

THE POLITICAL AND SOCIOECONOMIC REASONS FOR SWEDEN'S RESISTANCE TO JOIN THE EUROZONE

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by Patrick Hall

University of Canterbury

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LIST OF ACRONYMS AND ABBREVIATIONS

CAP – Common Agricultural Policy
EBU – European Banking Union
ECB – European Central Bank
EMU – Economic and Monetary Union
ERM – Exchange Rate Mechanism
ERM II – Exchange Rate Mechanism II
EU – European Union
G20 – Global 20
GDP – Gross Domestic Product
GFC – Global Financial Crisis
IMF – International Monetary Fund
MEP – Member of the European Parliament
PPP – Purchasing Power Parity
PPS - Purchasing Power Standards
SGP – Stability and Growth Pact
TFEU – Treaty on the Functioning of the European Union
UK – United Kingdom
US – United States
USD – United States Dollar

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ABSTRACT

The Eurozone was established in 1999 as a common currency area between 11 member states (European Commission, 2019). This grew to 15 member states, and now exists as 19 member states who use the euro as their currency (European Commission, 2019). The ECB governs the Eurozone by controlling the monetary policy across all 19 Eurozone member states (European Commission, 2019). Countries within the Eurozone do not have control of their monetary policy but still maintain governance over their fiscal policy. Denmark and the UK are the only countries with formal opt-out agreements exempting them from Eurozone membership (European Commission, 2019). Sweden does not have such an agreement yet resists Eurozone membership, making it a unique case within the EU. Sweden had a public referendum in 2003 on whether it should join the Eurozone, with Swedes deciding not to (Miles, 2004, p. 155). This thesis uses a mixed method approach of both qualitative and quantitative information to understand the political and socioeconomic reasons for why Sweden resists Eurozone membership.

CHAPTER 1. INTRODUCTION

This chapter focuses on the research questions and methodology that will be employed in this thesis. First, this chapter will begin by outlining the main research question, followed by the three sub-questions. Second, the methodology employed in this thesis will be explained and validity concerns will be addressed. Finally, this chapter will provide an overview of delimitations and definitions of the terminology used in this thesis.

1.1 Research outline and questions

This thesis looks at the Eurozone and its relationship with Eurozone outsiders, specifically Sweden. It will examine why Sweden has continuously rejected Eurozone membership. There exists considerable literature on why Sweden chose to reject Eurozone membership in 2003. However, 16 years on from the referendum the European landscape has changed significantly with phenomena such as the Brexit vote, rising populism, and the migration crisis (Capelos and Nielsen, 2018, p. 1419). All of this impacts on desires for greater EU integration, including monetary integration with regard to the Eurozone. It is interesting to investigate why, in the modern day, Sweden continues to remain out of the Eurozone. The objective for this thesis is to provide a greater understanding for why this occurs, by investigating the political, social and economic dimensions of Sweden vis-à-vis Eurozone membership. As such, the main research question asks:

What are the political and socioeconomic reasons for Sweden's resistance to join the Eurozone?

This thesis will contribute to pre-existing literature by providing a contemporary examination of Sweden's restraint from joining the Eurozone.

It begins by considering previous literature published in this field of research. The literature review looks at the 2003 Swedish referendum on Eurozone membership,

Sweden and ERM II, as well as literature focusing on Sweden and its relationship towards the Eurozone from 2003 onwards.

Following the literature review, a theoretical framework for this thesis outlines the theory that will be applied to the analysis. Realism, rationalism, and constructivism will be defined, exemplified in context, and their use justified by highlighting the compatibility of the three theories within a multi-faceted theoretical framework.

To provide clarity in answering the main research question, it is broken down into three sub-questions reflecting the three dimensions of interest.

The first sub-question asks: *What are the political reasons for Sweden's resistance to join the Eurozone?* This sub-question explores the various stances on Eurozone membership amongst Swedish political parties. It looks at the results of recent general elections in Sweden, and uses this to identify changes in the Swedish political landscape. The perceived threat to Sweden's welfare system in relation to joining the Eurozone is examined. The legislative framework relating to Sweden and the Eurozone is also considered, with particular focus on the euro convergence criteria and ERM II.

The second sub-question asks: *What are the social reasons for Sweden's resistance to join the Eurozone?* The second sub-question collates the results of Eurobarometer surveys to highlight social themes for Sweden's rejection of the Eurozone. The krona and the Eurozone in relation to Swedish national identity and sovereignty is a concept which is considered as part of this sub-question. Federo-scepticism amongst the Swedish populous is another concept which is investigated as a social phenomenon contributing to Eurozone resistance in Sweden. Finally, Swedish public disconnect with the elite is examined as a contributing factor to social rejection of Eurozone membership.

The third sub-question asks: *What are the economic reasons for Sweden's resistance to join the Eurozone?* This sub-question looks at macroeconomic indicators such as debt and deficit levels, GDP, PPP, inflation levels, and unemployment rates. Monetary indicators are also examined, in particular interest rates between the Riksbank and

ECB and exchange rates over time between the krona and the euro. EBU membership as part of the Eurozone framework is examined, with a particular focus on efficiency, autonomy, and the case of Nordea Bank's relocation out of Sweden. Finally, this sub-question looks at the Eurozone debt crisis and considers phenomenon such as economic contagion and inter-union divisions as reasons that reinforce the Swedish decision to remain out of the Eurozone.

A discussion chapter will recapitulate and conceptualise the findings of this thesis, and apply the theoretical framework to the phenomena witnessed. A critical evaluation of this thesis that includes limitations and possibilities for future study will be included.

1.2 Methodology

As this thesis is investigating political, social, and economic reasons for Sweden's resistance to join the Eurozone, it will use a mixed method research approach combining qualitative and quantitative data in a complimentary way to address the research question (Vicki, Clark, & Ivankova, 2016, p. 56). To understand the reasons for Sweden's resistance towards the Eurozone in relation to the three dimensions of interest, both primary and secondary sources will be examined.

Qualitative primary sources include:

- reports,
- press-releases,
- publications of the results of observations,
- laws,
- policy and legislative documents.

Qualitative secondary sources include:

- journal articles,
- books,
- thesis dissertations,
- and monographs.

Quantitative sources include:

- economic data,
- and Eurobarometer data.

Examining primary sources, such as interest rates published by central banks, or political parties' stances on issues based off of their policy manifestos, increases the credibility of the research. Secondary sources are used to support primary sources.

Eurobarometer data provides a credible alternative to conducting my own surveys. This thesis uses Standard, Special, Flash, and Qualitative Eurobarometer surveys. Eurobarometer surveys consist of a large sample of interviews – approximately 1000 in the case of a Standard Eurobarometer (European Commission, 2013a). Standard Eurobarometer's are conducted biannually, allowing for regular comparisons of data over time (European Commission, 2013a). Special Eurobarometer's poll in relation to a specific topic or theme, and Flash Eurobarometer's are data that is gathered quickly and via telephone interviews as opposed to face-to-face interviews (European Commission, 2013a). There may be an issue of reliability with Eurobarometer data extracted from face-to-face interviews as interviewees change their behaviour in an interview situation. However, this can be rectified through the use of Qualitative Eurobarometer's, which gather data based on discussion groups and non-direct interviews (European Commission, 2013a).

1.3 Validity concerns

The research design of this thesis has given rise to concerns surrounding validity, and how this could impact on the quality of the final outcome. Firstly, there is an inability to undertake interviews with actors (elites) that are at the center of this thesis' research due to geographical and access restrictions. This does mean that the risk of imprecision from the interviewer or interviewee, as well as concerns surrounding small sample sizes and validity, have been mitigated. However, interviews with actors of relevance to this thesis would have increased the overall credibility of the research.

Secondly, as a non-Swedish speaker, translation issues for sources published in Swedish present a validity concern. Online translation tools were used at part of the research for this thesis, yet there are issues of inaccuracy surrounding such tools. However, for translated documents of this nature, i.e. policy manifestos, the nuance of terminology is not so important, therefore it does not impact significantly on source reliability and validity. Many sources are also offered in both Swedish and English. Thirdly, documents from journals, government sources, the EU, and political parties in replacement of primary fieldwork presents credibility concerns.

1.4 Delimitations

Monetary integration and the Eurozone is a broad subject; therefore, this thesis uses several delimitations to clarify the scope of the research. The first delimitation frames this thesis' research around only Sweden and its relationship with the Eurozone. Any mention of other states vis-à-vis the Eurozone is merely to illustrate EU monetary integration in a way which is relevant to the Swedish case. The second delimitation is that this thesis only investigates and analyses the Swedish rejection of the Eurozone post-2003. It is appropriate to limit the time span of this thesis' research, as research in the lead up to the 2003 referendum was extensive, i.e. the Calmfors Commission, as well as immediate post-referendum analysis' by academics and organisations. The third and final delimitation is that only reasons for Sweden's rejection of the Eurozone which falls within the dimension(s) of political, social or economic will be considered.

1.5 Definitions

Euroscepticism

Euroscepticism is a theme frequently referred to in this thesis with regard to Swedish Eurozone rejection. It is explained in Usherwood & Startin (2013, p. 1) as a rejection of further integration at an EU-level characterised by 'no' votes in national referendums and in relation to legislation in parliaments which calls for further EU integration.

Eurozone debt crisis

The Eurozone debt crisis was an economic crisis that arose within the Eurozone as a result of unsustainable debts and a balance of payments deficit which began at the end of 2009 (Frieden & Walter, 2017, p. 3).

Federo-scepticism

Similar to Euroscepticism (although not the same), Federo-scepticism is another theme often referred to in this thesis. It can be defined as fears that the EU is heading towards an ultimate goal of a Federal Union, and the objection of any political or economic decision that would assist in the accomplishment of that (Miles, 2001, p. 207). The difference between Euroscepticism and Federo-scepticism is that Federo-scepticism focuses on the scepticism towards federalisation as opposed to any form of EU-level integration.

Riksbank

The Riksbank is the central bank of Sweden, ensuring retention of currency value, security of payments, and money supply (Riksbank, 2019b).

Riksdag

The Riksdag is the name of the Swedish parliament. *“The Riksdag is the highest decision-making assembly in Sweden. The tasks of the Riksdag include making laws and determining the central government budget. The Riksdag also examines the work of the Government”* (Riksdag, 2019).

CHAPTER 2: SWEDEN AND THE EUROZONE: A LITERATURE REVIEW

When considering the socioeconomic and political reasons for Sweden's resistance to join the Eurozone, previous literature must be reviewed. This literature review will begin historically, analyzing the 2003 Swedish referendum on Eurozone ascension. Particular focus will be on literature surrounding the result of the referendum, as well as the socioeconomic and political reasons for the outcome. Literature pertaining to how Sweden keeps itself out of the Eurozone will also be considered. Finally, this review will focus on more recent literature that provides a more present-day indication of why Sweden resists Eurozone membership, focusing on the economic, social, and political reasons for resistance. The literature review will be summarized with concluding remarks.

2.1 The 2003 referendum

Sweden was undecided on the stance it would take vis-à-vis Eurozone membership in 1999 (Peebles, 2011, p. 3). Subsequently, a referendum on this issue was scheduled for 2003. Swedes claimed that they were ill-informed about the euro prior to the referendum (Peebles, 2011, p. 63). Hosli (2005, p. 43) also reflected this, making the point that instead of Swedes risking adopting a currency they had little understanding of, they would vote to retain the krona. On the referendum date of September 14th, 2003, 82.6 percent of eligible voters voted either 'yes' or 'no' to euro adoption in Sweden (Jonung, 2003, p. 125). This presented a result of 55.9 percent 'no' to euro adoption, 42 percent 'yes' to euro adoption, and the remaining 2.1 percent were blank/invalid votes (Jonung, 2003, p. 125). Out of the 21 Swedish voting county districts, 19 of them voted against the euro (Miles, 2004, p. 159). The referendum was consultative in nature, yet the result was adhered to for political legitimacy (Polgár, 2014, p. 73).

There were multiple socioeconomic reasons for the result of the 2003 referendum. Hobolt and Leblond (2009 p. 204) provide three points for the euro's rejection in the

2003 referendum; fears of losing sovereignty and national identity, EU level referendums being considered less important than national ones, and that countries with the most to gain economically (of which Sweden was not) are more likely to join. Hobolt and Leblond's second point could be disputed on the basis that this referendum had a turnout of greater than 80 percent, indicating that it was of significant importance to Swedes. Regarding Hobolt and Leblond's first point, Svensson (2006, p. 218) cites Swedish fears of euro adoption being a step closer to an EU that would be a Franco-German centered super-state. The third point was a large factor in euro rejection, with other Eurozone countries doing poorly economically (Svensson, 2006, p. 219). France, Germany, and Italy (all major Eurozone economies) were borderline stagnating at the time of the referendum (Hobolt and Leblond, 2009 p. 211). Whilst Sweden had high unemployment in 2003, its GDP was up 1.3 percent (Miles, 2004, p. 160). There were no recent negative economic events to spur Sweden into Eurozone membership (Miles, 2004, p. 160). On the contrary, Chang (2009, p. 51) discusses how the history of the 1992 ERM crisis - caused by currency speculation – and what it led to (recession and unemployment at eight percent in the Eurozone) would remain in Swede's minds as they voted in the referendum.

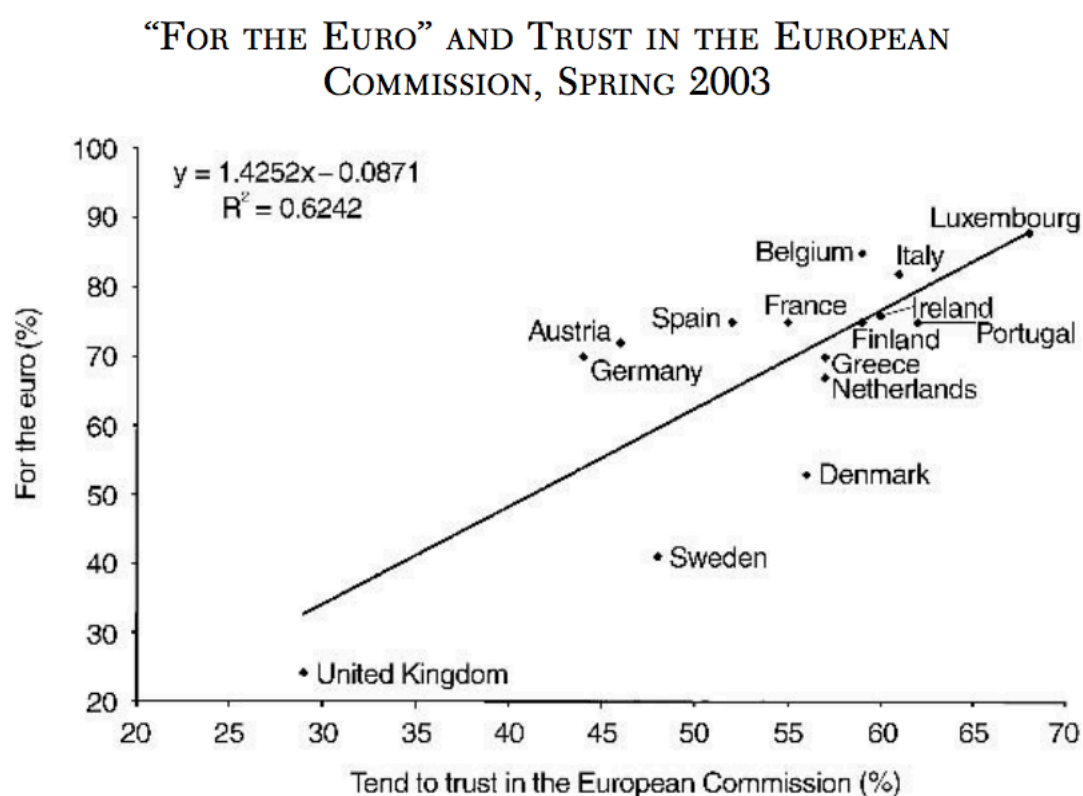
Jonung (2003, p. 126-8) provided an economic assessment of euro area growth and monetary policy, and it showed greater stability and economic growth for states in the Eurozone, but that a loss of monetary autonomy may make it more difficult for economic shock management. By remaining out of the Eurozone, Sweden could isolate itself from economic shocks (Jonung, 2003, p. 128). This is something Swedish voters would consider, when deciding on relinquishing monetary control over their economy.

Domestic politics also had an impact on the outcome of the 2003 referendum. The then-governing Social Democratic party was pressured towards the 'no' campaign. Joining the Eurozone would mean that the Social Democrats would have to give up monetary policy as a tool to tackle unemployment – particularly because the ECB is only concerned with controlling inflation (Svensson, 2006, p. 218). Furthermore, Sweden's infamous welfare system may be threatened by handing over such significant financial autonomy to the ECB (Svensson, 2006, p. 220). Reduced unemployment and the welfare state are cornerstone to a center-left political party

such as the Social Democrats. Jonung (2003, p. 130) identified that voters whose wages came from the public sector would vote 'no' to the euro because the size of the public sector would be reduced alongside tax revenue. The 'no' vote came from many women, young people, and low paid workers – significantly pressuring the Social Democrats towards the 'no' campaign (as their support base is typically lower socioeconomic in nature) (Svensson, 2016, p. 221).

A significant political reason that gave strength to the 'no' campaign was that the 'yes' campaign was initially strongly elite driven, and this was a large turnoff (Lindahl and Naurin, 2005, p. 73). This applied not only at a national level, but particularly at an EU level as well. Figure 1 below illustrates this:

Figure 1: “For the euro” and Trust in the European Commission – Spring 2003.



Source: Jonung, 2003, p. 145.

As represented in Figure 1, Sweden has less trust in the European Commission relative to most other EU member states (in 2003). As the 'yes' campaign was driven by the political elite both in Sweden and within the European Commission, it is clear

that Swedish distrust of the European Commission would have been favourable to the 'no' campaign. Sweden is also the second most anti-euro currency member state after the UK. Based on Figure 1, we can see that Sweden is a more Eurosceptic nation than most other EU member states. In light of this, it is not unsurprising that Sweden rejected Eurozone membership in 2003.

2.2 Sweden and ERM II

To ascend into the Eurozone, states must fulfill the convergence criteria. Despite not having a formal opt-out agreement with the EU, Sweden remains outside of the Eurozone by deliberately not fulfilling this criteria (Chang, 2009, p. 57). The convergence criteria is comprised of five points; harmonized index of consumer prices (inflation levels), government budget deficit, government debt-to-GDP ratio, exchange rate stability, and long term interest rates (Polański, 2004, p. 286). Sweden fulfills all but the exchange rate stability criteria, as this requires member states to be a part of ERM II for typically two years (Polański, 2004, p. 286). ERM II measures member states' currency floating against the euro to ensure that there are no 'serious tensions', and that economic growth is not restricted (Polański, 2004, p. 286). As member states are able to elect to join ERM II, Sweden has simply refrained from doing so, thus not fulfilling the convergence criteria and remaining out of the Eurozone (Miles, 2004, p. 156). All member states are required to join the Eurozone eventually (excluding Denmark and the United Kingdom who have opt-out agreements), however, there has not been pressure on Sweden to do so (Peebles, 2011, p. 12). Despite this, Hosli (2005, p. 75-76) claims that there will be future pressure on Sweden to join the Eurozone as the EU continues to more deeply integrate – especially considering Sweden does not have an opt-out agreement.

2.3 From 2003 to now: Sweden's rejection of the Eurozone

There are a number of economic arguments for Sweden remaining outside of the Eurozone, particularly centered around; exchange and interest rates, trade, the GFC,

the EBU, the Eurozone debt crisis, and the performance of Sweden's economy as a Eurozone outsider. Unlike the UK, Sweden is not a major international actor, therefore its reasons for wanting to remain outside of the Eurozone are more likely to be internal (Hosli, 2005, p. 75).

An argument for euro integration is to reduce exchange rate volatility. Aabo and Pantzalis (2010, p. 261) counteract this by explaining that because European markets trade predominantly amongst themselves, there was little fluctuation in value amongst Pan-European currencies prior to the EMU. As a result, the Eurozone is not likely to have had a significant impact on this. Losing its ability to set its own interest rates by conceding its monetary policy to the ECB is strong argument for Sweden to remain outside of the Eurozone. However, Reade and Volz (2009, p. 18) claim that because Sweden's interest rates mimic that of the ECB's – albeit 100 days behind – Eurozone membership would have little impact on Swedish interest rates. Gabrisch (2017, p. 569) reinforces this, and goes further, claiming that Sweden would in fact gain greater control over interest rates by participating in ECB policy making processes should it join the Eurozone. Whilst Reade and Volz make this claim, they do so in 2009 (at the beginning of the GFC and pre-Eurozone debt crisis). The basis of their argument (mimicked interest rates) may not be consistent nine years later post the GFC and Eurozone debt crisis. Holden (2009, p. 6) notes that Swedish business cycles have become more correlated with the Eurozone since the late 1990s, a point that is reiterated in Söderström (2008). However, Holden (2009, p. 22) does not consider this to be a reason to join the Eurozone, and claimed that Swedish influence on ECB policy if it were to join the Eurozone would be minimal anyway – a point that contrasts claims by Gabrisch (2017).

Eurozone membership is seen as advantageous to increasing trade when currency barriers are broken down between markets. Roughly 50 percent of Swedish GDP is in exports, with more than 35 percent of this going to the Eurozone in 2012 (Österholm and Stockhammer, 2014, p. 1105). Despite this, trade between euro area countries and Sweden has increased by seven percent since the Eurozone's establishment, even though Sweden is not a member (Baldwin, 2006, p. 94). It is because of this that Baldwin (2006, p. 52) believes Sweden has been clever from a mercantile perspective; gaining greater Eurozone market access without sacrificing monetary autonomy to the

ECB. Losing control of monetary policy means subsequently losing the ability to devalue your currency (via increasing money supply to cause inflation) and make exports more competitive, an advantage Sweden retains by remaining out of the Eurozone (Petre, 2015, p. 505). Even if Eurozone membership brought with it inflation controls, Sweden would not benefit from this as it has kept inflation low anyway (Reade and Volz, 2009, p. 24).

The recent events of the GFC and Eurozone debt crisis have cast a poor reflection on the Eurozone, with Sweden's economy faring considerably better comparatively. In 2008 and 2009 Sweden was in a recession, but saw economic growth following this period of almost five percent in 2010, and a budget surplus in 2011 (Chang, 2016, p. 183). Chang (2016, p. 183) attributes this increased household consumption driven by lowered interest rates set by the Riksbank, and solid fiscal management. Connolly (2013, p. 204) identifies Sweden as the only EU member state to keep a relatively balanced budget consistently throughout the GFC, a testimony to the prudent fiscal management referred to in Chang (2016). Sweden's unemployment levels were consistently lower than the Eurozone and EU-average throughout the GFC (Connolly, 2013, p. 203). During 2010 to 2012 of the GFC, Sweden's economy was growing considerably more than the Eurozone average (which never surpassed two percent during this timeframe) (Connolly, 2013, p. 202). The Swedish economy fared better than the Eurozone during this period, meaning there appeared to be little to gain by joining it.

Eurozone membership equates to automatic membership of the EBU. Swedish EBU membership would mean handing over authority to the ECB with regards to overseeing cross-border banking in the Nordic-Baltic region (Spendzharova and Bayram, 2016, p. 579). Spendzharova and Bayram (2016, p. 566) claim that both Sweden and the UK would benefit from the largest efficiency gains should they pursue EBU membership, however concerns surrounding sovereignty loss means that joining the EBU is not an attractive prospect for Sweden. Elliot (2012, p. 28) explains that the EBU fosters efficiency by centralizing regulations so that the regulatory landscape for states across borders is the same, something which is necessary for an efficiency multi-state banking system. However, Elliot (2012, p. 28) also recognizes that this does not always cater for situational differences in each states, where local knowledge

and state-level regulations are occasionally more appropriately suited. In essence, the 'one size fits all' approach to regulation is not always successful. Concerns surrounding sovereignty loss were also echoed in Algotsson (2001, p. 56) in reference to Sweden diverting away from its pre-Maastricht Treaty constitution in favour of greater multi-lateral governance; the EBU and Eurozone being examples of that.

The Eurozone debt crisis, specifically Greece, had a significant effect on the perception of the Eurozone and Sweden's desire to join it. Eurozone outsiders, including Sweden, were found to have experienced less contagion effects from the Greek economic situation than Eurozone countries (Bird et al, 2017, p. 5902-3). This is because a singular monetary policy brings with it risks and transfers of resources to poorer countries, in this case, Greece (Petre, 2015, p. 506). Although, Petre (2015, p. 509) claims that Eurozone countries are better protected from shocks which originate outside of the Eurozone. This could be challenged on the grounds of the aforementioned GDP figures and unemployment levels for Sweden and the Eurozone throughout the GFC. Sweden is able to use the Riksbank for stimulus spending and devaluation during economically difficult times (Patomaki, 2013, p. 74). Eurozone membership would make this Keynesian approach more difficult during times of economic crisis.

Joseph Stiglitz, a renowned political economist, claims that Sweden's decision to stay out of the Eurozone was a wise one. The common currency area did not deliver the economic growth promised. Stiglitz (2017) exemplifies this by explaining that despite the GFC originating in the US, the Eurozone still performed worse than the US comparatively. US GDP was 20 trillion (USD) in 2016, compared with 12 trillion (euros) for the Eurozone (Stiglitz, 2017). By deciding to stay out of the Eurozone, Sweden has avoided slow economic growth – the opposite of what the single currency originally promised. Aabo and Pantzalis (2010, p. 262) also allude to the lack of economic growth that was said to have come about in the Eurozone from lowered transaction costs. The ECB focuses solely formulating monetary policy to prevent inflation, and neglects alternative initiatives such as a Eurozone wide unemployment fund (Stiglitz, 2017). Peebles (2011, p. 61) also makes this claim, citing the US Federal Reserve as a better example of federal level banking that aims to tackle unemployment, and not just inflation. Addressing this could help overcome some of the major issues in the

Eurozone today, such as extreme levels of unemployment in some of the Mediterranean countries. The ECB is slow to adapt, and non-innovative. Its attempts at austerity and devaluation are continuous. Stiglitz (2017) claims that neither of these approaches have been historically successful. Sweden benefits by remaining exempt from these monetary policy approaches as a Eurozone outsider.

Despite pressures to join the Eurozone, Sweden's economy has done fine whilst retaining the krona (Peebles, 2011, p. 12). Sweden enjoyed a booming economy up until 2008 (Chang, 2016, p. 182). From then onwards, it has done comparatively better than the Eurozone (as previously mentioned). In the lead up to 2009, Sweden had relatively less long-term unemployment than Italy, Germany, and Greece (Chang, 2009, p. 231). This indicates that at the time it had different macroeconomic policy needs – something which a common monetary policy cannot deliver (tailored specific macroeconomic policies). This remains true today.

There are many social reasons for Sweden resisting Eurozone membership. However, these are not as large as the economic or political ones (Peebles, 2011, p. 63). Hobolt and Leblond (2009, p. 203) discuss how a national currency is symbolic of a country's identity. Citizens view currency strength from a symbolic rationale rather than an economic one (Hobolt and Leblond, 2009, p. 203). As such, a strong currency has greater symbolic value. This shows us why short-term factors such as exchange rates are equally important as long-term factors when considering referenda. The past influences present-day social perspectives of the Eurozone in Sweden. Prior to the GFC, Söderström (2008, p. 21) claimed that deep recession in the early 1990s influenced Sweden to join the EU in 1994, and as such Sweden may be spurred into Eurozone membership if the GFC affects Sweden badly whilst the Eurozone performs comparatively better. However, the opposite of this has occurred (the Eurozone was hit harder than Sweden by the GFC), and as such Sweden is unlikely to join the Eurozone. Sweden is federo-sceptic and distrusting of proposals for further integration (Lindahl and Naurin, 2005, p. 69). Persuading citizens of a Eurosceptic country to vote for further integration is a difficult task (Svensson, 2006, p. 219). For now, Sweden is a "hitchhiker" – happy to remain a part of the EU yet stay outside of the Eurozone (Chang, 2009, p. 171).

Political reasons have also contributed to Sweden's ongoing rejection of the Eurozone. The Eurozone is a political project (Patomaki, 2013, p. 2). It is driven by elites who are disconnected with their Swedish constituents (Hobolt and Leblond, 2009, p. 205). Polgár (2014, p. 74) exemplifies this by explaining that the majority of Swedes are Eurosceptic, yet their political class is not, highlighting the disproportionate representation of Swedish views at the political level. According to Pridham (2005, p. 17), relationship building and integration takes place at an elite level, not a common one. This may contribute to voter apathy or Swedes feeling disenfranchised about their ability to be involved in the relationship building process. The political left and right in Sweden are both for and against the euro (Svensson, 2006, p. 214). However, similar to the 2003 referendum, fears that Eurozone membership will negatively impact the Swedish welfare system remain a large pull factor for the anti-euro side (Hosli, 2005, p. 75). Despite Sweden turning its back on an integral part of the EU, it is still seen positively by the EU. Holden (2009, p. 18) recognizes that despite remaining out of the Eurozone, Sweden as significant representation at an EU-level. Sweden is a strong proponent of the CAP, yet against the Eurozone, meaning that they are key in some areas of the EU, and a "hitchhiker" in others (Chang, 2009, p. 171). Sweden is considered to be more willing and compliant by the European Commission than core member states such as France and Germany (Lindahl and Naurin, 2005, p. 82).

2.4 Summary

To summarize, the 2003 referendum had a decisive result against the Eurozone. In a socioeconomic sense, lack of information, erosion of sovereignty, and poor performers in the Eurozone at the time were all reasons that gave strength to the 'no' campaign. Politically, parties were divided on the issue. The potential threat to the welfare system which the Eurozone posed was a political pull to the 'no' campaign for many. The then-governing party, the Social Democrats, were torn between supporting Eurozone membership or adhering to the anti-euro views of their support base. Euroscepticism and distrust of EU level bureaucracy was also highlighted as playing a key role in voting to stay out of the Eurozone. Sweden's refusal to participate in ERM II was explained as its method of remaining out of the Eurozone without an opt-out

agreement. Sweden's anti-Eurozone rationale post-2003 was also considered. Much of the socioeconomic and political arguments remained similar to the ones that existed at the time of the referendum. However, the GFC and Eurozone debt crisis are recent phenomena that have contributed to a deepened anti-euro view in Sweden. This is especially the case when considering that Sweden's economy has out-performed the Eurozone from the GFC until the present day. It's ability to dictate its own monetary policy in economically challenging times means that Sweden is reluctant to forgo this for Eurozone membership. Sweden's decision to remain out of the Eurozone, especially post-2008, has been applauded by credible academics in the political economy field. However, there is a limited amount of contemporary literature available regarding Sweden and the Eurozone post the GFC. This leaves a considerable gap, especially when considering a post-Eurozone debt crisis environment in the EU, as well as rising protectionism globally. Whilst leaving a gap, it also presents itself as an opportunity for more contemporary research into Sweden and its relationship with the Eurozone.

CHAPTER 3: THEORETICAL FRAMEWORK

This chapter creates a theoretical framework to explain the political and socioeconomic reasons for Sweden's resistance to join the Eurozone. This thesis will adopt a multi-faceted framework using realism, rationalism, and constructivism to theoretically explain the phenomena witnessed. This chapter will define and explain each of these theories, exemplify them in context using examples from the previous chapter (literature review), and justify their selection for this investigation by showing how they are interoperable.

3.1 Realism

At the core of realism is the belief that politics is not exempt from human nature, and that human nature is characterised by self-interest (Morgenthau, 1973, p. 4). Wayman and Diehl (1994, p. 5) explain realism as a view of the international system being anarchical, and sovereign nation-states acting within this system in a self-interested manner. In realist theory, any international institutions or laws which erode sovereignty or detract from nationalism are typically opposed (Wayman and Diehl, 1994, p. 5). Donnelly (2000, p. 9) offers a definition of realism which encompasses all of the above; "Realism emphasizes the constraints on politics imposed by human nature and the absence of international government. Together, they make international relations largely a realm of power and interest". In a political economy sense, realism shares a similar doctrine with mercantilism. Mercantilists see trade as a source of value and profitability, and that the state plays a role in ensuring this as well as fostering unequal trade in said states favour (Magnusson, 1978, p. 114). Essentially, this is the idea of self-interested government engaging in protectionist trade practices to bring about self-gain through trade and economic exchange.

The realist school of thought, both in terms of international relations and political economy, provides a lens through which to understand Swedish rejection of the Eurozone. For example, Hobolt and Leblond (2009, p. 204) noted fears of sovereignty erosion and loss of national identity as reasons for the rejection of the euro in the

Swedish 2003 referendum. This is consistent with the realist idea that any international institution (in this case the Eurozone) which takes away sovereignty will be opposed. The theme of concerns surrounding sovereignty loss were also referred to by Spendzharova and Bayram (2016, p. 566) when mentioning why Sweden does not join the EBU, which can also be understood through the realist lens. Swedish federalism and scepticism and distrust of further integration, as outlined by Lindahl and Naurin (2005, p. 69), coupled with Hobolt and Leblond's (2009, p. 218) explanation of Eurozone membership being seen as a step closer to a Franco-German dominated federal super state, are further examples of opposition to an institution (the Eurozone) that erodes sovereignty. Realism's focus on nation-state power and self-interest is also witnessed in the Swedish case. The loss of the Swedish national currency as a subsequent result of Eurozone membership would be perceived as a loss of strength by many Swedes, because a national currency is a symbol of power and strength (Hobolt and Leblond, 2009, p. 203). As such, the retention of the krona through Eurozone rejection can also be explained as a perceived retention of power. In terms of political economy, Baldwin (2006) provides an example of mercantilist trade practices. He uses the term "mercantile" to describe the manner in which Sweden has managed to increase its trade with the Eurozone, whilst not having to sacrifice its monetary policy autonomy to join the Eurozone (Baldwin, 2006, p. 52).

Whilst realism may offer a viable theory for Sweden's rejection of Eurozone membership, it is not consistent with the concept of multi-lateral governance in the form of the EU and Eurozone (as realist thought believes the international system exists in a state of anarchy). Nor does it explain how Sweden is an enthusiastic EU member state regarding other forms of European integration, exemplified by the "hitchhiker" concept explained by Chang (2009, p. 171) in reference to Swedish enthusiasm for the CAP. Hence it is appropriate to consider other theories as well when constructing a theoretical framework for this thesis.

3.2 Rationalism

Rationalism is defined by Pettman (2001, p. 23) as "the use of human reason as an end in itself". Reason is knowing what course of action will bring about the desired

result, based on previous experiences and logical thinking (Pettman, 2001, p. 4). Jupille, Caporaso, and Checkel (2003, p.12) explain rationalism as actors acting in a way in which is most likely to deliver said actors desired outcome. Rational choice theory offers an understanding of rationalism in an economic context. Rational choice theory rests on the premise that individuals are rational, and will elect a course of action (from available alternatives) that is most likely to bring, in an economic sense, material gain (Oppenheimer, 2012, p. 13-14). The defining difference of rationalism compared to other theories is that it exists as a mid-point between realism and liberalism. Liberalism is, at its core, an individualistic philosophy that considers everyone an equal regardless of background or identity (Kelly, 2005, p. 9). In international relations, it is characterised by ideas such as free trade and multi-lateral co-operation. Between realist pessimism and globalist liberal optimism exists internationalist rationalism (Pettman, 2001, p. 128). Realism is described as pessimistic because of its view of humanity as a self-interested power struggle against one another, where genuine co-operation does not exist beyond national borders. On the other hand, liberalism is considered optimistic as it considers everyone of equal stature and believes in international co-operation. The key difference between rationalism and realism with regard to this thesis is that rationalism recognises the existence of international institutions, whilst realism does not. In saying this, rationalism can exist alongside other theories, including realism. Realism is a pessimistic view of human nature, it views economics in a mercantile manner, and sees societies as nationalistic. Rationalist thought can exist within such realist views, as an actor can make decisions based on reason, experience, and logic within a realist mindset (Pettman, 2001, p. 158). There is not one overall rational and perfect way of acting based upon sound reason.

Rationalism can be used to explain Sweden's resistance to join the Eurozone. The ideas of reason, logic, rational choice, and desired outcome can be seen with examples given in the previous chapter. Hosli (2005, p. 43) states that Swedes rejection of the euro in the 2003 referendum occurred because the population was ill-informed about the currency. From a rationalist perspective, the logic employed by the voting populous in this example is clear; Swedes did not risk voting for something they knew little about. Another reason for Sweden voting against euro adoption in 2003 was that the Eurozone economy was performing worse than Sweden's (Svensson,

2006, p. 219). Looking at this through a rationalist lens, it is evident that economic comparison, which showed Sweden's economy in a better light, provided the reason for Swedes to vote in the way that they did. The Swedish welfare system is revered in Sweden and a vote to stay out of the Eurozone was a vote to secure its funding structure via the retention of monetary policy autonomy (Svensson, 2006, p. 220). Understanding this through rational choice theory, this is a rational choice (voting no to Eurozone membership) to achieve material gain and desired outcome, that being the security of the Swedish welfare system's funding structure.

Rationalism believes that actors act within structures (such as institutions), and that this has an influence on actors' behaviour (Jupille, Caporaso, and Checkel, 2003, p. 13). Jupille, Caporaso and Checkel (2003, p. 13) identify the similarity of this to constructivism, and claim that rationalism and constructivism are therefore interoperable as a result.

3.3 Constructivism

Green (2001, p. 14) describes constructivism as the "social construction of everything". Essentially, the sphere in which actors behave in is not just a material one but also a social sphere, and within these two spheres the behaviour and interests of actors are influenced (Jupille, Caporaso and Checkel, 2003, p. 14). Constructivism maintains that actors are influenced by other actors as well as their surroundings within the aforementioned spheres (Green, 2001, p. 37). Constructivists see the international system as a social construct (Wendt, 1999, p. 1). When applied to international relations, constructivism believes that social facts emerge as a result of interaction between humans (Adler, 1997, p. 323). Constructivism is about identity, and actors' behaviour within the international system in a manner that will preserve this identity (Wendt, 1999, p. 233). When applying constructivist theory to investigative research, an excerpt from Green (2001, p. 21) succinctly outlines what is sought to be explained; "the socio-political world is constructed by human practice, and constructivism seeks to explain how this construction takes place".

Sweden's resistance to join the Eurozone can be understood through a constructivist lens. Culturally, Sweden has strong egalitarian tendencies (Scroope, 2019). Using the previously mentioned example of Sweden staying out of the Eurozone in order to retain the funding structure of its welfare system, constructivists would attribute this to Sweden's cultural desire for an egalitarian society. Green's (2001) description of constructivism as everything being a social construction can also be seen from examples in chapter 2. Söderström (2008, p. 21) wrote prior to the GFC that because Sweden signed up to EU membership in 1994 as a result of deep recession in Sweden in the early 1990s, perhaps they may be spurred into Eurozone membership if the Eurozone economy fares considerably better than the Swedish economy throughout this period. Constructivism would highlight the impact that a dark economic history has had in shaping social perceptions, and how the forthcoming GFC (at the time of Söderström's (2008) publication) may construct social perceptions in Sweden towards Eurozone membership. The idea of social construction impacting on outcomes is also witnessed when Pridham (2005, p. 17) refers to relationship building and integration occurring at an elite level as opposed to a common one. Approaching this with social construction in mind, one may contribute public disconnection with elites, voting apathy, and feeling disenfranchised to their (the general public) lack of ability to be involved in this relationship building process.

Some authors claim that constructivism and rationalism are somewhat similar. Constructivism exists in between rationalism and relativism (Green, 2001, p. 20). Constructivism recognises that the global political system can no longer be considered an arena of nation-state against national-state, as international institutions now exist (Green, 2001, p. 12). It is in this sense that constructivism shares a strong similarity with rationalism. However, others claim that constructivism does not challenge traditional political theories, such as realism. Adler (1997, p. 323) believes constructivism is altogether different from such theories. If constructivism is external to other traditional political theories, then it is able to exist within a framework alongside the previously discussed theories.

3.4 Summary

The three theories employed in this theoretical framework are applicable to the three spheres of interest in this thesis; political, social, and economic. By exemplifying these theories in context using excerpts from chapter 2, this chapter has demonstrated that these theories can adequately explain phenomena witnessed within the subject of this thesis. This chapter has explained how these theories are compatible and do not render one or the other null and void. Instead, where one theory may not be able to offer an explanation the other can. This was seen in the case of realism not recognising the existence of the international system whilst rationalism did; yet understanding how this does not make either theory incompatible with one another. Their compatibility was explained by the existence of rationalist thought within realism. Constructivism's recognition of social interaction and structures as an explanation for phenomena witnessed was another example of one theory offering an explanation where the others cannot, as this is something the other two theories do not consider. Constructivism externality from the other two theories makes it a compatible theory within this framework. Overall, these theories are applicable to the type of content this thesis will investigate, they are interoperable, and they offer explanations in areas where the other theories fall short. As such, this is an appropriate multi-faceted framework for an investigation of this nature.

CHAPTER 4: POLITICAL REASONS

The authority for resisting or implementing Swedish Eurozone membership is a political one, lying with both Sweden and the EU. Domestic party politics in Sweden and EU-level politics in the form of the founding treaties play a role in Sweden's resistance to join the Eurozone. As such, it is important to consider the political reasons of why and how Sweden remains outside of the Eurozone. This chapter begins by investigating the eight political parties which presently sit in the Riksdag. It looks at the stances that each party has on the topic of future Swedish membership in the Eurozone, as explained in each party's policy manifesto. The results of the two Swedish general election of 2018 and 2014 are considered, and the changes in results between the two elections used as an indicator of the political mood in Sweden vis-à-vis Eurozone membership. This chapter also explores the Swedish welfare system as a reason for political resistance to join the Eurozone. A particular focus is given on the potential funding impact on the Swedish welfare system in a scenario of further Eurozone integration once Sweden is a member. Finally, this chapter analyses the euro convergence criteria by highlighting excerpts from the Maastricht Treaty and the TFEU, and explaining how Sweden uses the convergence criteria to remain out of the Eurozone in the face of pressures for all member states to join.

4.1 Political parties on euro adoption

When considering the political appetite for euro adoption in Sweden, it is appropriate to consider the views of the eight parties that make up the Riksdag.

Those parties are:

- Center Party,
- The Left,
- Sweden Democrats,
- Moderate Party,
- The Liberals,
- Green Party,

- Social Democrats,
- Christian Democrats.

The Center Party opposes euro adoption in replacement of the Swedish krona. They hold this view on the grounds that centralized monetary policy from the ECB is not well tailored for each different Eurozone member state and their needs in the wake of the 2008 GFC (Centerpartiet, 2017). The Center Party attributes increasing debt, greater unemployment, economic bubbles, and low common interest rates to this (Centerpartiet, 2017). Finally, they believe that Sweden should refrain from EBU membership because it would restrict Sweden's ability to place higher demands on financial institutions (Centerpartiet, 2017).

The Left are also opposed to the euro replacing the krona. The Left are a far-left political party who hold the belief that the "problems we can now see when Europe's economies are in crisis" are a result of ECB policies (The Left, 2018). The Left do not go beyond that statement to elaborate on their opposition to euro adoption, but it could be assumed that the economic woes they refer to are similar to those expressed by The Center Party on its stance against the euro.

The Sweden Democrats (2017) – Sweden's far-right political party – also oppose euro adoption, as well as all forms of EU integration. They cite loss of sovereignty concerns as their reason for holding this stance.

The Moderate Party (2017) do not expressly state their opposition to the euro, but want non-Eurozone countries to have greater influence in financial and economic matters.

The Liberals are Sweden's only party that supports euro adoption. They believe that if part of the Eurozone, Sweden would have more influence over ECB policy and greater market access to the 200 million people which make up the Eurozone (The Liberals, 2017). The Liberals (2017) want to see immediate EBU membership for Sweden, as part of preparation for Eurozone ascension in 2022.

The Christian Democrats (2018) also oppose euro adoption at present. The party believes that before euro adoption is considered, the economic woes of the Eurozone must be resolved, and the issue of sovereignty erosion with regard to joining the Eurozone be addressed (Christian Democrats, 2018). If these issues were to be addressed, the Christian Democrats (2018) would be open to a future referendum on Swedish Eurozone membership.

The Green Party (2018) policy manifesto does not state anything in reference to the issue of euro adoption. Interestingly, neither does the Social Democrats (2017) policy manifesto. This is significant considering they are the main governing political party (at the time of writing) in Sweden. This may also be because the party is divided on the issue, and does not have one clear stance on whether or not to pursue Eurozone membership. Former Social Democrat leader and Prime Minister, Göran Persson, was an advocate for Eurozone membership despite there being a divide amongst his party (Jonung, 2003, p. 136).

4.2 General elections analysis

Comparing election results in Sweden from the 2018 general election and the 2014 general election provides an outlook on the political mood of Sweden. The results of both elections can be seen below:

Table 1: *Results of the 2018 Swedish General Election*

Ranking	Party	Percentage of vote	Seats in Riksdag ¹
1.	Social Democrats	28.26%	100
2.	Moderate Party	19.84%	70
3.	Sweden Democrats	17.53%	62

¹ There are 349 seats in the Riksdag

4.	Center Party	8.61%	31
5.	The Left	8%	28
6.	Christian Democrats	6.32%	22
7.	The Liberals	5.49%	20
8.	Green Party	4.41%	16

Source: Valmyndigheten, 2018.

Table 2: Results of the 2014 Swedish General Election

Ranking	Party	Percentage of vote	Seats in Riksdag
1.	Social Democrats	31.2%	113
2.	Moderate Party	23.2%	84
3.	Sweden Democrats	12.9%	49
4.	Green Party	6.8%	24
5.	Center Party	6.1%	22
6.	The Left	5.7%	21
7.	The Liberals	5.4%	19
8.	Christian Democrats	4.6%	17

Source: Deloy, 2014.

The voter turnout for the 2018 and 2014 elections was high (87.18 percent and 85.81 percent respectively), making the election results an accurate reflection of the political mood in Sweden (Valmyndigheten, 2018). What is evident is the surge in support for the Sweden Democrats, who increased their vote share by 4.63 percent, giving them

a 13 seat increase in the Riksdag. As the only pro-euro party, The Liberals have maintained the second smallest vote share in the Riksdag at seventh place. Based on the aforementioned policy stances of each political party vis-à-vis the euro, the results indicate growing Euroscepticism and little appetite for further EU-level integration.

4.3 Euro adoption and the welfare state

The Swedish welfare system is one which is synonymous with Sweden's political identity (Czech, 2015, p. 32). Sweden has a substantial welfare system that was funded at 26.1 percent of GDP in 2018 (OECD, 2018). Due to its popularity, any move that would place the Swedish welfare system in jeopardy or out of Swedish control, such as Eurozone membership, comes with a risk of parties losing political capital. Swedish preference to retain control over such matters are referred to in Standard Eurobarometer 69, which states; "health and social security are two areas where Swedes prefer their own government to make the decisions" (European Commission, 2008a, p. 2). To address the imbalances that occur within a monetary union (such as different member states' government expenditure levels), the EU could introduce a fiscal union amongst existing Eurozone member states, taking away their ability to control their own taxation and government spending, potentially resulting in a reduction of welfare funding (Czech, 2015, p. 32). In the instance of a growing deficit, a euro area fiscal union could see spending cuts which has the potential to impact on welfare funding as well (Czech, 2015, p. 32). Whilst these scenarios presently exist as possibilities as opposed to realities, the concern is that once a member of the Eurozone, further Eurozone integration may impact on the Swedish welfare system in a way that would see its funding reduced.

4.4 Euro convergence criteria: Sweden and ERM II

To ascend into the Eurozone, member states must achieve the convergence criteria. This was originally outlined in Article 109j of the Maastricht Treaty as;

- price stability,
- sustainable government finances,

- currency value fluctuations being “normal” without devaluation,
- and participation in Exchange Rate Mechanism

(Official Journal of the European Communities, 1992).

It has more recently been defined – and in greater detail – in Article 140 of the TFEU. It states the following:

“— the achievement of a high degree of price stability; this will be apparent from a rate of inflation which is close to that of, at most, the three best performing Member States in terms of price stability,
— the sustainability of the government financial position; this will be apparent from having achieved a government budgetary position without a deficit that is excessive as determined in accordance with Article 126(6),
— the observance of the normal fluctuation margins provided for by the exchange-rate mechanism of the European Monetary System, for at least two years, without devaluing against the euro,
— the durability of convergence achieved by the Member State with a derogation and of its participation in the exchange-rate mechanism being reflected in the long-term interest-rate levels.”

(Official Journal of the European Union, 2008).

The price stability criteria requires member states to not exceed 1.5 percent inflation of the top three performing member states (vis-à-vis price stability), with exceptions made in the instances of uncontrollable external factors i.e. global economic recession (European Central Bank, 2018a). Deficit to GDP levels are now defined as not exceeding 3 percent, with exceptions being made for external factors (European Central Bank, 2018a). Debt to GDP levels are now defined as not exceeding 60 percent, again, with exceptions being made for external factors (European Central Bank, 2018a). Exchange rate fluctuations are measured by member states' participation in ERM II (which overrode ERM in January 1999) for a period of two years without “severe tensions” or devaluation (European Central Bank, 2018a). ERM II works by having an agreed central exchange rate between ‘currency x’ and the euro, where ‘currency x’ is allowed to fluctuate 15 percent above or below this rate (European Commission, 2017a). ERM II prepares countries for Eurozone membership

by restricting the ability to change the currency value to, for example, slow imports or encourage exports (European Commission, 2017a). This forces countries to use fiscal and structural policies for economic management, as opposed to monetary ones. Finally, long-term interest rate levels are required to not exceed 2 percent of the benchmark standard (the top three performing member states with regard to price stability) (European Central Bank, 2018a).

All EU member states (unless they have an opt-out agreement) are obliged to join the Eurozone once they meet the convergence criteria. Stage three of EMU is the basis for this. An excerpt from the Maastricht Treaty below outlines this:

“PROTOCOL

*ON THE TRANSITION TO THE THIRD STAGE OF ECONOMIC AND
MONETARY UNION*

THE HIGH CONTRACTING PARTIES,

Declare the irreversible character of the Community's movement to the third stage of economic and monetary union by signing the new Treaty provisions on economic and monetary union.

Therefore all Member States shall, whether they fulfil the necessary conditions for the adoption of a single currency or not, respect the will for the Community to enter swiftly into the third stage, and therefore no Member State shall prevent the entering into the third stage.

If by the end of 1997 the date of the beginning of the third stage has not been set, the Member States concerned, the Community institutions and other bodies involved shall expedite all preparatory work during 1998, in order to enable the Community to enter the third stage irrevocably on 1 January 1999 and to enable the ECB and the ESCB to start their full functioning from this date.

This Protocol shall be annexed to the Treaty establishing the European Community.”

(EUR-Lex, 2012).

Both the UK and Denmark have protocols within the Maastricht Treaty whereby there is an opt-out agreement for Eurozone membership. Unlike the other two euro outsiders, Sweden does not have a formal opt-out agreement for Eurozone membership. Instead, Sweden refrains from participating in ERM II, therefore not satisfying the convergence criteria and thus remaining outside of the Eurozone.

4.5 Summary

This chapter has compared Swedish political parties' stances on Eurozone membership, revealing that only one party was in outright support of euro adoption – The Liberals. Interestingly, the Social Democrats (Sweden's main governing party at the time of writing) does not have a clear stance either way due to internal divisions, and nor does the Green Party. The five remaining parties all oppose euro adoption, with concerns of the Eurozone debt crisis and financial stability being echoed amongst those parties on their rationale for this stance. The Sweden Democrats and the Christian Democrats were the only parties to cite sovereignty concerns as their reasoning for opposing the Eurozone and the EU. This chapter also compared the election results of the 2018 and 2014 general elections in Sweden. It showed a clear rise in popularity and political strength for Euroscepticism, in the form of the Sweden Democrats. As part of this chapter, the Swedish welfare system was also considered as a political factor that may breed political reluctance to Eurozone membership. If Sweden was to join the Eurozone, the possibility of fiscal integration would threaten funding to the substantive Swedish welfare system. Any political party that would entertain this, may risk political capital, and hence is unlikely to do so. Finally, this chapter looked at the euro convergence criteria found in the Maastricht Treaty and the TFEU. It explained how as part of stage three of EMU, member states who do not have an opt-out agreement are obliged to aspire to meet the convergence criteria and adopt the euro. Refraining from participating in ERM II was identified as Sweden's

method for not meeting the euro convergence criteria, and in doing so, remaining outside of the Eurozone.

CHAPTER 5: SOCIAL REASONS

When asked to think of a word that is associated with Europe, the second most commonly associated by Swedes was “euro” (European Commission, 2015a, p. 4). Public attitudes towards Eurozone membership are important as this has implications on voting behavior and societal pressures on politicians for the direction Sweden should take vis-à-vis the Eurozone. As such, this chapter explores the social reasons for Sweden’s resistance to join the Eurozone. Beginning with a brief overview of public attitudes post-2003, this chapter looks at Swedes attitudes at the time towards the euro and the EU. However, the primary focus is given to more recent public attitudes as it is in keeping with the contemporary nature of this investigation. Graphic comparisons and trends identify Swedish perspectives on the euro, Swedish and EU institutions, Sweden and the Eurozone’s economies, and both economies institutions in dealing with economic crises. Finally, this chapter highlights the Swedish skepticism of federal integration, the civilian-elite disconnect, and Swedish fears of the consequences that may come as a result of Eurozone membership.

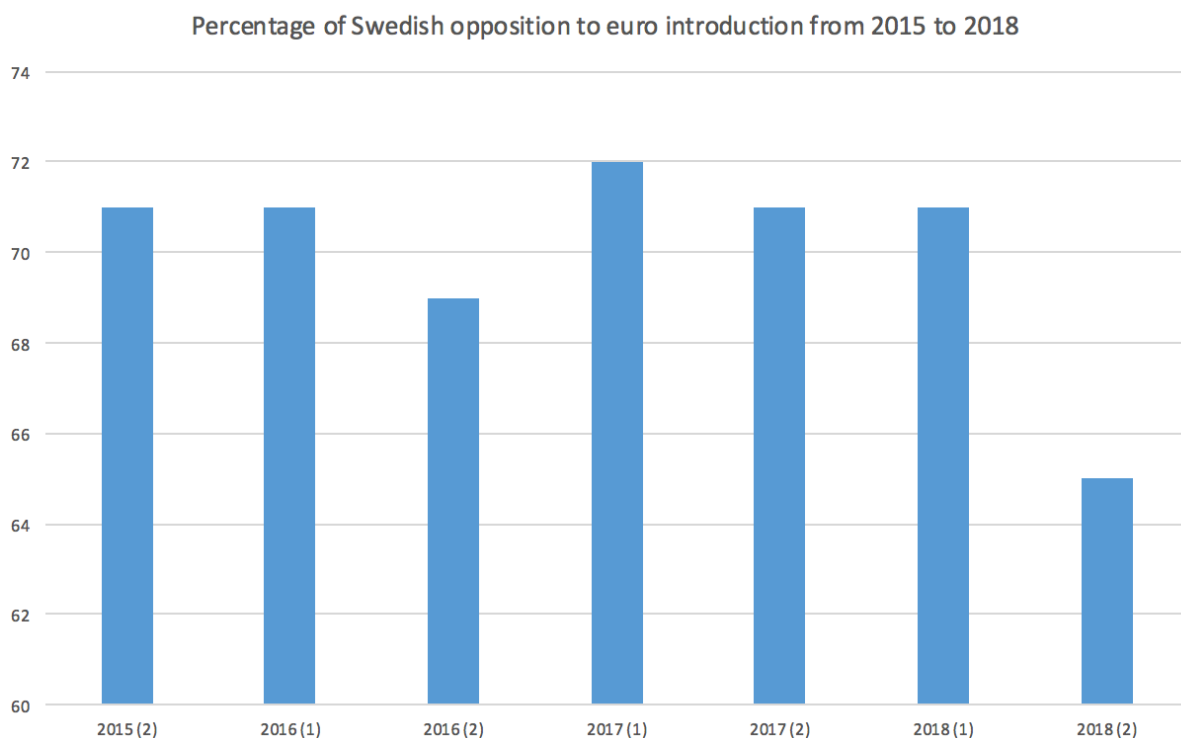
5.1 The earlier years: post the 2003 Referendum

Following the 2003 referendum on euro adoption, federo-sceptic feelings ran high in Sweden. Eurobarometer data in 2004 showed that Sweden had the highest rate of mistrust of the EU compared to the other EU15 member states (35 percent) (European Commission, 2004b, p. 85). Swedish engagement in European democracy was also low. For the 2004 European Parliament elections, Sweden had one of the poorest voter turnouts in the EU15, with only 37 percent of eligible voters casting their vote (European Commission, 2004a, p. 26). Swedes held very negative perceptions of the EU. 31 percent of Swedes interviewed in a 2004 Eurobarometer survey had a negative image of the EU, and 26 percent go even further than this, saying that they would be relieved to see the end of the EU altogether (European Commission, 2004b, p. 88). Two years later, a Eurobarometer survey in 2006 highlighted that Sweden is adopting a “wait and see” strategy with reference to further EU integration (including Eurozone membership) (European Commission, 2006a, p. 25).

5.2 Graphic comparisons and trends

The following graphs use Eurobarometer data to create comparisons over time. These graphs display Swedes level of opposition to the euro, trust in various political institutions, and the perceived performance of their economy. From this information, this chapter deduces the social reasons for Sweden's resistance to join the Eurozone. Finally, this chapter outlines the most recent Eurobarometer survey data in relation to specifically *why* Swedes hold the perspectives that they do. A key part of understanding in greater detail the political and socioeconomic reasons for Sweden's resistance to join the Eurozone, is to confirm that the Swedish populous does in fact still reject the idea of introducing the euro in their country. Figure 2 below looks at the percentages of Swedes who oppose the idea of the euro being introduced in Sweden from the second half of 2015 onwards, giving a present day snapshot of where Swedes sit in regards to this.

Figure 2: Percentage of Swedish opposition to euro introduction from 2015 to 2018



Source: European Commission, Standard Eurobarometer 84-90.

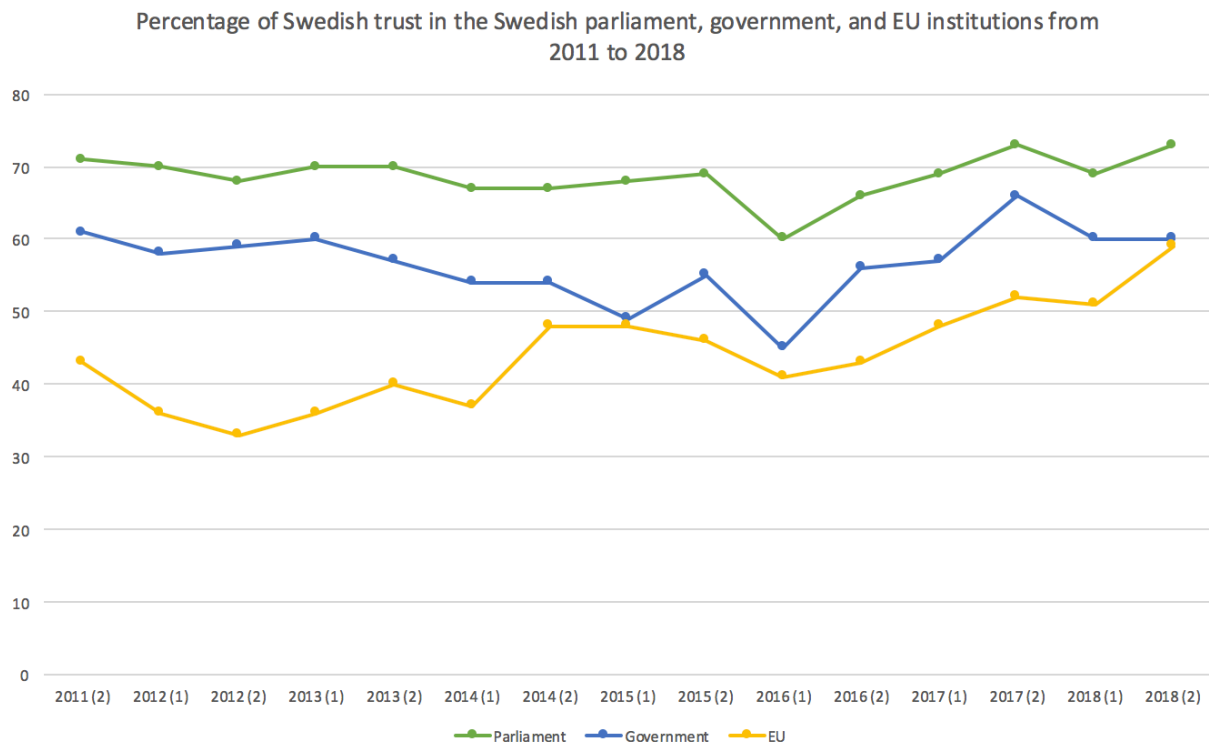
*(1) indicates the first half of the year, (2) indicates the second half of the year.

**The above graph is measured from the second half of 2015 as that is when Eurobarometer surveys begin surveying Swedes opinions regarding euro adoption in recent times (previously surveyed pre-2011).

Figure 2 shows that Swedish opposition to the euro has never fallen below 65 percent in the last four years. Euro adoption in Sweden is unlikely unless the percentage of those opposing the euro falls to or below 50 percent. Figure 2 shows that in recent years, percentages have been nowhere close to the 50 percent mark. From this, it is clear that Sweden has not been and is not close to having a majority which have an appetite for euro adoption. However, there is a notable reduction in euro opposition in the second half of 2018. Euro opposition falls 6 percent from 71 percent to 65 percent – the lowest it has been in the last four years. The timing of this drop in euro opposition in Sweden coincides with announced plans to reform the Eurozone. The reforms, aimed at increasing durability and being led by French President Emmanuel Macron, are being negotiated with Germany and were reaching agreement at this time (Aftonbladet, 2018a). This has perhaps created a greater sense of security surrounding the euro. When speaking on such reforms, Swedish political party The Liberals leader Jan Björklund, claimed that extensive reforms will shield the Eurozone from experiencing its exposed weaknesses again as it did during the GFC (Aftonbladet, 2018b). At the time of writing, data is not available beyond the second half of 2018, therefore whether euro opposition in Sweden continues to fall, plateaus, or rises again remains a matter of speculation. However, I predict that opposition to the euro will plateau at its current percentage of mid-60s until the outcome of these reforms can be observed by the Swedish populous.

Eurozone accession results in a handover of authority from national institutions to EU institutions, notably the member states' monetary policy controlled by their central bank and influenced by national politics, to the ECB. It is because of this that it is appropriate to consider the levels of trust that Eurozone-outsiders have in these respective institutions, in order to greater understand why they may or may not reject the Eurozone. Figure 3 below shows the percentage of Swedes trust in these institutions; the Swedish parliament, Swedish government, and EU institutions.

Figure 3: Percentage of Swedish trust in the Swedish parliament, government, and EU institutions from 2011 to 2018



Source: European Commission, Standard Eurobarometer 76-90.

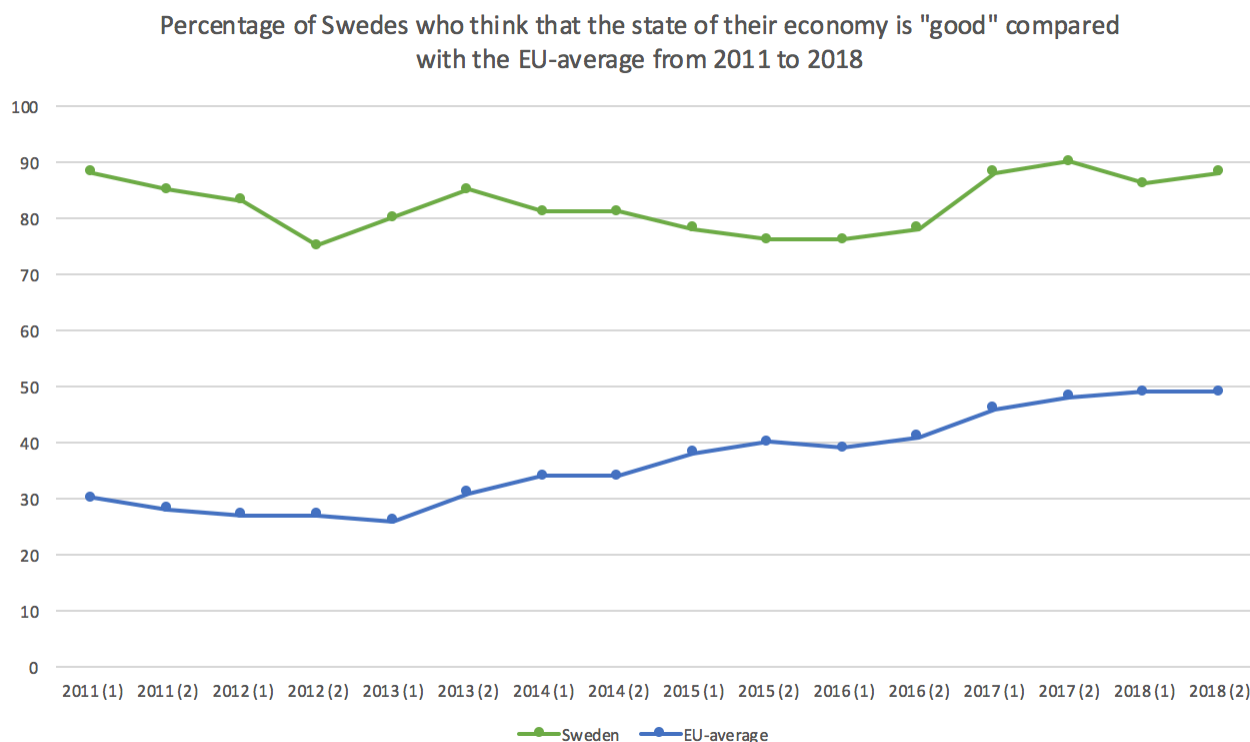
*The above graph is measured from the second half of 2011 as this is when Eurobarometer surveys began surveying Swedes levels of trust in the various institutions.

Figure 3 identifies that the level of Swedes trust in these institutions has changed over time, but the order has not. Since the measurement began in 2011, trust has always been placed firstly with the Swedish parliament, secondly with the Swedish government, and thirdly with EU institutions. The first half of 2015 is a notable date as the percentages of trust in the government and EU institutions are almost equal (49 percent and 48 percent respectively). A one percent gap in percentages of trust between the Swedish government and EU institutions again occurs in the most recently surveyed data (at the time of writing) – the second half of 2018 (60 percent and 59 percent respectively). Figure 3 does show a trend in the gap closing between trust in the EU institutions and the Swedish institutions. What previously was a considerable gap of 22 percent between EU institutions and the Swedish government in the first half of 2012 has closed significantly since then and is now almost equal today. The political situation in Sweden at the time may have contributed to this. Swedes were getting impatient with the lack of bipartisanship from the right and left

sides of the political spectrum when it came to forming a coalition government (The Local Sweden, 2018). This would explain the plateau in support for the Swedish government, considering that at that time they did not have a government formally established. Swedish opinion towards the EU has improved at the same time as Brexit has occurred (The Local Sweden, 2018). This may point to the difficulties Britain is having with leaving the EU as having detracted from the Eurosceptic argument in Sweden. This can be further supported by the Swedish Eurosceptic party, The Sweden Democrats, announcement that they are no longer advocating for an immediate referendum on Swedish exit of the EU (The Local Sweden, 2019). However, to this day the order of trust in the three institutions has not changed, and trust levels in EU institutions have never once got close to that of the Swedish parliament. Figure 3 has highlighted that Sweden trusts its own institutions over EU institutions; undoubtedly a factor of consideration for Sweden when deciding to give away more of its authority to EU institutions such as the ECB, as part of Eurozone accession.

Joining the Eurozone would mean joining in unity – both economically and monetarily – with 19 other EU economies. When joining an economic union, the perceived state of the union's economies is important to compare against a prospective member's own economy. The differences in perception between Eurozone economies and Eurozone-outsider economies may have an impact on citizens' desire to become a part of the Eurozone or not. For example, if Eurozone economies had a higher percentage of citizens agreeing that their economy is "good" compared with the Eurozone-outsider, the Eurozone-outsider may have stronger desires to join the economic and monetary union, and vice-versa. Figure 4 below looks at the percentage of Swedes who agreed with the statement that the state of their economy is "good", and compares this with the EU-average response to the same statement.

Figure 4: Percentage of Swedes who think that the state of their economy is "good" compared with the EU-average from 2011 to 2018



Source: European Commission, Standard Eurobarometer 75-90.

* The above graph is measured from the first half of 2011 as this is when Eurobarometer surveys began surveying EU member states' perceptions of whether their national economies were "good".

**Note: Data is not measuring how well economies are performing, but how citizens of the countries surveyed perceive them to be performing.

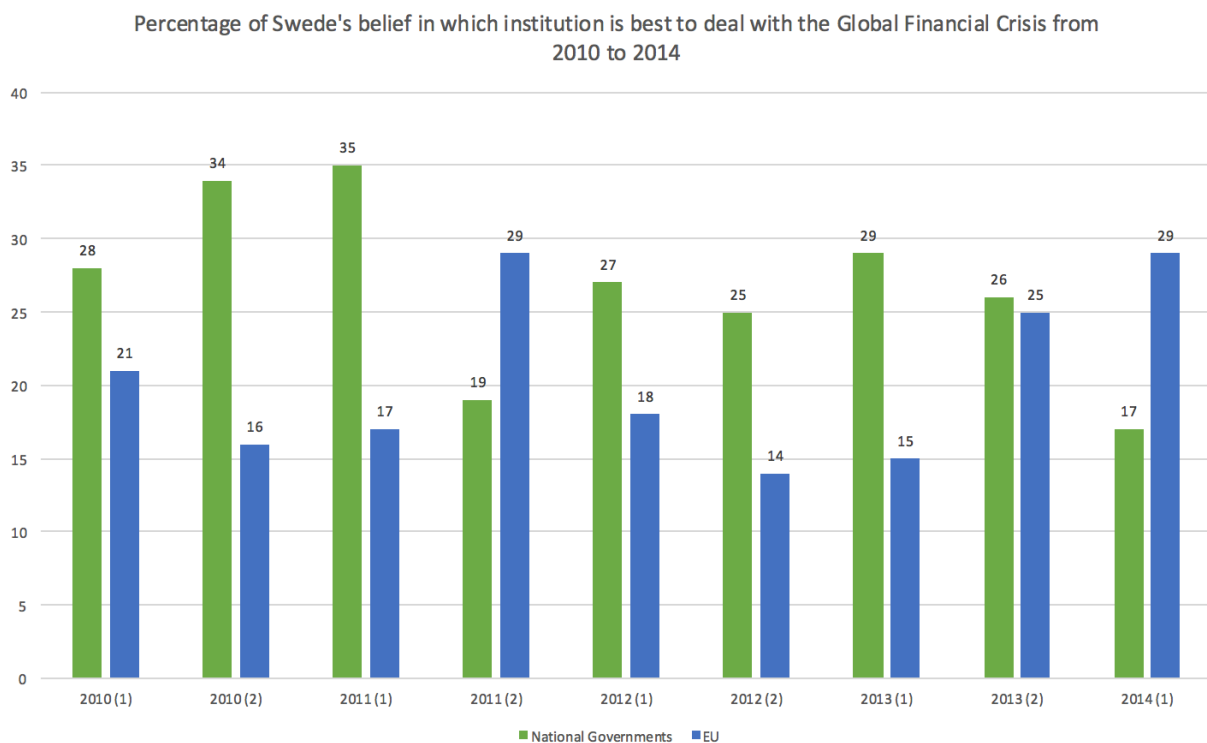
***Data comparing the response average of Eurozone member states was unavailable.

Figure 4 shows that since 2011 there has continuously been large disparities between how well Swedes perceive their nation's economy, and how the rest of the EU (as per the EU-average) perceive theirs. In the last seven years, at least three quarters of Sweden's population have always considered the status of their economy to be "good", with the lowest point being in the second half of 2012 (75 percent). In 2011, 88 percent of Swedes considered their economy to be "good" whilst only 30 percent of the EU-average thought the same. Fast forward to today and whilst the gap between the two has narrowed over a seven-year period, the gap still remains large with 88 percent of Swedes rating their economy as good, compared to a 49 percent EU-average. An overwhelming majority of Swedes perceive their economy as "good", whilst the EU-average has yet to go above half. The following chapter (6) will conduct an economic comparison of the Swedish and Eurozone economies, which will offer an insight into

why this data is reflected in this way. When engaging in a substantial shift such as giving away monetary policy autonomy as part of Eurozone accession, the clear disparity between perceptions of economic wellbeing would factor in to Swedes on-going apathy for Eurozone membership.

The GFC affected national and global markets alike. How macroeconomic policy instruments are used during periods of crisis have a large impact on the economic outcomes for countries subject to them. When considering a hand-over of such an instrument, like monetary policy as part of Eurozone accession, it is important to consider where institutional desires lie in circumstances such as these. For example, if there was strong favourability for national institutions to deal with an economic crisis as opposed to EU institutions, it is less likely that that nation would hand-over autonomy to EU-institutions, and vice-versa. Figure 5 below is based off Eurobarometer data collected during a period of the GFC, which asked Swedes which institution they believed was best equipped to deal with the GFC; their national government or the EU.

Figure 5: Percentage of Swedes belief in which institution is best to deal with the Global Financial Crisis from 2010 to 2014



Source: European Commission, Standard Eurobarometer 73-81.

*The above graph is measured from the first half of 2010 to the first half of 2014 as this is when Eurobarometer surveys began surveying EU member states' institutional preferences during the GFC.

**Note: Other answers were available in the survey (the US, IMF, G20, and "Other"), but have not been included in this graph as their comparison is not relevant to this investigation.

When surveyed as to which institution they would prefer to have dealing with the GFC, figure 5 shows that in all but two instances, Swedes favoured their own national government. In the second half of 2011, 29 percent of Swedes believed EU institutions were best to deal with the GFC, and only 19 percent believed that the Swedish government was. This is a spike in support for the EU in this regard, however, in the following survey of 2012 the data shows a return to favourability for the Swedish government as the institution best to deal with the GFC. The second half of 2013 shows support for the Swedish government and the EU were almost equal, followed by more Swedes favouring the EU in the beginning of the following year. 29 percent of Swedes voted in favour of the EU to deal with the crisis in the first half of 2014, compared to 17 percent for the Swedish government. This shows that towards the end of the GFC, Swedish belief in EU institutions to deal with the crisis increased and surpassed the Swedish government.

5.3 Sweden in the present day

Today, just as in 2003, federal-sceptic feelings remain high in Sweden. As the EU – as part of an ever closer union – integrates further and further, it raises fears amongst some Europeans that it is moving towards a "United States of Europe". Such a concept has already been proposed by German MEP Martin Shultz, calling for a full political union and federal Europe by 2025 (Coppola, 2017). Support for the idea of a United States of Europe was polled in a 2014 qualitative Eurobarometer survey. 74 percent of Swedes rejected the concept of a United States of Europe (European Commission, 2014b, p. 87). As figures 3 and 5 have identified, deeper institutional integration is not something that has resonated with the Swedish public in recent times. As well as the tendency to trust their own national institutions above EU institutions, a disconnect between civilians and the political elite may contribute to an unwillingness to sign up to further EU authority as part of Eurozone membership. As Davis (2015, p. 46)

explains, the civilian-elite disconnect is caused by a seemingly self-benefitting exclusive political elite class which leaves voters feeling disengaged and disenfranchised. This civilian-elite disconnect was exemplified in a recent Eurobarometer survey when quoting the thoughts of an anti-euro group of Swedes interviewed; "...I think about a bunch of people in Brussels. It's them and us, we're separate" (European Commission, 2014a, p.45). However, this civilian-elite disconnect is not applicable to the Swedish political class as figure 3 shows consistently high levels of trust in both the Swedish government, and Swedish parliament in particular.

Recent Swedish attitudes to the European economy and the euro are negative. Only 12 percent of Swedes consider economic power an achievement of the EU, and even less (8 percent) think that the euro is a positive development spawned from the EU (European Commission, 2018c, p. 4). Figure 2 shows that opposition to the euro remains high today. A qualitative Eurobarometer survey provides another possible insight into why Swedes oppose the euro. Fears that Eurozone membership would result in rising living costs without rising salaries to follow, having to financially support other Eurozone countries that are worse off, and having less ability to deal with economic crisis' (as also outlined in figure 5) were all reasons identified as to why Swedes resist Eurozone membership (European Commission, 2014a, p. 73). The latest data shows that 62 percent of Swedes think that euro adoption will equal a loss in economic control (European Commission, 2018a, p. 37). The same percentage of Swedes also believe that euro adoption will erode their national identity (European Commission, 2018a, p. 39).

5.4 Summary

This chapter has touched on Swedish attitudes to the euro post the referendum on euro adoption, when Swedes were federo-sceptic and disengaged with European democracy. It showed that Swedes held negative perceptions of the EU, and were weary of further EU-level integration. In more recent times, Eurobarometer data has allowed for comparisons of Swedes attitudes to the euro, their own institutions and EU institutions. This chapter has highlighted that opposition to the euro has been high

since it was measured as part of the standard Eurobarometer survey in the last four years, always remaining well above 50 percent. Although, there was a notable reduction in euro opposition most recently, possibly due to announced Eurozone reforms. This chapter has shown that Swedes have consistently trusted their own institutions (Swedish government and parliament) above EU institutions. Whilst most recently there has been an increase in trust in the EU, the order of trust has not changed. Most trust is placed in the Swedish parliament, then the Swedish government, and finally the EU. This chapter has identified the continuously large disparity between the considerable majority of Swedes who perceive their economy to be “good” and the EU-average, which has never managed to surpass 50 percent since the measurement began. Throughout the GFC (with the exception of the second half of 2011 and the first half of 2014) Swedes believed their own government was best placed to deal with the crisis than the EU. Today in Sweden, nearly three quarters of the population oppose the concept of a United States of Europe – remaining hesitant towards further integration just as in post-2003. There exists a civilian-elite disconnect between Swedes and the EU, and this is a cause for not wanting to relinquish more political authority to the EU. Swedes still hold negative attitudes towards the EU as an economic power, and the euro. Euro introduction brings fears amongst Swedes of rising living costs, stagnant wage growth, support payments to other Eurozone countries, and a loss of economic control. Finally, this chapter identifies sovereignty erosion as another reason for why Swedes believe they should remain outside of the Eurozone.

CHAPTER 6: ECONOMIC REASONS

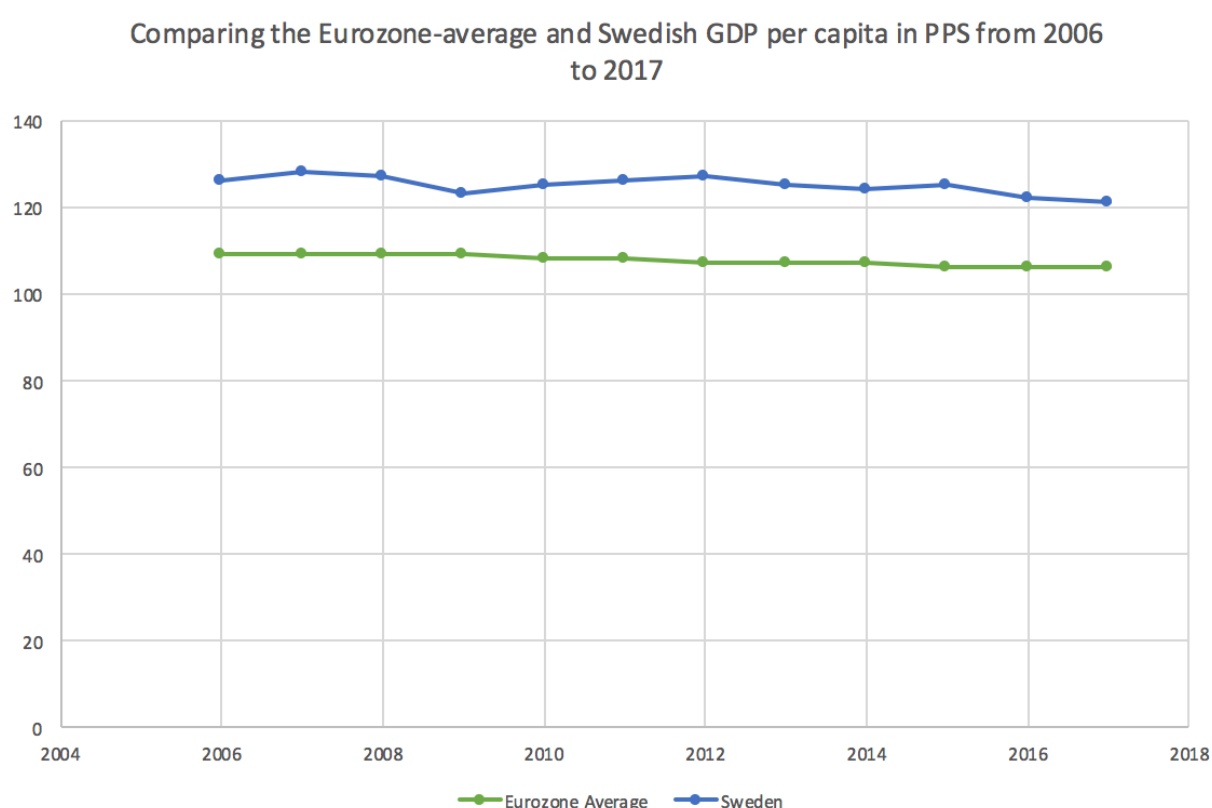
Of the three dimensions of Swedish resistance to Eurozone membership explored in this thesis, the economic impact as a result of Eurozone membership is a substantive one. It would mean giving new authority to EU institutions via mechanisms such as the SGP and burden sharing. As such, the economic conditions of Sweden and the Eurozone are interesting to compare, as they show the results of different macroeconomic management of both economies. This chapter looks at general macroeconomic indicators such as GDP per capita measured in PPS, unemployment rates, inflation, debt and deficit levels. Monetary indicators are also considered, especially given that a large economic shift as part of Swedish Eurozone membership would be the loss of its monetary policy autonomy to the ECB. This chapter compares the interest rates of the ECB and Riksbank, whilst challenging Reade and Volz's (2009) claim (in chapter 2) of interest rate autonomy. The exchange rate over time between the krona and the euro is also assessed in terms of fluctuations and stability. This chapter also looks at the EBU as a part of Eurozone membership, its effect on efficiency and autonomy towards Sweden, and uses the Nordea bank case as an example to illustrate these concepts. Finally, this chapter examines the impact of the Eurozone debt crisis on Sweden, and the advantages it retained by being outside of the Eurozone during this period in economic history.

6.1 General macroeconomic indicators

General macroeconomic indicators provide an overview of economic performance. They tell a story of macroeconomic management in two different economies. PPP can be used to make meaningful economic comparisons. The OECD (2016) defines PPPs as "the rates of currency conversion that equalize the purchasing power of different currencies by eliminating the differences in price levels between countries". PPS is practically identical to PPP; it is an artificial common currency created by Eurostat that allows for a genuine comparison of two different economies with different currencies.

GDP can be measured in PPS as opposed to different currencies, making it easier to compare two economies. A country's GDP per capita in PPS score is presented in relation to the EU-average score of 100. If a country scores higher than 100, then its GDP per person is greater than the EU average. If a country scores lower than 100, then its GDP per person is less than the EU average. From this, the economic growth of two economies can be measured over time. Figure 6 below measures the GDP per capita in PPS of Sweden and the Eurozone-average.

Figure 6: Comparing the Eurozone-average and Swedish GDP per capita in PPS from 2006 to 2017



Source: Eurostat, (2017a).

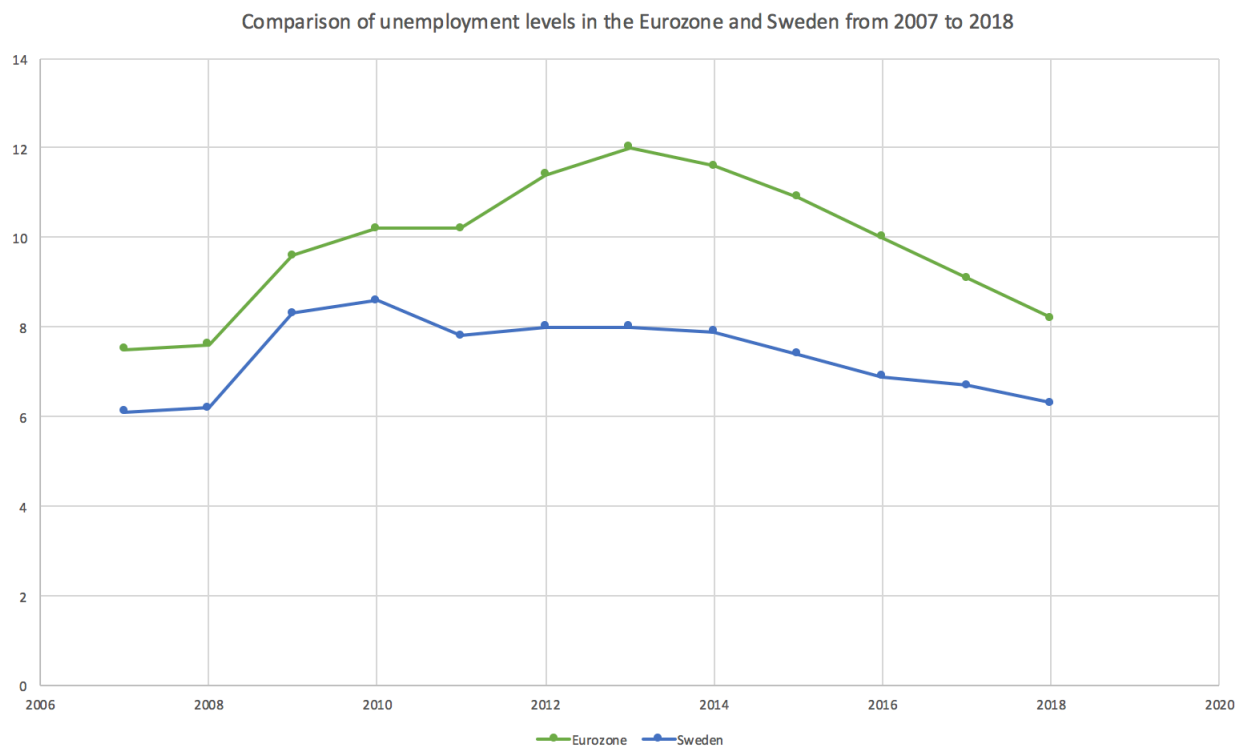
*Based on latest available data.

Both Sweden and the Eurozone-average compare better in terms of GDP per capita in PPS than the EU-average (100). The Eurozone-average begins at 109 in 2006, slightly decreasing to 108 in 2010, 107 in 2012, and then 106 in 2017. Sweden's GDP per capita in PPS score is higher than the Eurozone-average; staying consistently above 120. It reached a high of 128 in 2007, and 127 in 2008 and 2012. The latest

data shows Sweden's score sitting at 121. This means that on a per person basis, Swedes are, in real terms, financially better off than most individuals residing in Eurozone countries. It also means that Sweden has experienced more relative economic growth (in terms of GDP) than the Eurozone-average. If GDP per capita in PPS is considerably higher for Sweden than the Eurozone-average, and Sweden achieves this as a Eurozone outsider, then there is little incentive on this basis to join the Eurozone.

High levels of unemployment are signs of an unhealthy economy. Typically, low levels of growth contribute to an increasing unemployment rate and vice versa. Figure 7 below compares the levels on unemployment between the Eurozone and Sweden.

Figure 7: Comparison of unemployment levels in the Eurozone and Sweden from 2007 to 2018



Source: Eurostat (2018c).

*Based on latest available data.

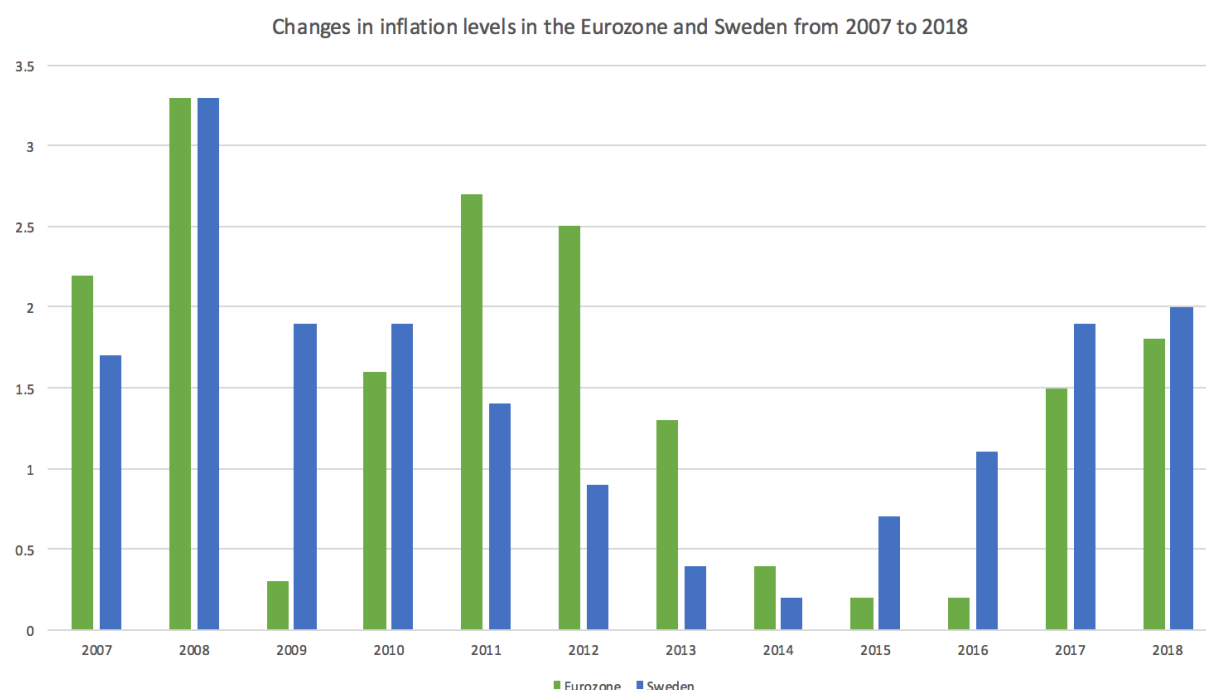
**Measured as a percentage of the population between ages 20-64 who are not employed beyond one working hour per week.

Figure 7 shows that Sweden has had consistently lower levels of unemployment than the Eurozone average. Both the Eurozone and Sweden follow a similar pattern of

increasing unemployment levels which coincide with the onset of the GFC, then decreasing unemployment levels towards the end of the crisis. However, during the crisis from 2010 onwards, Swedish unemployment drops and stays near 8 percent until dropping down to 6.3 percent in 2018. By contrast, Eurozone unemployment spikes during the crisis peaking at 12 percent in 2013, and decreasing down to 8.2 percent in 2018. Both the Eurozone and Sweden have returned close to pre-crisis levels in 2018. The large disparity between the Eurozone and Sweden during the crisis (a 4 percent difference in 2013) is an indicator of how different the economic performance was in both economies. The macroeconomic management of Sweden with regards to the effect on unemployment has been better than in the Eurozone, and this does not create a compelling case for Sweden to then join the Eurozone.

Inflation is an important macroeconomic indicator to measure, because it shows the loss in value of money, as well as to what extent the purchasing power of a currency has weakened. Figure 8 below compares inflation between the krona and the euro.

Figure 8: Changes in inflation levels in the Eurozone and Sweden from 2007 to 2018



Source: Eurostat, (2018b).

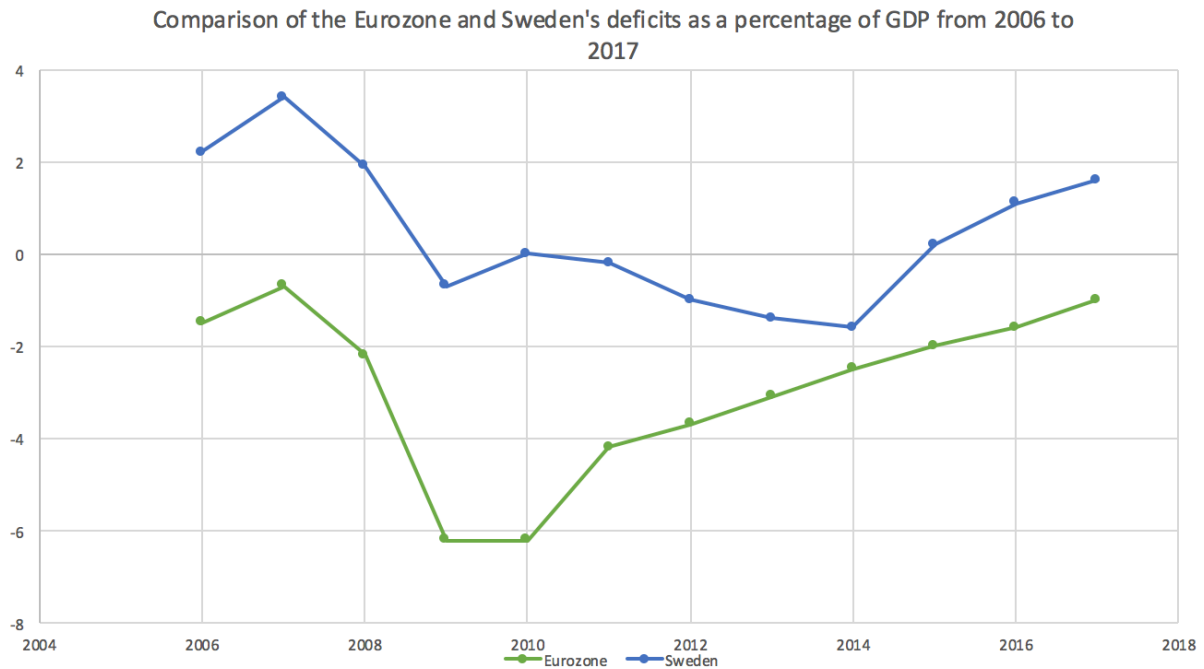
*Based on latest available data.

**Annual change in inflation measured as a percentage (-12 months' average).

Figure 8 does not reveal either currency experiencing significantly more inflation than the other over the given time period. Both Sweden and the Eurozone experience an equally high level of inflation (3.3 percent) in 2008. The following year, the krona inflates by 1.6 percent more than the euro. The Eurozone has greater inflation than Sweden from 2011 to 2014 (2.7 percent, 2.5 percent, 1.3 percent, and 0.4 percent respectively), with comparatively higher levels of inflation in 2011 and 2012 as a consequence of the Eurozone debt crisis that began in 2010 and occurred throughout this time period. From 2015 onwards, Sweden experiences more inflation than the Eurozone; 0.7 percent, 1.1 percent, 1.9 percent, and 2 percent respectively. Figure 8 does not show significant disparities in inflation rates over a long period of time between the Eurozone or Sweden. Inflation is reasonably well controlled in the Eurozone, which is consistent with the main objective of the ECB; to safeguard the euro against inflation (ensure price stability) (European Central Bank, 2019).

Deficit and debt levels are a telling indicator of macroeconomic management. A governing body or government's record of revenue collection, expenditure, and borrowing are the cornerstone principles of financial macroeconomic management. These present themselves in the form of debt and deficit levels. Therefore, it is interesting to compare the Eurozone deficit and debt levels with that of Sweden's. Figure 9 below compares the deficits of the Eurozone and Sweden across time, encompassing the Eurozone debt crisis.

Figure 9: Comparison of the Eurozone and Sweden's deficits as a percentage of GDP from 2006 to 2017



Source: Eurostat, (2017c).

*Deficit defined as net lending/net borrow.

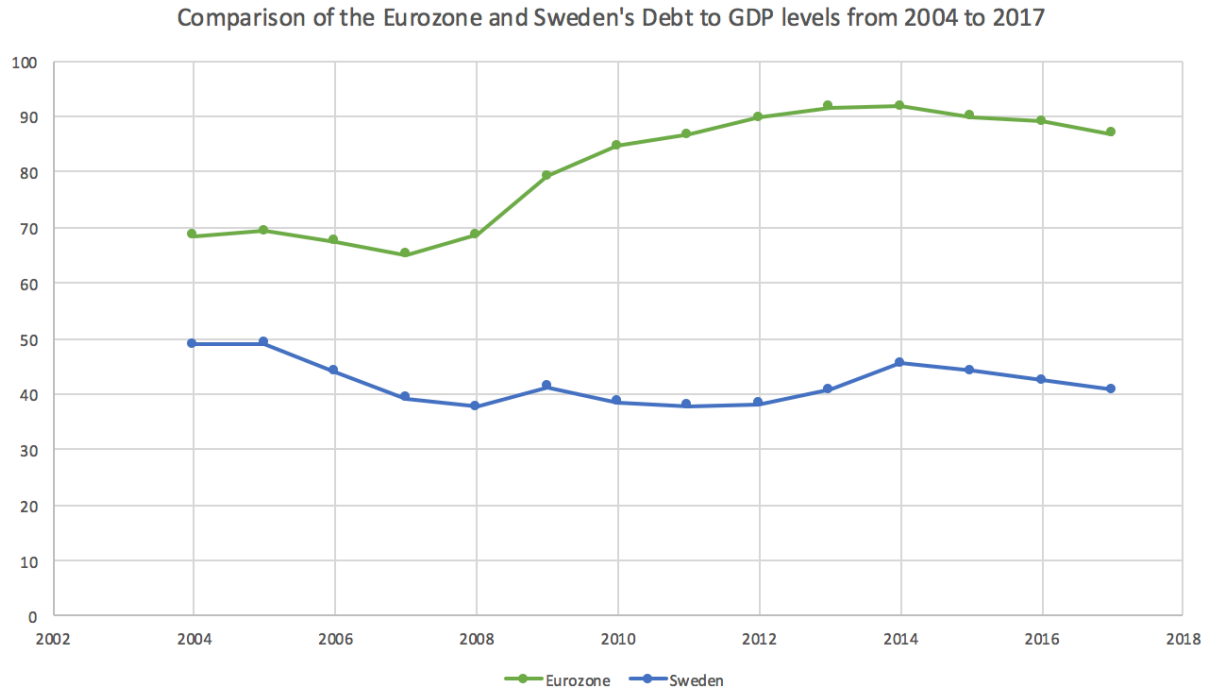
**Percentages below 0 (-) equates to a deficit, above 0 equates to a surplus.

***Based on latest available data.

Figure 9 shows that the Eurozone has not been able to achieve a fiscal surplus in the last 12 years from 2006 to 2018, and has constantly remained in deficit, with large deficits in 2009 and 2010 of 6.2 percent of GDP (during the Eurozone debt crisis). Sweden begins with a healthy surplus peaking at 3.4 percent of GDP in 2007, then goes into deficit in 2009 and does not return to surplus until 2015 (0.2 percent of GDP). However, whilst Sweden is in deficit, their deficit levels remain considerably lower than that of the Eurozone's. The Eurozone deficit has been steadily shrinking since 2011 until present, but they are yet to achieve a surplus. Sweden has had a growing surplus since 2015 onwards.

Figure 10 below compares the levels as debt (measured as a percentage of GDP) between the Eurozone and Sweden.

Figure 10: Comparison of the Eurozone and Sweden's Debt to GDP levels from 2004 to 2017



Source: Eurostat, (2017b).

*Based on latest available data.

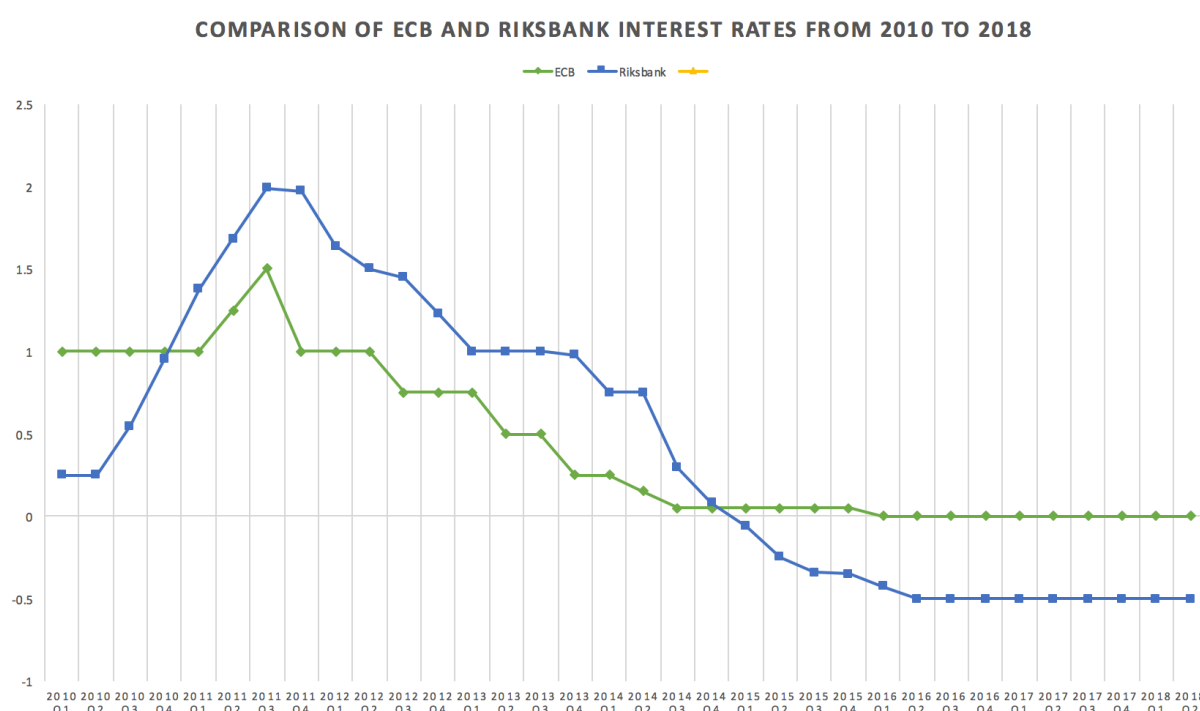
Figure 10 shows a large disparity between Eurozone and Swedish debt levels; Sweden has always had substantially less debt. Eurozone debt increases rapidly from 2008 (as per the onset of the GFC), whilst Sweden's is relatively unaffected and increased to 41.3 percent of GDP in 2009, then decreased. Eurozone debt levels peak at 91.8 percent of GDP in 2014, and have decreased to 89.1 percent of GDP today. By comparison, Sweden's debt presently sits at 42.4 percent of GDP. The difference in debt levels between the Eurozone and Sweden in 2004 and in 2017 tell two different macroeconomic stories. In 2004, the gap between the Eurozone debt level and Sweden's was 19.6 percent of GDP (68.5 percent and 48.9 percent respectively). Today, that gap is now 46.7 percent. With high debt levels in the Eurozone, it remains exposed to future economic shocks. Sweden is comparatively less vulnerable due to its lower debt levels. The Eurozone and Sweden, throughout the GFC, have had their debt levels influenced by factors such as Sweden's high tax collection rate, and the Eurozone's Mediterranean members who were badly affected by the GFC. Just like the deficit levels, Sweden has fared considerably better than the Eurozone. These quantitative comparisons suggest there is poor macroeconomic management within

the Eurozone – hardly a compelling case for Sweden to join such an economic and monetary union.

6.2 Monetary indicators

In chapter 2, a claim was made by Reade and Volz (2009) that interest rates set by the Riksbank mimicked interest rates set by the ECB, albeit by following them 100 days behind. It is worth considering that Reade and Volz (2009) made this claim prior to the Eurozone debt crisis. Gabrisch (2017) goes further than Reade and Volz (2009) in chapter 2, by making the claim that if Sweden were to join the Eurozone they would get greater control over their interest rates as they would have a voice within the ECB on what these rates would be set at. Figure 11 below compares interest rates from the ECB and Riksbank from 2010 onwards.

Figure 11: Comparison of ECB and Riksbank Interest Rates from 2010 to 2018



Source: Riksbank (2018) and European Central Bank (2018a).

*Q1 indicates the first quarter of the year, Q2 indicates the second quarter of the year, Q3 indicates the third quarter of the year, Q4 indicates the fourth quarter of the year.

By looking at the quarter where the ECB interest rate changes then seeing if in the following quarter the Riksbank follows suite, it is possible to see if Reade and Volz's (2009) claim is applicable in recent times. From the third quarter of 2010 to the first quarter of 2011 the ECB interest rate remains consistent at 1 percent, whilst the Riksbank interest rate increases from 0.25 percent to 1.37 percent – clearly not mimicking the exact interest rate of the ECB nor the direction of rate change. In the fourth quarter of 2011, the Riksbank interest rate is set at 1.97 percent whilst the ECB rate is 1 percent. Again, a considerable difference in interest rates. Following this, the Riksbank decreases its interest rate over the next two quarters whilst the ECB rate does not change. From the first quarter of 2013 to the second quarter of 2014 both interest rates fall, however, the ECB rate falls faster than the Riksbank. Not once are the rates similar during this period. From the second quarter of 2014 until the third quarter of 2015, the Riksbank interest rate falls significantly whilst the ECB rate decreases slightly and plateaus at 0.05 percent. Since the second quarter of 2016, the Riksbank and ECB have consistently maintained a 0.5 percent difference. As shown by figure 11, the Riksbank interest rate does not *strictly* follow the exact rate nor direction of rate change of the ECB. Gabrisch's (2017) claim of Sweden having greater control over its interest rates should it be a member of the Eurozone was based on this phenomenon. Therefore, given what figure 11 displays, it cannot be assumed that Eurozone membership would give Sweden more control over their interest rates.

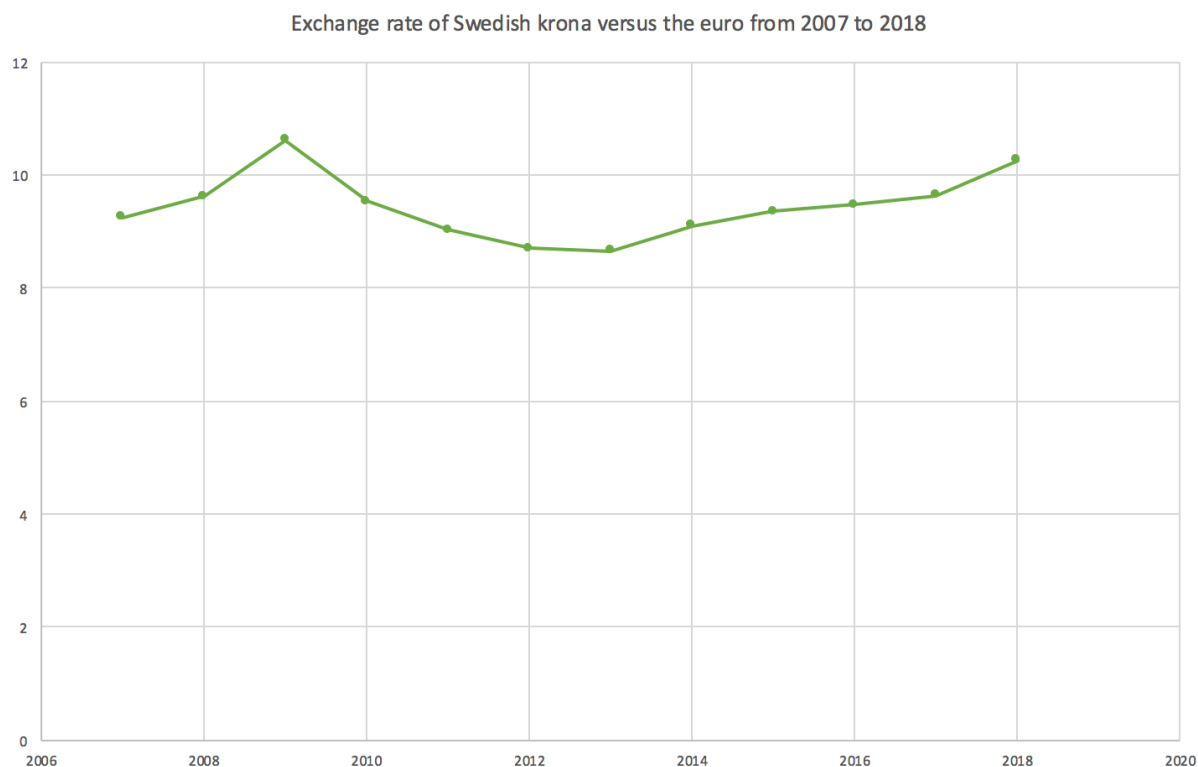
The idea of a loss in economic control concerns Swedes (European Commission, 2018a, p. 37). Sweden likes the retention of autonomy over its interest rates by remaining out of the Eurozone. However, this comes at a cost. Investment in the euro has become an unattractive prospect since the 2012 debt crisis, and as Sweden is a Eurozone outsider, it has caused deflation in Sweden coupled with a high value krona (Stratfor Analysis, 2015). Sweden has had traditionally high interest rates (as seen in figure 11 pre-2015), exacerbating the effects of deflation. To combat this, the Riksbank has reduced interest rates to as low as -0.5 percent in the second quarter of 2016. However, the ECB has also reduced interest rates at the same time, making this an ineffective policy resolution for the Swedish economy (Stratfor Analysis, 2015). As a result of these negative interest rates, risk lenders are keeping money in physical form

so as to avoid paying to put money into a bank² (Stratfor analysis, 2015). Banks subsequently have less credit as a consequence of this. Negative interest rates provide cheap credit for investors, which when taken advantage of can create asset bubbles, with housing being an example of this (Stratfor Analysis, 2015). This is positive for investors in the short-term, however longer-term citizens are locked out of the housing market as housing prices quickly rise. Testimony to this is the fact that Swedish home ownership rates are some of the lowest in the EU (65.2 percent in 2017) (Statista, 2019).

Exchange rate comparisons are important as they highlight the general monetary conditions and changes in different economies. Figure 12 looks at the value of the krona in relation to the euro. Sweden has had a floating exchange rate since 1992 (Riksbank, 2019a). Exchange rates have significant consequences. They determine the cost of imports, competitiveness of exports, and affect (in this case) Swedes ability to buy, shop, and sell within the Eurozone. The value of a currency is also seen as a symbol of strength, as was outlined by Hobolt and Leblond (2009, p. 203) in chapter 2.

Figure 12: Exchange rate of Swedish krona versus the euro from 2007 to 2018

² Risk Lenders are anyone who deposits money into a bank, as they are in effect loaning money to the bank who typically reward them with credit in the form of interest payments.



Source: Eurostat, (2018a).

*Based on 12-month annual average.

**Based on latest available data.

***Measured as value of krona equal to 1 euro.

Swedish interest rates have been (figure 11 shows the Riksbank interest rate at -0.5 percent from the second quarter of 2016) correlating with a fall in value of the krona to the euro (which sat at 10.258 krona to the euro in 2018). The value of the krona increased from 2010 to 2013 (8.652 krona to the euro) at the same period where interest rates were high (topping 1.98 percent in 2011) then steadily declined. Looking at figure 11 and figure 12, it shows a positive correlation between interest rates and the exchange rate. However, it should be noted that the rise in value of the krona over this time against the euro would also have been impacted by a falling euro due to the Eurozone debt crisis. Over a 12-year period the krona has remained stable, with a fluctuation difference never exceeding 1.61 krona. Figure 12 has shown that Sweden can exist outside of the Eurozone with a floating currency and not experience any tensions.

6.3 European Banking Union: efficiency, autonomy, and the Nordea case

The EBU is based on the single rulebook, which is designed so that all states that are a part of the EBU have a consistent regulatory landscape regarding financial institutions (European Commission, 2018d). EBU members decide on the rules that make up the single rulebook, which is applicable to the 8300 financial institutions across EBU states (European Council, 2017). Consistent cross-border regulations facilitate greater efficiency and more equal competition amongst financial institutions within the EBU.

Spendzharova and Bayram (2016, p. 566) states; *"Sweden turns its back on efficiency gains because it does not want to join the EBU as it does not want to pay for other failed banks through recapitalization – a concern also shared with Denmark"*. However, this somewhat contradicts a statement issued by the Government Offices of Sweden (2016) which says: *"It is essential for Sweden that the euro area works efficiently and is stable... The Government's objective is to help all Member States take their responsibility and take necessary measures to ensure national public finance stability and sustainability... Everyone bears a responsibility for our shared development"*. Nevertheless, the fact is that the Swedish government takes great interest in the efficiency of the euro area, yet does not want to gain efficiency from it, and as was in the case of Nordea (see below), competes against it. Furthermore, the argument of collective stability for shared development is remarkably similar to the notion of burden-sharing that is part of EBU membership. Either Spendzharova and Bayram (2016) are not convincing in claiming Sweden does not want to pay for the recapitalization of banks in crisis, or the statement issued by the Swedish government in 2016 were hollow diplomatic words. It is likely that the latter is the case, given the fact that Sweden remains reluctant towards having any financial obligation towards the Eurozone (as discussed in chapter 4 vis-à-vis handing over financial autonomy to the Eurozone and the subsequent effect on the Swedish welfare state).

Being an EBU outsider can entail negative implications. Nordea bank's relocation from Stockholm to Helsinki is an example of this. Nordea relocated to Finland in part

because it is part of the EBU³. Greater political stability within the EBU and a more equal regulatory environment for competing against other European banks were Nordea's reasons for relocation (Johnson and Ahlander, 2017).

Those advocating for Eurozone and EBU membership may use the Nordea case as an example for why Swedish accession into the Eurozone and EBU is necessary. Finland's EBU status may have prompted Nordea to relocate out of Sweden to Helsinki, but other reasons for Nordea's relocation should be considered as well. At the time of Nordea's relocation, the Social Democrats (the then-governing Swedish political party) were considering increasing taxes on financial institutions in Sweden (Johnson and Ahlander, 2017). Should Nordea have stayed in Sweden, a 200-million-euro fee increase for 2018 would have been applied, followed by another 150-million-euro increase in 2019 (Milne, 2017). Swedish regulations are renowned as some of the toughest in Europe, and by moving to Helsinki Nordea could free up 6 billion euros in capital as well as boost its profits by 350 million euros per annum (Milne, 2017). It is clear that profit is a large motivator for Nordea's relocation. Its relocation is equally about regulation dodging and profit maximization as it is about gaining stability by being in the EBU.

Whilst EBU membership would create a more stable political environment for banking institutions, non-Eurozone countries have no voting power or voice for EBU stances, as they do not have a voice within the ECB (Dauschy, 2017). Were Sweden to join the EBU, it would result in a loss of Swedish control over banking institutions, meaning tough financial regulations would no longer be able to be imposed by the Swedish government. Finally, supervising 8300 banks across the EU may result in ill-suited regulations for some countries and institutions whilst being well-suited to others.

6.4 The Eurozone debt crisis

³ When countries ascend into the Eurozone, they automatically become members of the EBU, as is the case with Finland.

The Eurozone debt crisis is a contributing economic factor for Swedish Eurozone rejection. The crisis highlighted the issue of contagion effects within an economic and monetary union, flaws in the political and economic framework of the Eurozone, and left a destructive aftermath which still has implications today.

The Eurozone debt crisis demonstrated the rapid and damaging effect contagion⁴ has on countries within an economic and monetary union (Frieden and Walter, 2017, p. 5). As Eurozone-outsider countries like Sweden were not interconnected through the same framework as Eurozone countries, they experienced less contagion effects and could design their own monetary policy to counteract these effects (Frieden and Walter, 2017, p. 6). Figures 7, 9, and 10 (unemployment rates, deficit, and debt to GDP levels respectively) highlight the consequence of monetary independence to counteract contagion. They show disparity between Sweden and the Eurozone with Sweden performing better throughout the Eurozone debt crisis in all instances with respect to the aforementioned figures. Economic booms and busts occur at a national level, and are difficult to converge within the Eurozone when a common monetary policy is the only instrument available (De Grauwe, 2016, p. 151). Sweden's monetary independence means that managing booms and busts during the crisis was not an economic challenge they faced. The susceptibility to contagion as a result of interconnectedness meant that during the crisis there was an expectation for burden sharing through bailouts as a form of crisis management (Frieden and Walter, 2017, p. 5). Should Sweden have been a member of the Eurozone, then its fears of burden sharing and recapitalization of banks would have become a reality.

Such bailouts have resulted in the Eurozone experiencing a lack of solidarity within its economic and monetary union. Inter-union resentment as a result of seemingly unfair bailout conditions between the creditor and debtor, e.g. Germany and Greece, have fostered this (Reese and Lauenstein, 2014, p. 162). Reese and Lauenstein (2014, p. 163) uses the term "*negative interdependence*" to describe this relationship between the gain of one country within the Eurozone at the expense of another. Sweden

⁴ Referring to contagion in an economic sense, Edwards (2000, p. 880) defines it as "*a situation where the extent and magnitude of the international transmission of shocks exceeds what was expected by market participants*".

forgoes the 'north vs south', 'creditor vs debtor' contention by remaining out of the Eurozone.

Divisions within the Eurozone do not stop at the creditor-debtor relationship; but are also found in differing opinions on what reforms of the Eurozone should be undertaken in the post-crisis environment. The Eurozone is divided between those countries which favour fiscal transfer reforms, such as France and Greece, and those which favour fiscal discipline, such as the Netherlands or Germany⁵ (Lehner and Wasserfallen, 2019, p. 54). Lehner and Wasserfallen (2019, p. 54) show that Sweden, although a Eurozone-outsider, errs on the side of fiscal discipline. The fiscal transfer-style reforms which some Eurozone countries are advocating for are the same type of reforms that would threaten the Swedish welfare system, as referred to in chapter 4. Even today without reforms, Eurozone membership entails the potential for fiscal policy to be heavily influenced by the EU. The SGP can be used by the European Commission to force Eurozone countries to alter tax rates or government expenditure levels (De Grauwe, 2016, p. 154).

De Grauwe (2016, p. 153) argues that the Eurozone recovery plan will not suffice long-term as it is a liquidity trap. Quantitative easing (when coupled with low interest rates such as the current ECB rate of 0.05 percent) is ineffective at stimulating economic growth because the liquidity does not find its way into the real economy; rather, financial institutions keep the liquidity without investing it into productive areas as they are limited for a good return in such an economic climate (De Grauwe, 2016, p. 153). If De Grauwe's economic assessment of the Eurozone recovery plan is correct, then Sweden will have avoided an ineffective monetary policy resolution to the debt crisis by remaining out of the Eurozone.

Developments within the Eurozone in the present day also present a concern to the economic future of the Eurozone. Italy, with a populist government that neglects fiscal constraints laid out in the SGP, has unsustainable levels of government debt which poses a risk of a second crisis (Politico, 2018). As well as this, banks within the

⁵ Fiscal transfer reforms refer to greater fiscal equilibrium within the Eurozone, including the establishment of initiatives such as a Eurozone-wide unemployment scheme, a common Eurozone budget, and Eurozone taxes.

Eurozone are experiencing low levels of profitability (due to non-profitable loans and low ECB interest rates), and are exposing themselves to increased risk by reducing credit standards for borrowers (Politico, 2018). Finally, there remains an unaddressed fiscal imbalance between northern and southern Europe (Politico, 2018). Whilst these developments do not signal the immediate onset of an economic downturn, they are nonetheless concerning.

The Eurozone debt crisis has demonstrated the weaknesses of the economic and monetary union, and the level of contention within it. The crisis has, in many ways, served as a reinforcement of Sweden's decision to remain outside of the Eurozone.

6.5 Summary

General macroeconomic indicators have provided an insightful comparison of the Swedish and Eurozone economies. Sweden has fared better in most of the comparisons. When comparing GDP per capita in PPS, Sweden has had consistently greater purchasing power and GDP growth than the Eurozone. Unemployment levels in Sweden have remained consistently lower than the levels of unemployment in the Eurozone. Regarding inflation, there was no significant differences between the krona and the euro; both are reasonably well controlled by their respective central banks. Sweden has considerably lower levels of debt and deficit than the Eurozone, although it should be acknowledged that other factors such as the Swedish tax collection rate and the economic performance of the Eurozone's Mediterranean members (which influence the Eurozone-average data) would have impacted on these statistics. These general macroeconomic indicators show that asides from inflation (where neither Sweden nor the Eurozone outperformed the other), Sweden has consistently fared better than the Eurozone. This does not make a compelling case for Eurozone membership. With regard to monetary indicators, interest rates and the exchange rate between the krona and the euro were investigated with telling conclusions reached for both. The comparison of interest rates over time highlighted that whilst the overall direction and level of rates were similar between the Riksbank and the ECB, they are not exactly the same. Therefore, Sweden would not gain greater control over interest rates by joining the Eurozone. However, Sweden has experienced some negative

economic side effects as a result of its monetary policy. The exchange rate between the two currencies has remained stable and floated without significant tension for the last 11 years, showing that Sweden can exist outside of the Eurozone and have exchange rate stability. EBU membership showed the potential of increasing efficiency and stability, however, there is an argument autonomy loss. The disadvantages to staying out of the EBU were showcased by Nordea's relocation to Helsinki in search of greater political stability. However, the impact of profits by relocating was also acknowledged as a factor in relocation. The Eurozone crisis showed the effect it has at reinforcing Sweden's resistance of Eurozone membership. It revealed that Sweden mitigates contagion by staying out of the Eurozone. Swedish fears of burden sharing may have become a reality for Sweden had it been a member of the Eurozone during the crisis. Mechanisms such as the SGP show how the European Commission would have had the authority to control elements of Sweden's fiscal policy should it be a part of the Eurozone. This crisis has demonstrated the constraints within the Eurozone. Notably, the 'creditor vs debtor' relationship between Eurozone countries and differing views on Eurozone reform. One such type of reform, fiscal transfer, could have an impact on Sweden with regard to its fears of damaging or altering its welfare system, should it be a Eurozone member. Finally, it was witnessed that there are concerning economic developments within the Eurozone today, and that a stable future is not certain. Overall, based on quantitative macroeconomic comparison, there is a lack of incentive for Sweden to join the Eurozone as it outperforms the Eurozone in all almost all measurements considered.

CHAPTER 7: DISCUSSION AND CONCLUSION

This chapter will discuss the answers to the research questions that were outlined at the beginning of this thesis by looking at the findings given in the previous chapters. To recap, the main research question of this thesis asks: what are the political and socioeconomic reasons for Sweden's resistance to join the Eurozone? This is broken down into three sub-questions:

- What are the political reasons for Sweden's resistance to join the Eurozone?
- What are the social reasons for Sweden's resistance to join the Eurozone?
- What are the economic reasons for Sweden's resistance to join the Eurozone?

This chapter will recapitulate and conceptualize the findings of previous chapters and will then conclude the thesis by drawing the main conclusions from each chapter within this thesis. Finally, this chapter will critically evaluate this thesis by highlighting the limitations of the study and outlining opportunities for further study within this field.

7.1 Recapitulation and conceptualization of findings

In chapter 1, the context of the investigation was provided, the main research question and sub-questions were formulated, and the structure of this thesis laid out. The methodology was explained, with validity concerns and delimitations addressed. Definitions for key terms employed in this thesis were also given. Chapter 2 gave a review of the relevant literature relating to Sweden's resistance towards Eurozone membership. The literature provided an overview of the 2003 Swedish referendum on Eurozone membership, Sweden and its manipulation of the convergence criteria vis-à-vis ERM II, as well as post-referendum literature pertaining to the topic. Chapter 3 outlined the multi-faceted theoretical framework for this thesis, using realism, rationalism, and constructivism. The chapter defined these theories, exemplified them in context using examples from the previous chapter, and explained how all three theories could work in conjunction with one another. In chapter 4, the political reasons for Sweden's resistance to join the Eurozone were looked at. The chapter analysed

the stances on Eurozone membership amongst the eight political parties sitting in the Riksdag, of which all but one (The Liberals) were against euro adoption. Political parties' main concerns were loss of sovereignty and economic concerns. The chapter made a comparison of general election results from 2014 and 2018, showing an increase in the Eurosceptic vote. The popularity of the Swedish welfare system and politician's reluctance to place its funding in jeopardy by joining the Eurozone (as they would risk losing political capital) was noted. Finally, the chapter explained how Sweden did not participate in ERM II, thus remaining out of the Eurozone by not satisfying the convergence criteria as laid out in the Maastricht Treaty and the TFEU. Chapter 5 revealed Sweden as a federo-sceptic country. It was shown that the majority of Swedes have a negative attitude towards the Eurozone. Swedes have a distrust in European elites, and trust their own government institutions over EU ones. It was also noted that Swedes were concerned about the erosion of their national identity with increasing EU-level integration. Chapter 6 highlighted how the Swedish economy has outperformed that of the Eurozone's in almost every regard.

Sweden avoids Eurozone membership by not participating in ERM II, thus not satisfying the convergence criteria for euro accession as laid out in the Maastricht Treaty and TFEU.

The Swedish political landscape is overwhelmingly anti-euro, with only The Liberals advocating for Eurozone membership. The reasons cited in Swedish political parties' manifestos for an anti-euro stance can be broken down into two main themes: the economic conditions within the Eurozone (notably debt levels, unemployment rates, and economic bubbles), and fears of sovereignty loss. Swedish political parties are behaving in both a rationalist and realist manner regarding their reasons for euro opposition. Resisting Eurozone membership on the basis of economic concerns is acting in a rationalist manner, as it is logical to avoid membership of an economic union that is plagued with economic woes. Opposing integration due to sovereignty concerns is a display of realism, as opposition to anything which detracts from the nation-state is a realist principle.

Comparing the Swedish general election results of 2014 against 2018 revealed growing Euroscepticism and a lack of desire for EU-level integration, reflected in the

form of a significant increase in vote share for the Sweden Democrats (Sweden's right-wing Eurosceptic political party). As Sweden's only party within the Riksdag advocating for Eurozone membership, The Liberals vote share did not change (they remained with the second smallest vote share in the Riksdag). This is perhaps because Sweden is a federal-sceptic country, and weary of concepts such as a "United States of Europe" that would see the federalization of Europe (European Commission, 2014c, p. 87). In this way, Sweden is quite realist, as deeper institutional integration is not something that resonates with Swedes.

Swedes are disconnected with "European elites", but seemingly not their own elites. Figure 3 shows that institutional trust has always remained in order of the Riksdag first, the Swedish government second, and EU institutions last.

The majority of Swedes believe that Eurozone membership will erode their national identity (European Commission, 2018a, p. 39). Constructivism provides an understanding of this, as it describes actors as having an identity, and acting in a way to protect that identity. By staying out of the Eurozone, Swedes believe that they are protecting their national identity.

The Swedish welfare system is revered, and Eurozone membership places its long-term funding security at risk with further Eurozone integration, particularly at a fiscal level (as per the fiscal transfer reforms and the SGP discussed in chapter 6). Swedish politicians are rationalist actors. They act in a logical manner, not jeopardizing the funding structure of the Swedish welfare system through Eurozone membership to avoid losing their political capital.

Economically, Sweden outperforms the Eurozone in almost every way (the exception being inflation, where neither economy experienced unhealthy levels of inflation). Sweden has had a consistently higher PPP (figure 6), and comparatively lower levels of unemployment. Figure 7 showed large disparities in the level of unemployment between Sweden and the Eurozone, with the gap widening considerably with the onset of the Eurozone debt crisis. In the last 12 years, the Eurozone has been unable to achieve a fiscal surplus (it has constantly remained in deficit), whilst Sweden only went into deficit in 2007 and returned to surplus in 2015 (shown in figure 9). The difference

in the debt levels between Sweden and the Eurozone are also considerably large (with Sweden having comparatively less debt than the Eurozone), and the difference between the two only widening with the onset of the GFC (as per figure 10). Whilst being outside of the Eurozone, the Swedish krona has floated freely and with stability (as displayed in figure 12). Therefore, gaining exchange rate stability is not a particularly valid argument for Sweden to join the Eurozone.

What this data shows, is that there is little to no incentive (in an economic sense) for Sweden to join the Eurozone. Further than this, it also shows poor economic management on behalf of the Eurozone. This is perhaps why, in figure 5, in all but two instances Swedes have always favoured their own government to manage the GFC over EU institutions. It also explains the massive disparity displayed in figure 4 between the number of Swedes and EU citizens who perceive their economy as “good” (88 percent of Swedes compared with 49 percent of EU citizens – the majority of whom are Eurozone citizens). Swedes have strong concerns about the economic impact that Eurozone membership would have on Sweden, particularly regarding the current economic health of the Eurozone economy, the potential impact of decreasing salaries, rising commodity prices, and having to bail out other countries and financial institutions within the Eurozone.

Rationalism largely explains Sweden’s behaviour when rejecting Eurozone membership on economic grounds. If Sweden is seeking to maintain or increase favourable economic conditions, the economic contrast between its own economy and that of the Eurozone’s over the last 12 years provides an adequate reason not to wish to become part of the Eurozone. As has been demonstrated, recent history shows that Sweden has outperformed the Eurozone economically, and as such, it is rational to expect that Swedes would not join an economic union which they have outperformed.

This thesis highlighted, in chapter 6, that Swedish interest rates set by the Riksbank do not follow, in an exact manner, the ECB interest rate nor the direction of rate change. Therefore, any argument that Sweden would gain autonomy from joining the Eurozone and getting a seat at the table where interest rates are set is invalid. Sweden’s reluctance to forgo its monetary policy autonomy from the nation-state to a multi-lateral structure (the ECB) is a display of realist behaviour. However, this can

also be explained in a rationalist manner as well. Sweden wants to be able to best manage boom and bust economic cycles that occur globally and nationally. De Grauwe (2016, p. 151) outlines that national monetary policy is a useful tool for dealing with such cycles. Sweden's decision to retain its monetary policy is rationalist in the sense that it has elected to do this to better manage changing economic cycles.

As well as remaining out of the Eurozone, Sweden wants to stay out of the EBU. There are three main reasons for this. Firstly, Sweden would lose its ability to impose tough financial regulations on financial institutions if it were to join the EBU. Secondly, EBU-wide regulations may be ill-suited to the 8300 banks they are applicable to across Europe. Thirdly, Sweden is reluctant to have any financial obligations towards paying for recapitalization of banks in crisis. Realism explains *why* Sweden does not want to be a member of the EBU, and rationalism explains *how* they stay out of it. Sweden wants to retain control over its own regulations and not sacrifice these to multi-lateral governance in the form of the EBU, which is in essence, a realist form of behavior. Sweden's reluctance to engage in cross-border recapitalization of banks - which could be seen as a form of international cooperation - has realist tendencies. Sweden is rationalist in the way it avoids EBU membership; quite simply, it does not want to join the EBU and hence stays out of the Eurozone (which would bring about compulsory EBU membership).

The Eurozone debt crisis highlighted a myriad of reasons that would put off any potential candidate for Eurozone membership. The crisis demonstrated the effect of negative contagion and how it can spread through an economic union (Frieden and Walter, 2017, p. 5). The aforementioned comparatively poor economic statistics of the Eurozone against Sweden are a testimony to this. Acting in a rational way, by remaining out of the Eurozone, Sweden has avoided experiencing strong contagion effects. Sweden has also managed to avoid contributing to bailout payments for struggling Eurozone member states by being a Eurozone outsider (Frieden and Walter, 2017, p. 5). Similar to the aforementioned case of Sweden's reluctance to pay for the recapitalization of banks, Sweden's avoidance of contributing to bailout payments for fellow EU member states by staying out of the Eurozone can also be recognized as a realist way of behaving in the international system. The Eurozone debt crisis gave rise to the SGP, which gives the European Commission authority to

influence the fiscal policies of Eurozone members (Lehner and Wasserfallen, 2019, p. 54). As a realist actor, the loss of fiscal autonomy from the nation-state to multi-lateral governance concerns Sweden, thus it remains out of the Eurozone so as not to be subject to the SGP. The Eurozone debt crisis has also opened up the debate of Eurozone reform, with fiscal transfer-style reforms being advocated for (De Grauwe, 2016, p. 154). These reforms would also see Eurozone members sacrifice their fiscal policy with the introduction of concepts such as a Eurozone-wide unemployment fund. Sweden, as a realist actor, stays out of the Eurozone and in doing so avoids fiscal autonomy loss as a result of these potential reforms. The Eurozone economic recovery plan is potentially flawed, as De Grauwe (2016) argues that it is a liquidity trap. From a perspective of rational choice, Sweden's decision not to enter the Eurozone so as to avert a failed economic recovery is logical. The inter-union tensions between Eurozone member states as a result of the "north vs south" and "creditor vs debtor" relationships highlight issues of diplomacy amongst Eurozone actors (Reese and Lauenstein, 2014, p. 162-163). Approaching this from a constructivist angle, Sweden maintains positive relationships with other EU actors by staying out of the Eurozone and hence not becoming involved in said tensions. Looking to the future, there are concerning developments occurring in the Eurozone currently which pose uncertainty for the union going forth.

7.2 Critical evaluations

This thesis answers the research questions that were outlined at the beginning in chapter 1. To put it succinctly, politically there is not enough support amongst Swedish political parties to enter the Eurozone. Swedes are a federo-sceptic people. They favour their own institutions over EU institutions and thus do not support giving EU institutions greater authority over their country through Eurozone membership. Economically, the effect the Eurozone debt crisis has had on the Eurozone has been detrimental to it, and Sweden outperforms the Eurozone (in an economic sense) in almost every regard. As such, Swedes do not see much to be gained from becoming a Eurozone member.

There are a number of limitations which this thesis experiences. Firstly, the geographical and financial limitations of undertaking research in New Zealand. Financial restrictions have meant that undertaking an investigation of this nature of a country in Europe, whilst being based in New Zealand, has meant that it has not been possible to conduct primary fieldwork original to this thesis i.e. a survey in Sweden. However, credible alternatives, such as Eurobarometer surveys, have been a valuable substitute as well as a way of addressing this limitation. Secondly, time has been a limitation. Economic data is continuously being updated, Eurobarometer surveys (of which a lot of this investigation's social research is based upon) are being conducted bi-annually, and political developments are changing all the time in Sweden. As such, the research on which this thesis is based upon will likely not be the latest and most up to date at the time of reading. Finally, for a thesis of this size there is a limitation in the word count. It would have been interesting to make a comparison between Denmark and Sweden, as two Nordic EU member states both outside of the Eurozone. It also would have been interesting to conduct a tri-Nordic comparison of Sweden, Denmark, and Finland (as a Eurozone member) to see the difference in the economic impact of being part of the EMU. However, as there are restrictions on the word count it would mean that there would not have been space to rigorously analyse more than one country.

As the limitations show, there is a whole larger scope of investigation relating to this topic, particularly with the incorporation of other countries into the research. This thesis offers a format from which to analyse other countries, such as Denmark and Finland, regarding the consequences of their respective relationships with the Eurozone. The limitation of time also presents an opportunity for future research. It would be interesting to conduct an investigation similar to the nature of this thesis in 10 years' time, and make a comparison with the existing data in this investigation, highlighting the political and socioeconomic changes in Sweden and the Eurozone.

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