



Why is Sweden continuing to thrive?

Sweden has been most renowned for being one of the leading economies globally in terms of sustainability. This could be illustrated through Sweden's rankings in indexes that measures economic sustainability, for example Sweden ranked eighth across the globe in the latest Sustainable Economic Development Assessment, that measures a country's economic sustainability, environmental sustainability and social inclusion to provide a measure of sustainable economic development.

Government Spending: The Swedish government allocates its spending in a way which economic sustainability could be achieved. Government spending is one of the components that determines aggregate demand, which directly reflects the real GDP of the country. Therefore, increasing government spending on public administration, such as education funds and law enforcement management, will lead to short term economic growth. For example, in 2019, Sweden spent

15.90% of it spending on education; this has not only led to higher levels of human capital, such as skills and experience, but also a more positive attitude for human input and thus higher productivity, causing a rise in aggregate demand. This in turn will lead to higher employment rate and increase in disposable income. As a result of real income increasing, consumers will have more purchasing power, and there will be more spending on outputs, allowing Swedish firms to earn more profits. Thus, firms will be pushing up their price level in order to maximise profits, ultimately leading to inflation, and the positive impact of inflation is what upkeeps economic sustainability. In addition, higher productivity will also lead to a left shift in long run aggregate supply, which boosts economic growth. Consequently, leading to the Swedish government receiving more tax revenue; the personal income tax rate of Sweden is 52.3%, and this enables the Swedish government to spend more on infrastructure

investments. For instance, spending on transport will also increase productivity as workers could travel to work more efficiently, therefore causing the cost of factor of production to decrease. As a result of this, the short run aggregate supply will shift right, causing price levels to decrease and output to increase. This means that products will become more competitive, and firms will therefore have higher profit margins, causing the corporate tax to increase; in 2021, the taxable income of Sweden is subject to corporate tax at a flat rate of 20.6%. Ultimately,

generosity is echoed by a carefully designed social welfare system, which includes: (i) universal healthcare, which is publicly funded and provides coverage to all Swedish citizens and residents; (ii) paid parental leave, providing up to 480 days of paid leave to new parents, which parents are entitled to 80% of their original salary; and (iii) children subsidies which has an allowance up to 1250 Swedish Kronas per child per month, aiming to support working parents and thus promote gender equality, etc.

This is because through cash transfers, allowances and subsidies, economic stability of individuals increases, thus allowing them to participate in the market

“Sweden has increased funding to tackle climate change and has stepped up efforts to safeguard biodiversity.”

this also leads to an increase in government tax revenue, and therefore a circular flow of revenue is established and long-term economic sustainability can be achieved.

Innovation and technology:

In the 21st century Sweden has slowly emerged as one of the leading innovation powerhouses in Europe, being home for internationally well-known tech companies. This could be well reflected by global rankings of the Global Innovation Index, which sees Sweden, a country only with a 10 million population, ranking third globally. One of the main factors would be Sweden's education, their education system is student-based, which means that it is entirely based on what the student is interested in; exams and tests were also scrapped off so that education would be driven by the students' own interests and would focus on quality over quantity as syllabuses would not have been rushed to meet exams and tests standards; learning is also project-based where students are given projects to work on, such as solving world problems, thus helping students develop problem solving skills, creativity and collaboration skills.

Social welfare system:

Sweden is well known for its generous social welfare system, which aimed to provide material support to those in need, with a particular emphasis on promoting economic sustainability. According to the Organisation of Economic Cooperation and Development, Sweden's social spending accounted for 29.2% in 2019, which is way above the OECD average of 20.5%. Such

more often as consumers, investors, etc. Sweden's social welfare system provides access to high quality education that can improve

educational outcomes, creating a more skilled workforce, which is essential for long term economic growth. Also, quality education also provides opportunities for upward social mobility, which contributes to economic sustainability as individuals will be more likely to contribute to the economy through taxes and consumer spending and attracts more foreign investment and business developments, which all stimulate economic growth.

