

Gunnar Lund, Article on the referendum (24 November 2003)

Caption: On 24 November 2003, Gunnar Lund, Swedish Minister for International Economic Affairs and Financial Markets, analyses the reasons for the victory of the 'No' vote at the referendum on the adoption of the single currency, held on 14 September 2003 in Sweden, and outlines the political and economic consequences of this result.

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Article on the referendum for the Public Service Review: Nordic States, 24 of November 2003

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A referendum on whether or not Sweden should introduce the euro as its currency was held on 14 September as planned, despite the shocking murder of the Minister for Foreign Affairs, Anna Lindh, just three days before. Naturally enough, the actual result of the referendum still feels of secondary importance to me and many others in comparison with the loss of a dear friend and capable colleague.

Despite these circumstances the Swedish Government has to respond to the unambiguous outcome of the referendum. 42 per cent of Swedes voted for the euro while around 56 per cent voted against. Support for monetary union is low among the Swedish people. But turnout was high and this should be seen as a significant democratic success. Almost 83 per cent of Swedes exercised their right to vote.

Let me say right away that the result of the referendum must be respected. Sweden will therefore not participate fully in European currency cooperation. This decision will apply for the foreseeable future. The parties in the Riksdag (Swedish Parliament) have taken the view that the matter will not be raised again during the current or coming electoral term, which ends in 2010.

In this article, I intend to discuss the reasons for the result and its consequences.

First of all it must be strongly emphasised that the Swedes voted “no” to the euro – not to European cooperation in general. A stable majority of Swedes, about 60 per cent, do not want Sweden to leave the Union.

In my view, it was primarily economic arguments that convinced the Swedes to reject the euro. The fear that the Swedish economy would deteriorate with the euro was largely due to the weak economic trend in the euro area. At the same time, the relatively good economic development in Sweden in the past few years meant the economic arguments in favour of the euro lost in strength.

Moreover, a major argument in the “no” campaign was that we can continue to “wait and see”. The voters perceived this to mean that “yes” would mean change while “no” would mean a status quo. However, most Swedes, 80 per cent, believe that in ten years’ time Sweden will have the euro. I interpret these figures to mean that the decision was not exactly crucial since the matter could be reconsidered in the future. The Swedes are clearly not ready at present to say “yes” to the euro.

Anna Lindh’s tragic death at once stopped any further campaigning. This was only natural and right. However, purely in terms of the campaign it had a negative impact for the “yes” side which had every chance of putting on a strong spurt. Now this did not happen. Lastly, turnout was very high which is gratifying but probably benefited the “no” campaign.

There are also other reasons for the defeat, more closely related to the campaign.

Firstly, mobilisation of non-socialist voters was poorer in this referendum. Compared with the 1994 referendum on Sweden’s EU membership, the proportion of “yes” voters in the non-socialist camp decreased. Among social democratic voters the situation was largely unchanged.

Secondly, the media played up the split in social democratic circles, particularly in the Government. To illustrate: my colleague Leif Pagrotsky was the third most important opinion-former on the “no” side. Furthermore, the Swedish Trade Union Confederation remained neutral during the campaign.

Thirdly, in the early stages of the campaign, the Social Democratic Party and Trade Union Confederation were busy discussing how the conditions for stabilisation policy would change with the euro, an important

discussion. The “no” side, on the other hand, did not need to present its own stabilisation policy alternatives but, instead, could state that membership would generate more problems than gains for Sweden. The long-term positive effects of the euro were hardly discussed at all. The “no” side kept a generally very low profile and were not very visible in the campaign. Instead, they waited for the “yes” side to act and then criticised them. The media reinforced this picture and presented the “yes” side as desperate while the “no” side did not need to take responsibility for the alternatives it presented. The burden of proof lay almost solely on the “yes” side.

Fourthly, the “no” side succeeded in giving the impression that a changeover to the euro would involve mainly economic risks. These arguments were based on people’s fears and feelings of insecurity. Democracy, economy and prosperity seemed threatened by participation in the single currency. Since many Swedes are still sceptical about the EU, the “yes” side did not succeed in putting their economic arguments over despite the fact that they had the most confidence-inspiring communicators on their side.

The unambiguous outcome of the referendum will have both economic and political consequences. Personally, I am primarily concerned about the political consequences and how Sweden will relate to the EU in the future.

We will have less influence in the Union, both formally and informally, now that the Swedish people have rejected the euro. After having been ajar for several years, the door to the increasingly important Euro Group is now closed.

Furthermore, Sweden’s “no” to the euro means we will not have a vote in the European Central Bank (ECB). ECB decisions have a great impact on our daily lives but the negative outcome of the referendum means that Sweden cannot make its voice heard and will not have insight into the work of the European Central Bank.

Our influence in other areas will be affected indirectly. Since we have actively chosen to remain outside the most central part of Europe’s economic policy cooperation, we also risk being perceived as having lower ambitions for our EU membership. This can also affect our influence in areas other than purely economic policy.

Thus, the political consequences of Sweden’s “no” to the euro put greater demands on us as a member of the Union. The campaign before the referendum and its outcome show that there is still widespread scepticism about European cooperation in Sweden. We must be an even more active and constructive cooperation partner to gain a hearing for the issues we are committed to. We now have the responsibility to make the EU and Europe more clearly a part of our everyday political life. A referendum cannot be won if the grounds for the issue have not been established long before the poll.

The impact of the referendum on our economy will be of a more long-term nature. In the short term, no dramatic movements have occurred on the interest and exchange rate market. Instead, the Swedish krona has gained in strength now that the pre-referendum uncertainty has gone.

The euro has contributed considerably to increased economic stability in Europe, with lower unemployment rates, lower budget deficits and the absence of currency unrest. The common currency has benefited us so far. But following our “no” to currency cooperation, we are in danger of poorer protection against storms on the financial markets. In the long term we risk lower growth when we lose out on the increase in trade and investment following from euro membership. In the coming economic recovery, participation in currency cooperation would have produced a lower interest rate level in Sweden and in this way given us a boost and faster growth. Now there is a risk the recovery will be somewhat slower.

Policies in Sweden must now focus on preparing Sweden in the best possible way for the outsidership resulting from the outcome of the referendum, in the broadest cooperation possible. We will participate actively both in the daily work of the Union and in the discussions on the future of Europe. Sweden will continue to take part in the first two stages of monetary union. The convergence criteria and stability pact

have served the Swedish economy well and they will continue to guide the Government's policies for sound public finances. The targets of our economic policies will remain in place.

Domestic economic policies continue to be decisive for Sweden's chances of growth. The fact that Sweden cannot now fully benefit from euro membership means that policies in Sweden must focus even more on dynamic measures to strengthen Swedish companies, trade and growth. This work has now begun.