime Minister's office in '91 when we came in and we thought we were going in '92, have a deficit of 10 billion Swedish kroner, in the first reports that we got in November and December. When we came back after Christmas, Christmas Day, were saying 50 billion. In May, it was up to 100. When we came back after the summer, it was 250 billion in the Minister of Finance forecast. We had gone from almost balanced to 13% in deficit in six-seven months.

Then everything blow up with the defense of the currency. You remember that there was huge outflows. The Central Bank increased the interest rates up to 500% (that has become legendary) to try to defend the currency, and then it broke down. So the starting point was pretty problematic. We put ourselves in a very, very tough spot. Since then, there has been a period of two decades of consistent reforms, and broad-based reforms. While keeping a very well-functioning welfare state, we have been able to transform the labor market, so it is much more flexible. We have increased production, productivity in the industry substantially, particularly in the domestic sector. We have cut taxes. We have restored our public finances. We have repaid basically—last year we repaid the last of our current account debt that we built up over the last two decades.

This process has been basically supported by at least 75-80% of the Parliament. Broad-based political support is difficult, of course. I was there, and there was a lot of political battles of all the details of this. I mean, it's a little bit creating a rationality with the benefit of hindsight, but in basic terms today, there is a very broad-based support for a very responsible fiscal policy regime.

One of the main conclusions from our experience is that any consolidation that will be equal to 5%, 10%, 15% of GDP must be broad-based. You cannot perform such a broad-based fiscal restructuring without using both taxes and revenues. You must deal with the fundamental structure of your expenditures, but you must also be ready to deal with the revenues.

One reason for that is there is no quick fix when it comes to structural reforms. It must be ongoing reforms for the society in a time period, and that means that you need to deal with the social cohesion issue. You cannot have a society where the conflicts that are built in become so strong that you undermine the political ability to deal with problems.

If I compare Sweden with Spain or Italy and Greece, one of the reasons why we have been able to do this is that our income differences are substantially much lower, which also much means that the political tension is on a completely different level. The tendency that you divide yourself and dig yourselves into a hole and start to fight, I think to some extent, is one of the main risks with fiscal consolidation.

So my experience from Sweden and from Latvia and from Ireland and from other countries that I've been involved in different functions, I would argue that the combination of broad-based and social cohesion is very, very important. Equally important and even more so in the current situation, the structural reforms to do pro-growth. To be able to grow out the crisis, you have to deal with the fiscal side but you must also deal with the structural side, if this is going to be long-term sustained, because obviously the growth is creating the resources.

What we did was equal to slightly above 12% of GDP. When I used to give these lectures we were in splendid isolation with fiscal consolidation in this magnitude. Today, I would argue that there are very many governments in Europe that are doing something that is equal to this. The Latvians have done it, the Estonians have done it, the Greeks are on their way to perform something, the Irish, the Spanish and so forth.

Ours was balanced between revenues and expenditure cuts. Obviously you must remember that we are coming from a very, very high tax rate to begin with. So you cannot say that there is a one size fits all. One has to go through the details of the specific country and obviously try to balance the reform program. But in general terms, a European situation where public expenditures are in the neighborhood of 45-50% of GDP, it is quite clear that most of the consolidation should be taken on the expenditure side, and obviously if you're in a situation where the tax rates are substantially lower, the balance could be in a different manner. For example, it was more natural for Latvia to do tax increases than it was for Sweden, given that they had very low taxes to start with.

I have asked my staff to put up all the major cutbacks that we did, all the major tax increases that we did, to give you a kind of magnitude of the political decision making. We did an overhaul of the pension system. It was started on and negotiated under the crisis years but then it was implemented from year 2000. Our pension age has in effective terms now reached 64.8 years, which is an increase almost 4% from the lowest ever. So it was a very strong pension reform where we have created a partly funded system that is up to already limits in its basis with some automatic breaks for the system.

But the transitional reform that we did was basically to lower the indexation of the pension system. That is obviously not very popular among the voters, but the pensions are normally a major part of the transfer system. It has to be dealt with. There was also quite a large part that has to do with the transfer system, early retirement, unemployment insurances, health insurances in terms of sickness absentees. Health insurance in Sweden means sickness absences rather than health care services. So we transformed basically where the major cutbacks was on transfer payments rather than on welfare services. There were cutbacks in the public sector, almost 10% of staff reduction in the overall in our welfare services, but the bulk of the money came from our transfer payments.

Obviously, that is very painful. Our argument was that you cannot repair an education. If you go through school during the crisis here, you still need a good education. If your unemployment benefit or if your sickness benefits are bad for three months, that's sad thing but it's not the same thing as ruining the health care system or ruining the education or research and development. To our mind, given that we had very generous benefits system, it was logically to take the bulk of the transformation on the transfer system.

Given that we had a structure problem on our unemployment market due to high benefits, where a large part of the population, almost a quarter in working ages, were depending on different transfer systems. Well, in that kind of situation, it is also a part of a structural reform plan. It is one of the ways to get people more active and searching for jobs and staying on the labor market. So a big part of our transformation to macro-economic stability was an underpinning of transformation of our social system, so that the economic driving forces to search for jobs and to be on the labor market were substantially strengthened.

We have also done some very substantial changes that I still benefit from heavily as a Minister of Finance. That is that we are now setting a large part of the budget in nominal terms. So all grants to local government is set in nominal terms and we decide them on a four year horizon. So that means that obviously if these are set, they will not be changed, and that will also mean that if you don't put additional reforms you will actually in terms of GDP, lower your spending on these sectors.

So when I started out working for the government, when we had done all the cutbacks in the autumn of 1992, we calculated where we were and the expenditure drift was so strong, so what we were able to do was basically to stop the increase. We were actually spending more money in 1992 than we did in 1991, so all the cutback decisions taken were basically just to put the brake on a underlying drift that was uncontrollably, because a lot of things was indexed and compensated for.

We also did a very smart thing, well, the public service of Sweden might not agree, but we created a system where all public agencies will get a wage compensation which is taken from the private sector, and we will deduct the average service sector productivity. So the average private sector productivity will be deducted from the wage compensations. So there is a strong demand for the public sector to have at least the same productivity increases as we have in the domestic private sector. That is also a thing that changes completely the long-term drift of the budget.

So we have a situation where we can do reforms, from a situation where the long-term development of the expenditures are basically under control, which is from a political situation much, much more better than if the automatic systems are spending all the revenues.

We also changed substantially the subsidies to the housing sector. The old Swedish story was that we had 70-80 % marginal taxes and everybody had huge mortgage loans, and then the interest rate deductions was the ones that kept the system going. So we cut the marginal taxes, took away the housing and interest subsidies, and that had a major impact.

From a macro policy point of view, that was obviously quite problematic in a situation where we had a massive price deflation, because house prices were falling. So with the benefit of hindsight, what we now know about asset price deflations, we'd probably not have done that. But this was before all of the other countries tried similar crises, so there was a need for a long term to reduce the interest rate subsidies, and that was done.

There were also a major increase of tax revenues. It's difficult to see a strategy in these tax increases. In Europe today you basically see two major strengths. One is that almost all the crisis countries are increasing VAT. The other is that you are using taxes that you really want to have for allocation purposes such as CO2, electricity, tobacco and alcohol where the tax increases also have some other arguments. But the governments, our government and the next coming government, increased quite a lot of taxes because we needed the revenues. What we tried to do as far as it was, was to put some of the burden on the ones that were better off, particularly taxing high wages.

It was said that that was going to be a temporary measure, but sad to say it's still there 20 years later. So it was probably necessary for social cohesion issues, but one should be always careful with what is supposed to be temporary.

So these are some of the major lessons that I think one should learn. We need to do expenditure cuts. I would still argue that it's better to cut back transfer payments than welfare services, also for cohesion reasons. It is education that builds social mobility. Like in Sweden, you can get health care, elderly care and child care for free. That is a strong compensation for a low income, which means that the life chances are much better distributed, and transfer payments are always difficult because they are undermining the driving forces to be in the labor market, and in the long-term perspective, it is always the person's ability to work and to earn income that is basically creating a good life income.

It is important that the consolidation measures are acceptable from distribution of income point of view. Yes, I will argue later that yes we have seen an increase in income differences in Sweden, but they are still among the lowest in the world, particularly if we take into account the welfare spending.

So broad-based, expenditure first, think very carefully about social cohesion. We had also changed our framework for budget setting. When the governments—I've talked to some of my colleagues that used to have the role that I have in the '70s and the '80s—and they described the situation of almost constant budget negotiations. All the spending departments were preparing their proposals and they were constantly putting the Minister of Finance under siege and coming many times per year with new proposals. Today, we have one budget negotiation. It is in August. It is based on a full-fledged proposal from my side. It is based on the fact that we have already set nominal spending ceilings for four years. So this year we will decide the nominal spending ceiling for 2016. So that means that anybody's negotiations up until 2016 will have to stick under that spending ceiling.

That creates a situation where the Minister of Finance is proposing the budget. You do a top-down approach based on the macro-economic assessment, based on what kind of structural issues we want to deal with, what kind of welfare reforms that we want to do, and we don't add up from the bottom all the proposals from the standing ministers. For very basic public choice assumption, I think it is clear that the standing minister will be a special interest. You shouldn't be the health care minister if you don't care for health care. You shouldn't be the minister for foreign aid if you don't believe strongly in foreign aid. That is their role, that is what their position should be. I would presume that our Minister of Foreign Affairs would fight as vigourously as he can for embassies and foreign aid spending.

But we cannot do everything, and we cannot have a situation where the tragedy of the commons means that what is rational for the common gets undermined by a negotiation game. So by starting with setting the nominal spending ceilings for four years ahead, we have an anchor for the whole process that becomes much more responsible.

We have also introduced a balanced budget requirement for local governments. Given that schools, health care, child care and elderly care is in the local government, that is a major transformation. That was decided in the late '90s, early '90s, but it didn't come into effect until 2001, I think it was. So the fact that has been that we have seen no deficits in the local governments since, which means that we don't have the German situation or the Spanish situation where we have one central government deficit that we can control, and an unknown entity called local governments that are creating problems.

We have also introduced a fiscal policy council that is increasing the transparency and openness in the process. So mainly I would argue that we have had a transformation of our budget system. Rules are important, but even more important is actually that all major parties in the Swedish Parliament is supporting responsible fiscal policy. We obviously have a lot of political battles, but they are fought inside a framework where we are sticking to stringent budget policies as a starting point. Obviously this could change, but today we have almost an 80%-90% support for a balanced budget among the voters, particularly Social Democratic voters, are pro-balanced budget. Because if we run into trouble, it will be those who are most depending on welfare services and are most depending on the public transfer systems that will be hurt the most.

So the fact that the cutbacks were so traumatic to our society, Sweden is a society that believes in social cohesion and welfare states. But because the traumatic experience were so deep, the support today for responsible fiscal policy is very, very strong. Among the most frequent letters I get from voters is old women writing, and they are saying, "Dear Anders, don't put us into deficit." I can understand from an economist point of view that you could see the need for deficit sometimes, but it's a strong position for the Ministry in negotiations to know just what you can bring to the negotiating table is always the political clout that you have, and if you have a strong support that is obviously much easier.

The second half of what we did was structural reforms. We've done a major tax reform. And I will give you some numbers so you can see the magnitude here of what has happened to taxes. They were at close to 50%, the average small rates, after the tax reform which cut them back very, very substantially. Then we have cut back the taxes on income, particularly earned income. This is obviously not the overall tax level. The overall tax level in Sweden is still very close to slightly below 50% and so we still have a very high tax level, but that is based primarily on the ATs and social fees, rather than income taxes. So the role for income taxes have been quite dramatically changed in the composition of the taxes. So the marginal effect for a person now working half time - the actual tax for a blue-collar job working half time, what a lot of females are doing, would not be higher than 10-15%. We are at an average marginal tax rate for a normal person to the OECD average. We were 10 years ago an outlier at the top, but for normal income earners, we are now very, very close to the average on marginal taxes.

The structured reforms were also very much to increase competitiveness. There was a very, very broad based deregulation. Today, if you go to the OECD, going for growth report, they are looking at 8 different sectors, 6 out of those we have less regulatory burden than the US. So we have gone from being one of the heaviest regulated economies of Europe to one of the least regulated when it comes to product markets.

A major shift has been food production and food retail sales, because we used to have the highest food prices in the world, and we are today below the average for industrial countries, because we opened up the retail sector and we deregulated our food production.

Obviously there were other structural reforms. The pension reform I mentioned. The European Union membership has lowered the tariffs and opened our economy even further. We are today well above 50% in exports. We have changed the central bank system to independent central bank, the wage setting system has been reformed, and all of these reforms have strengthened each other. So there is a new sense among the Sweden unions that we are now setting wages so that the competitive sector starts first. That becomes a norm for the rest of the wage negotiation. We are just finishing a round where the average wage increases are likely to stay between 2 .5% and 3%, which given our productivity levels, are very, very reasonable.

So we've been able to transform the system where we had no real wage increases to very reasonable real wage and disposable income increases, while keeping up the macro-economic stability. One point that I think could be interesting for a US public audience is health care. This is how it was. Between 1960 and 1980, Sweden and the US had the fastest increases of costs in the health care sector. I was on the expert committee on public finances and we did a number of studies where the cost increases of health care was dramatic, uncontrollable and could not be dealt with.

Then we started to do the reforms. We have stuck to 8%. I had asked my staff to look at different diagnoses, particularly cancer diagnostics, where you can see the statistics on the quality of health care. There is no argument for the US system. The US is spending twice as much in health care, and the rates for breast cancer, prostate cancer and other cancer forms are very similar. We are actually better in some of the diagnoses than the US. We are better than the overseas average on almost all of them and we are spending half of what the US is spending on health care.

The reforms that we done, one that was super important was the balanced budget requirement, because health care is now under the balanced budget requirement. They are not allowed to run deficits. We also modernized our budget system, and this is a very, very concrete thing. A diagnoses related payment system changes the whole logic for doctors and hospitals.

We used to have a 10-day average in hospital stay in the mid-'80s. That was by far an outlier compared to every other country. We are now in the bottom. The fact that we've been able to transform the system, from a system where you were paid per day in hospital, so the longer the doctors could keep the person in the hospital, the more bodies he would have. To a diagnoses-related system has meant a tremendous cost cutting in the hospital sector. We have introduced co-payments, so we are now in the top level of the OECD when it comes to the cost of paying for a primary care doctor.

So if you have a cold, you will pay around some USD $10-$20. If you would go for a more severe diagnosis, you would only have free healthcare. To go to have a doctor see your cold or talk about your stomach or whatever, that would cost you $20. We have also set the system that if you come to an emergency hospital and you say, "Well, I have a cold," then you would pay a much higher fee. So we are trying to direct the patients to go to primary care rather than to go to emergency hospitals.

We have done a major overhaul of our prescription of medicine, where we used to have a system where generics didn't play a strong role. That has made it possible for us to have prescriptive drug spending in our budget, unchanged in nominal terms for almost five to six years now. They have increased slightly over the last period where a lot of medical improvements have brought the cost up, but in nominal terms they have been very, very stable. I don't have to tell you that between 1960 and 1990 they were increasing as fast as in the US.

We have also introduced competition, particularly in the primary care sector, where we have a free to show system, where the private operators also can compete, and that has been very popular, because availability of primary care is important. The hospital system is 95% still public. So we have been able to transform the system and we are still scoring number four, number five and two and three and one, when you look at the quality of care that you're getting and compare it to the rest of the OECD countries. So I think that is a major change in the Swedish system.

This is what has happened to our revenues and expenditures. We reached a peak at around 60% in expenditures. We have now cut them back to below 50. We have as you see a strong increase during the crisis, we were up again at 52% in the expenditure chart of the GDP, because we did a lot of temporary spending in 2009 and 2010. So it increased very rapidly, but the bulk of it was temporary, so we are now back in a downwards pattern when it comes to expenditures.

Tax levels in Sweden are below the revenue levels because we have a highly profitable public sector. We have the largest public industry, together with China and some other countries, but ours is highly profitable. So the average level is actually about 45% now and has been falling gradually over the years.

So I think we have done pretty well in restructuring our own society.

One of the things that I think we have realized during this crisis and which we'll work with—is obviously financial stability. I will not go into that too much now. Let me though say, because the Ministers tend to be bragging about their country and I would also like to mention one severe problem that we are still having, so you don't get the picture we are without problems. That is basically a very, very high structural unemployment among youths.

Our youth unemployment is running over 20% for the last 20 years. Youth immigrants are unemployed to a much higher degree. Sweden is now in absolute terms the country that has most immigrants in Europe. In absolute terms we are receiving as many people as France, England and Germany, and Sweden is around 10 million and France and the UK and the others are around 50, 60, 70 million.

Basically the US is providing these flows for us. You make war and we get the refugees, so the largest ethnic minority in Sweden is the Iraqis, which is the largest group. We have a very large Iranian group, a large Somalian group, quite a large Afghanistani group, and we think this is basically an asset for the Swedish society. We have opened up the borders in a decision from my government in 2008, which has brought also a lot of Chinese, Indians and Russians who come to work for us.

But we do have a structured problem in the labor market. It has to be dealt with because it is quite clear that it is inherent in the Swedish model. If you have compressed wages, where the lowest wages are quite high, it is likely that you'll push people out to unemployment. Historically we've been able to deal with it because we were a very homogenous population and had a very, very good education system.

But our education system has not performed as it should over the last decades. Look at France, look at Germany, Austria or the Netherlands. They have had youth unemployment running at 4%, 5%, 6%, and they are also welfare states. They also have unions, they also have taxes, but what they do have is an apprentice system, an education system that creates a path into the labor market.

This is a major issue for us now, to try to change. We will obviously try to work together with the unions on these issues. I had met something like 70 different unions since the last month, to start a broad-based negotiation in the autumn where you can see some new system to introduce people to the labor market without lowering the overall wage levels. Because given our competitiveness, we don't need to cut wages in Sweden. We can afford wage increases. But there is a problem that the introductory wages, in combination with very strict employment protection rules, high costs in terms of collective bargaining, is pushing youth unemployment up, and we need to do something about that in terms of wage subsidies, in terms of agreement with the unions, where we are changing this structure, and we need to introduce an apprentice system. We cannot have a vocational training system that doesn't give people the competence to get a job.

When we started out this process, there were a lot of people who said this cannot be done without increasing economic differences. This is from "Divided We Stand: The OECD Report on Economic Income Equality. " Sweden is, if you take into account that we provide public services for free, the country with the least income differences. Together with the Nordic countries, we are also the country with the highest degree of social mobility, where the father's education has the least impact on the sons' education and work career.

So we have a high degree of social mobility. If you look at the people who are worst off in material terms, who are in absolute poverty, we, together with the Nordic countries, have the least problem with severe deprivation of material resources. Sweden, Norway, Denmark has been able to combine fiscal stability, monetary stability. A lot of people were saying if you change and go for low inflation, you will have a society that will be haunted by income differences. We have reinvigorated the economy with much better productivity growth, much stronger and better competitiveness in product markets, without increasing income differences.

A lot of people were saying, "Yeah, it's not a dynamic society, but it's an equal society." Well, today it is both equal and dynamic. We've been able also to reform our labor market where we have cut, according to the estimates, the structural unemployment rate some 1.5% to 2%, without undermining the social cohesion of our society. So the lesson for us is there is no necessary conflict between having a society with a high degree of social cohesion and a society that is macro-economic stable and also can combine that with good growth numbers.

So thank you very much for listening to this.

C. Fred Bergsten: Anders, thank you very much. That was fascinating and very helpful for our audience. You did not get to Europe and say anything about the Euro crisis, so I want to ask you about that. But before I do, I want to ask you one more question about the Swedish experience. You drew a lot of lessons, and all of them I think, very much food for thought for us. But let me ask you one more question.

Is a fundamental deep crisis essential to promote the kinds of reforms that you carried out in Sweden in the early 1990s? I'm asking you to use observations from your own country, and from what's going on in the Euro zone right now. Is it necessary to have a pretty deep, almost existential crisis, to get reforms of this type in a democracy, or can you see a possibility of doing it in a more orderly, less apocalyptic way?

Anders Borg: Well, I think the experience from Sweden and our neighborhood with Denmark, Finland and the Baltics, would clearly indicate that a crisis is an awakening call for society. Let's remember that the Asian countries after the crisis they had in the '90s had very good growth numbers. I think the average of the IMF program countries, for the five to ten years afterward has been close to 5% or 6 %. So you could draw some positive lessons out of this for Europe. If Italy now understands and Spain now understands that yes, you can keep your social European model, but you need to give stronger priority how you spend the money. You need to invest more in education, you need to get costs under control and you need to increase productivity in your private sector.

Well, that is something I think is an alternative scenario. The fact that most countries that have been in deep crisis will not be in the forefront of the next is, I think in historical experience.

C. Fred Bergsten: Okay, valuable maybe for most of us. Let me go on and then ask you a few questions about the current Euro situation. You made a couple of remarks briefly at the start, in Spain, you're worried about the banks. Tell us the two or three things that you worry most about as the Euro zone continues to confront its crisis and give us your prognosis on the likely outcomes.

Anders Borg: To my mind, a prerequisite for Europe coming out of the crisis is a very active role for the ECB. I do believe they must uphold price stability targets. In the European context, anything else would be detrimental for credibility. But having said that, I think they—we should give them support to be very active on the banking side and on the liquidity side, to be able to provide flexible policies like they have done with the long-term repos. I don't believe that that is a threat to price stability. It is no longer the case that there is a strong link between monetary base and inflation, if you have an inflation target that the ECB haves. So as long as inflation expectations are well anchored around 2%, I think they have some leeway to be very active. That is also obviously true for the other European central banks.

A second very important thing is the fact that the fiscal situation has improved substantially. I mentioned what the Italians have done. The health care spending in Italy in 2013 will decrease almost as much in Sweden. So they don't have the problem with cost care Healthcare and Medicare as the US has. They don't have the underfunding of the pension system as the US has.

So long term there has been some very substantial reform. They have indexed average pension age on life expectancy. That will be recalculated every third year. They have increased female and male pension age up to 60, and they will increase it automatically or legislate it to 67.

On the fiscal side, I tend to be very hawkish. I've been very critical to some of the governments that have been letting deficits up. I'm less hawkish on the fiscal side now, because I think before, when there was no certainty about the path, when you didn't have the governance structure in place. Now, with the stability in place of a reinforced governance structures and an average deficit of 3.2 this year, you don't have an acute fiscal problem. I don't think that either Italy or Spain has an acute fiscal problem.

The missing link in our system is resolution and recapitalization of banks. We have a very effective and brutal system in Sweden for that. But I would be very happy to see a European institution like that, dealing with banks. If that cannot be done in the short term perspective, I think we must find some other flexible way of doing it. It's important to separate the fiscal Spanish and the current account Spanish side from the banking side, because if we're trying to force the Spaniards to go into some kind of support program, because they have a problem on the fiscal side, well, the government would have failed. They have taken very serious decisions that would be good in the long run.

So I would argue for trying to find some way, if the Spaniards can do it themselves, fine, but please do it quickly. If there is an alternative where European resources could be used, I would be fully supportive of any kind of support and to find a way of dealing with the political side effects of it, I would think is reasonable.

C. Fred Bergsten: Well, it sounds like you're fundamentally optimistic that the Euro zone will overcome its crisis, and maybe even build new institutions for the future. You can confirm or deny that. But then, at least one other question for Sweden. Sweden is an out country, you have opted not to join the euro, I gather that's a highly supported view in Sweden right now. What about the outs? Do you see a diminishing role for the non-Euro countries in the European Union as a whole, even a kind of systematically developing two-track system within Europe? I know the outs have had some meetings among themselves, some caucuses among themselves.

Talk a little bit about that seeming division within the European Union and what it means for the evolution of the entire European integration project.

Anders Borg: Well, I do believe we have two categories of out countries. Sweden, Poland, Denmark, strongly pro-European. We normally tend to try to find European solutions. We believe in broad-based European cooperation on foreign policy, defense, justice and law. For me, it is one of my fundamental personal values. I believe in Europe. There is no place for Sweden outside the European Union. I believe that Europe is on the right path politically to create a stronger democratic rule of law based on cooperation.

We have from time to time reinforced the fact that we are ready also to provide the resources if necessary. We are doing a substantial contribution to the IMF, partly because we haven't been a part of the European solutions. The Nordic Baltics are doing the fifth largest contribution to the resources of IMF in this resource increase that is now being done. There is a group where the Czechs and the Brits are obviously in another position.

But as long as Poland, Sweden, and a lot of pro-European countries are on the outside, it is very important, particularly for Germany, to keep the caucus united. Because in the Eurozone, there are a split of views, and the Germans tend to be a little bit alone with the Finns and the Netherlands. In the EU context, they have a strong support group from Swedes, Danes, Poles, that believe in open markets, that believe in single market reforms, believe in productivity, but also believes in European cooperation.

I don't believe that it's a long term split. It would be much more difficult for us if the Poles would join, because it's of ultra-importance for the Germans to keep the relationship, not only with France but also with Poland in a good shape.

C. Fred Bergsten: One final question, then we open it up. You mentioned France, elections yesterday in France, first round, socialist government now quite a possible outcome. What would that mean for Europe and particularly for the next steps in resolving the Euro crisis?

Anders Borg: It is important to realize that France is not Italy. If you look at competitiveness, France has been doing very equal to Germany in terms of total factor productivity growth and growth for the last 10 to 15 years. Their wage setting is in order, they do not have a large current account deficit and they have not run large current account deficits in history either, so they don't have a large foreign indebtedness. They do have a too large public debt and they do have a labor market that doesn't provide enough flexibility.

So they would really need two candidates saying we need to overhaul the French system, we need fundamental structural reforms to increase our competitiveness, and to remove barriers in the labor market. That is not how the French presidential debate has been going. There is no two candidates arguing for tough economic reforms. It's rather two candidates that try to avoid talking about fundamental economic issues.

We have worked together with socialist governments in France and Europe many times. They tend to be pro-European. They have historically been as responsible when it comes to European cooperation as center-right governments. Hollande is a person that many of my French friends says will have a good relationship with the Germans. The difficulty of this is the Le Pen vote, that was bigger than we thought and is forcing both of the candidates in a much more Euro-skeptic direction, both on open border issues but also on the economic policy.

If Mario Draghi and the ECB is going to be flexible, we cannot have the French president attacking the bank for not taking growth into account as much as they could. I mean, my experience with central banking tells me that the less the politicians attack the bank, the more flexible the bank could be. So that is something that is a little bit of a problem.

C. Fred Bergsten: Okay. Let's open it up. Yes. Please identify yourself and then fire away.

Question: Hi, my name is [inaudible 0:52:51] I'm a senior fellow at [SAIS] Johns Hopkins. Thanks so much for your speech. It was really interesting. Though, as a southern European, it really makes me cry, and I'm not kidding, because if you look at what has been the measures in Sweden, very few of them could be applicable to the southern states, because there is no [inaudible 0:53:11]. There is no more to take off. If you look at what the governments are doing, it's exactly the other way around. They are increasing taxes, not investing in growth, capping on research which doesn't exist anymore, capping on education. Maybe the only measure that could be actually implemented is this variable way of cost on health.

There are lots of people who need it. For instance, I go to first aid before I called, and if you had them pay a lot, that is really one of the few ones that could be applied, in Italy and many other European countries. So in concrete, what do you advise to your fellow ministers, to do in southern Europe, given that you are starting from a level of very, very high level of social welfare which we don't have in southern Europe anymore.

The other problem as you said there was lots of support in the Parliament and in the civil society for what you have been doing which doesn't exist in most of the southern European countries. There is no support whatsoever in the Parliament nor in the civil society. People are very mis-confident about politicians and what the government does, even with Monti now.

Anders Borg: Well, when you talk about something that has been going on for 20 years, you tend to get a broad and stable picture that is nice and well organized. But that's the kind of rationale you can get with hindsight. The process was very difficult in Sweden.

In '94, when the bond market exploded, in '95 when Mexico went into trouble, everything restarted for us. So the credibility deficit was humongous. When I started out with bond and currency trading, we were travelling here and meeting people that had basically been fired. Most of them that you came to and said, "Yeah, you're going to buy some Swedish bonds because it's a good prospect and most of the decisions taken, they would start out in a very aggressive manner declaring, yes, I used to work for Lehman Brothers or Salomon Brothers, and I was fired because I invested in your bond market and I will never again touch a Swedish bond!" You are welfare addicts and you cannot reform yourself and this is not credible. This went on, I would say, up till '97, '98, when the positive spirals became dominating.

So if I would have taken just one here, '91, '92, '93, then it would have looked at the taxpaying, a lot of other currency reforms, a lot of conflicts, lack of reforms, not the kind of broad strategy. But eventually when it continued to work with the problems and continued to move forward, well, the situation improves. I disagree a little bit of the description of these governments. I understand they don't have the opportunity to cut the transfer in the way that we did, because the transfer payments are not as high as they were in Sweden. I mean we started out with super-generous transfer payments.

But obviously pension reforms are now conducted in both Italy and Spain and Greece. There are efforts to reduce costs in terms of stocks. Yes, they have to some extent cut back education. In the case of Italy they would probably need to do the complete opposite. Bologna is their best university. It's ranked at number 162 which is completely unacceptable for a country of that size. They spend a third of what we do on research here, in Italy, which is completely unbelievable really.

So what you need to do is spend more on the growth expenditures and cut back everything else. I don't say this doesn't have social costs. Any fiscal restructuring program of this magnitude will be extremely painful. That's why I believe in very stringent, conservative budget rules. I never want to be in this again. I would never in my life have another 20 years of tough social reforms. I think there are some positive signs in Spain lately, but it has to be different from Sweden, and it would be not resolved in one or two years. It needs to be an ongoing reform process for maybe a decade or so.

Howard Rosen: I'm Howard Rosen here at the Institute. Mr. Minister, thank you very much for your remarks. It's going to keep me quite busy for the next couple weeks trying to explain to people the differences between Sweden and the United States. For example, when I see your list of lessons, it jumped out to me that maybe one of the lessons is that we in the United States should double our expenditures and double our taxes, since yours are twice as much as it is here in the United States.

Also you talk about how you had reforms in labor markets and other things like that. Here in the States, policymakers tend to think about direction and not levels. Your levels of spending in those kinds of programs still out-surpass what we do here in the United States by one, two or three times we do in this country. So it's always a little bit careful to try to translate this—the Swedish model for the United States.

But there's something that I think you said that was really very important. I think it was more of a political statement than an economic one and I'd like you to talk about it a little bit more. Actually, our experience really tracks the Swedish experience in the 1990s. We looked pretty much the same in the 1990s and we really re-diverted in 2001 when we put in the Bush tax cuts and things like that. The discussion here on the income gap has been what's the effect it has been if it has had an effect on growth or whatever. You tend to suggest that the income gap has an effect on politics, and that that's maybe what has exacerbated our political stalemate.

So the outcome of our tax cuts in 2001 exacerbated the income gap, which then made it harder for us to get political consensus on moving forward. So I'd like you to actually talk a little bit more about that connection between income gap and consensus on putting in place responsible policies.

Anders Borg: Well, I mean, let me start out that I want to be very clear that there is no one-size-fits-all. I mean, reform programs must be very much built on the kinds of problems the country has, and the US is obviously quite different. If we look at the labor market structure, the unemployment benefits are much lower than in Sweden, the tax rate for normal income earners are much lower, the employment protection is much more flexible than in Sweden, unionization is lower, the wage-setting structure is more decentralized.

So there are huge differences. We needed to become a little bit more flexible, but it's not easy to say that that means that the US has to go in the same direction. I would argue that you probably need to do both tax cuts and tax increases. There is a tax system in the US that is excessively complicated, and where for example the corporate tax rate is seems to be on the high side, and I do believe that the earned income tax credit that the Clinton administration did in combination with the Republicans and the whole move from welfare to workfare is something that could probably be continued and very valuable for the US.

But as you mentioned, yes, I believe that social cohesion is very important. I mean, obviously it is for moral reasons. The worst off in society should have a decent living standard. Also from political reasons, a society that gets too divided becomes much less able to deal with its problems, because if you don't have the sense that you're in this together, well, if you get into a crisis, you will be divided. The ones of the European countries that are on the high end are Spain, Italy, Greece and Portugal. Those are the countries in Europe with the highest economic income differences. They are very hierarchical, low social mobility, a lot of monopoly profits that is distributed because of a too heavy regulatory burden.

The US is also on top but for different reasons than Spain or Italy. So I think that the Nordic model where you combine the open strongly competitive society with a high degree of social cohesion is pretty efficient. But let's remember this is the new Swedish model; it's not the old one. I'm not saying that it worked well, with high unionization, high taxes, over-regulation of product markets, high inflation, lack of macro-economic stability, public indebtedness, extremely low efficiency in the welfare services. That was the old model. It works now because we spent 20 years rebuilding it.

Nicolas Véron: Nicolas Véron here at the Institute and at Bruegel in Brussels. You mentioned centrality of the banking problem in the current European situation, and especially in the Euro zone. You did point to the solution as being more centralized instruments for dealing with banking situations, especially in terms of supervision and resolution. So there's a lot of talk right now in the policy community in Europe about this banking union concept, and I do understand from what you said that Sweden would be willing to be part of that banking union even before it would be a member without being a member of the monetary union. Please confirm or disprove this if I understood incorrectly.

But my question is about the United Kingdom, because London is the financial hub of Europe. It is part of the single market for financial services. Clearly if the Euro zone perhaps with Sweden and a few others was to build a banking union without the UK this would have highly distortive effects for the single market for banking services.

So I would like to have your thoughts, as this is a very topical policy question right now how to articulate thinking ahead on the banking union front, with the question of the UK.

Anders Borg: Well, we have made a proposal to use the European Investment Bank to create an EU 27 institution for dealing with the banking crisis. We have also said that we were ready to finance recapitalization of banks, given that there was a thorough process where you took the black rock or something else and really transparently looked through the banks and did a substantial hair cut on the banks and those that were ready to inject tier 1 capital. In that kind of structure, bank reconstruction doesn't have to be all that costly for the public finances.

So we said that we were ready to do that. The UK did not agree. So EU 27 is off the agenda, I would say after that. It was a difficult process and it will not restart. So there will be no EU 27. Given the French election, and given that we don't have a government in the Netherlands, and some other political issues, there will be no banking resolution EU authority for the next three to six months. There might be decisions to create one, and it might come into effect later. But the current crisis cannot be dealt with by an institution that will exist in the future.

So I believe in a European banking resolution authority but this crisis has to be dealt with in the short term. So I would argue that we should try to find different institutions way, where we realize that Spain is not in the situation as Greece, that we not try to force the government into some program, because they don't need the multi-annual program, but to try to find some way of helping them out on bank re-capitalization, if necessary. If they don't need the help, that's fine with me, but then they should sort it out immediately, not in three months or six months. They should sort out whatever problems they have, inject the capital that they think they have and get the show going again, because the stock market is really killing Spanish banks as it is.

Barry Wood: Barry Wood, Radio Hong Kong. I'd like to ask you about IMF governance. The expectation is that your Nordic group is going to do its part in the recasting of the EU participation or the European participation by rotating with the emerging market Baltics. And the Swiss announced this weekend that they will be rotating with Poland. Are you optimistic that the Europeans will announce these changes in time for the next IMF meeting ,and are you optimistic that the next stage of IMF reform, giving more votes to emerging and developing countries is going to happen on schedule?

Anders Borg: Well, Sweden cooperates with the Nordic Baltics on these issues, but also with a group called G4, which is not the biggest four countries but Sweden, Belgium, Netherlands and Switzerland. We can notice that the Swedish Baltic constituency did 30 billion in money on the table. The G4 actually is above 40. It might get close to 50 before all these discussions have come to an end.

That could be compared to—I will not do the numbers—but if you look what Australia did or what Canada did or what Russia did or what Japan did, if the Nordic contribution is 50% of Japan and the G4 is actually 2/3 of Japan, we have put quite a lot of resources on the table. Countries like Sweden and Switzerland are ready to do that, but obviously that has something to do with [inaudible 1:07:38] and influence.

We don't mind a transformation. We had agreed to that and in Sweden's case we have also been pushing it because we believe that the IMF should be based on the modern world so to speak, and it's very important that all shareholders and stakeholders feel that they are present in the discussion. But we do not want to be pushed out the door. If we are pushed out the door we will take our wallet with us. That is also true for Switzerland and Belgium and the rest of these countries.

So yeah, we would like to contribute, and I do think that the processes of changing constituencies are going forward. We have heard some pretty good noise from the Netherlands, Belgium, the process. We know that the Swiss and the Poles are very close in negotiations. An outstanding question is obviously what will happen to Spain, if they would go into a European constituency together with the contribution that we are doing by rotating with the Baltics, then we would be to less European shares in the IMFC.

But for us, Sweden is not a member of the G20. We are sometimes invited, particularly when we pay, but we normally don't attend G20 meetings. So for us it is important that the governance structure for the IMF is actually the IMFC and the president of the IMFC has made very good work to try to keep the two bodies working better together, and it doesn't have to be—one should not exclude the others. G20 is important. It is important that we have an arena where all the big emerging countries can have a sense that they do have a voice. I believe they should have a voice on these issues, but we do not want to be pushed out the door.

Lewis: Lewis from Bloomberg News. I wanted to go back to your thoughts on ECB. You said earlier that the ECB needs to be more active. The ECB has engaged, I think it two, three LTROs, the SMP program. Do you think they need to go even further? I think you suggested they need to pay a more active—do you mean they need to engage in these active instruments?

The ECB has also said at the IMF that they do—it would lower their credibility, and secondly the onus should lie at the hands of the governments, not at the hands of the ECB.

Anders Borg: I have only support to give to Mario Draghi. I strongly believe in independent central banking and price stability. For us, it has been a transformational experience to get a well-functioning central bank in Sweden and also in Europe. I believe that they have taken responsible steps, that they have done what is necessary so far, and I have great trust that they will continue to do that. I think they have room to maneuver because the fiscal side is getting better, there is very limited inflation pressure, but the decisions must be taken by the central bank and I think politicians should be very, very careful to try to give directions to central bankers when it comes to necessary measures.

So I would support them being flexible as they are and I would trust them to take the right decisions when they are going forward.

Pedro DaCosta: Pedro DaCosta from Reuters. You pulled up a couple of interesting graphics in your presentation. On the one hand you had a graphic about labor costs and competitiveness that showed the importance of keeping down your labor costs, particularly for southern European countries, in order to boost competitiveness. But then when you showed the graphic about Sweden, you talked about how troublesome it was that wages were stuck in the same place for 20 years. In fact, the US has experienced the same thing. It's one of the reasons why domestic demand is so weak. So how do you go about lowering labor costs without choking off domestic demand essentially?

Anders Borg: Well, if you remember the chart on real wage increases. The nominal increase of wages in the '70s and '80s in Sweden were very high, sometimes even double-digit wage increases. But the real wages did not increase because the inflation pressure took away all of the content. There were no productivity growth, so there could be no long-term wage increase.

What we have experienced is now that we almost every year have around 3% to 4% wage increases. Given that we have a productivity of some 2-something, and an inflation target of 2, that's fine. You can increase real wages and increase consumption on average in the long-term on the level of productivity that you are providing in the economy, without creating a cost problem or competitiveness problems.

The lesson for southern Europe, look, for example, at Italy. It is not the wages that has been creating the problem. It's the productivity. The wages has basically been at the same magnitude as in Germany. I think that's also basically true with some exception for Spain.

So it is a productivity issue. You cannot have falling factor productivity. You must have the dynamics into your economy so that you get a productivity increase of 1.5%-2 .5%, otherwise there can be no real wage growth. So therefore I think the structural issues for Europe are more pressing. The labor market reforms in Spain and Italy is not the US. They have excessive employment protection. They have too much union influence on wage setting, and they are lacking flexibility in the labour market. So that has to be fixed.

If you look at these countries, for example, just to take a striking fact, Sweden is now at the lower end of the OECD when it comes to profitability in the retail sector. Greece is on top. That means that there are some barriers to entry for entrepreneurs. There are some regulatory structures that prevent competition to push costs downwards. That has to be fixed.

The domestic sector is the key here, because the larger part of this economy—Italian government economy today is only 20 something in export share. So it's basically a domestic economy. But then the domestic cost side has to be fixed. So they need to rapidly increase their productivity over the next 10 years.

Bob Samuelson: Bob Samuelson from the Washington Post. When Sweden had its crisis in the early '90s, you exited the crisis during a period when the world economy was relatively healthy and growing relatively rapidly. You also had, I think, the benefit of a flexible exchange rate.

Today, the European countries that are facing crisis are in a period where at best, the world economy is growing very slowly and its neighbors are often stagnant or experiencing negative growth, and they don't, by definition, have a flexible exchange rate. Can you talk about that contrast, and to what extent it both favored your recovery and disfavors the countries that are now in crisis?

Anders Borg: Well, our experience in the '70s and '80s with exchange rates is very bad. It was a part of the vicious circles of excessive wage increases, inflation, low productivity, losing competitiveness, devaluating the currency. Then we started out with too high inflation, too high wage increases, low productivity and we devaluated the currency. So it was a vicious circle that just keeps going, and fundamentally you cannot build a prosperous society on devaluating your currency.

You must build it on fundamental productivity increases, research and development, education, flexible labor markets, sound macro-economic policies. So it helped us, but the difference between the '70s and the '80s and the '90s is not the exchange rate. We devaluated consecutively during the '70s and '80s and we have experienced after the devaluate—after the big fall, the exchange rate has been quite stable. I would expect that it's more likely to appreciate than depreciate.

So obviously it's better to have strong world model, that's for sure. Yes, obviously it's quicker when you do the exchange rate adjustment. But that will only work if you also do distraction measures. So look at Estonia or Latvia, and they are small countries under special circumstances, in their Geopolitical situation. But they have cut their costs between 15% and 25% over the last three years. They're really done an internal devaluation by increasing productivity and decreasing costs.

So it is possible to do so. If the Italians could start doing reforms that would indicate a long-term pattern, it's quite obvious that you could see a positive circle coming out of that. They are a rich society, they have a long manufacturing tradition, so if they would start to set their house in order, it's quite clear that they could produce—I mean, if you can produce a Ferrari, which is probably one of the most high-quality manufacturing products that you could ever see, you must be able to do a lot of other things that is high quality at reasonable costs.

C. Fred Bergsten: I think on that positive, constructive, and highly seductive conclusion, we'll call it quits.

Anders Borg: No, no. We have one more point. I was a little bit surprised that you were actually able to have us here today, because this is your birthday.

C. Fred Bergsten: That's true.

Anders Borg: It's your 71st birthday. From our side, I would like to give you a small gift for our appreciation of the fact that the Institute, I think, has been a table, a whole institution for building international cooperation, not only building knowledge but also building relationships. Relationships and knowledge is a very good base for avoiding conflicts and getting the world to work a little bit better. So appreciating your—congratulating your birthday and also give our appreciation for a very long and sustained effort here at the Institute to build a better world order.

C. Fred Bergsten: Thank you very, very much. You're very kind! Thank you much! Anders, it's greatly appreciated. Thanks to you for today's very enlightening remarks. Thanks to the audience. We'll continue to discuss this topic, I'm sure, and I hope with Anders. Many thanks. Meeting adjourned.