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The Green New Deal ...

... and Sweden's Economic, Environmental and Energy Crisis

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SWEDEN'S ENVIRONMENTAL record and income equality are exemplary, but the Swedish model is in trouble. A high dependency on international trade has increased Sweden's vulnerability in the global recession. Sweden's trade to Gross Domestic Product (GDP) ratio increased from 79.88 in 1999 to 100.99 in 2008 according to the OECD. Export promotion promotes growth, but Sweden faces an employment crisis. According to the National Institute for Economic Research, in the past year the total number of persons employed dropped by 100,000 and "unemployment has soared from 5.9 percent to 8.3 percent." In 2011, unemployment may reach about 12 percent.

AN OBVIOUS and much talked about solution to this problem is to increase employment by building up green jobs. A Swedish Green New Deal would involve greater government investment in mass transit and alternative energy systems. Using statistics produced by the OECD, I found that Sweden has spent or allocated far more on "Green Recovery Investments" than Denmark, Germany, France and Japan. Yet, Sweden's green recovery investments of about 234 Euro per person still lags South Korea and Spain (which have spent 398 Euro and 689 Euro per person respectively). These estimates should be used with caution as "Green Recovery Investments" can be defined in different ways by different people. Yet, other numbers reveal limits to Sweden's green investments.

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LIKE SWEDEN, South Korea also increased the share of trade to GDP in the years 1999 to 2008 (from 67.60 to 106.99). Unlike Sweden, however, Korea's economy is doing far better. An article in the Korea Times on September 15, 2009 said that South Korea's economy was "recovering at the fastest pace in the world, with a record-high trade surplus, stock market rallies and the strengthening of the Korean won," but that the country "remains vulnerable to outside shocks as it depends heavily on overseas demand for growth." Korean analysts say their country "should make an all-out effort to reduce its reliance on the rest of the world by boosting the domestic market." In January, the South Korean government announced that it would invest 50 trillion won (about $40 billion or 288 billion SEK) during the next four years on environmental projects in a "Green New Deal" to reverse slumping economic growth and create nearly a million jobs. If Sweden followed Korea's path (weighted by population), then it would invest about 6000 SEK per person or 55 billion SEK in its Green New Deal.

SWEDEN SHOULD also build up its internal (domestic) market, despite its relatively smaller size. One way to do this is to lead and launch a Nordic-based industrial policy that would promote greater investments in rail transportation. This Nordic alliance could be modeled on ALBA, an emerging cooperative network among Latin American nations which tries to coordinate regional policies. The goal would be for Nordic nations to capture a greater share of economic activity associated with the manufacture of trains and rail-based infrastructure. Within Sweden, the number passenger cars, tram and metro cars operating as well as the number of persons working in this sector have been relatively stable over the last several years despite increasing use of rail-based based transit. While Bombardier is committed to increased Swedish investments in mass transit, recent rail based train purchases in Helsinki, Oslo and Sweden have been awarded to competitors to Bombardier that have even weaker economic links to Sweden. These recent purchases were worth at least 327.5 million Euro.

BOMBARDIER also has closed down parts of its Swedish-based rail production system (e.g. in Kalmar), but it is a primary champion and investor in the "Gröna Tåget," the new Swedish Green Train program or Regina 250. This program began in 2006 and ends next year. On tests the new train has achieved higher speeds and greater fuel efficiency than the X-2000. Banverket has invested 50 million crowns of the program's total investment of about 100 to 150 million crowns. Yet, the government should invest far more.

A RECENT SOU investigation (SOU 2009:74) describes Swedish Rail Administration calculations for constructing two high speed railways in Sweden as being 125 billion crowns (about $18 billion using recent exchange rates). This would represent a considerable investment. The total cost for the first stage of the KTX high speed line in South Korea was $10.58 billion and a second stage was projected to cost $15.3 billion more according to a study by Professor Sunduck D. Suh of Hanyang University and his colleagues. Yet, unlike South Korea's Hyundai Rotem company, Sweden lacks a highly vertically integrated, horizontally flexible and domestically rooted rail production industry. Hyundai Rotem links mass transit, defense and windmill production (the parent firm makes cars). Saab has split these up, leaving an auto and defense industry with less flexibility in diversification efforts. In order to maximize the link between green purchases and green jobs, a new Swedish industrial policy is necessary. This policy should support diversification of the auto and defense sectors into mass transit production. After all, these two sectors have received a great deal of government support. •