

The "Swedish model" in the COVID-19 pandemic

By Torbjörn Becker, Jesper Roine, and Svante Strömberg

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Abstract

With the COVID-19 pandemic, “*The Swedish model*” has come to mean a lax corona strategy instead of a well-functioning labor market combined with a wide-ranging welfare system and individual freedom that was the original interpretation of the concept. The death toll in Sweden may not be extreme on a global level even if it is at the higher end, but in a Nordic context it really stands out. The idea that this would be linked to a trade-off between economic costs of lockdowns and other measures and the spread of the virus and associated deaths is not convincing in data. Many policy measures and economic indicators are relatively similar for Sweden and other countries and there is no general picture that Sweden outperforms its Nordic peers. In the end, the pandemic may simply have highlighted a more fundamental need to revise the focus on decentralized decision making and individual freedom of the Swedish model and substitute it with a stronger central government prepared to act at times of crises.

Key words: Sweden, COVID-19, pandemic, Swedish model, excess deaths, support packages, vaccination

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1. Introduction

The question most of us wants an answer to is if the “*Swedish model*” has worked in the pandemic. We will not be able to provide an answer to this large question in this short article but we will provide the reader with several observations and facts that can serve as a starting point for further research, discussions, and analysis.

We start by providing a background to the origins of the Swedish model to serve as a basis for discussing to what extent the actions taken during the pandemic are in line with or in contrast to the original version of the Swedish model. The article then provides an account of how the pandemic started in Sweden and different health aspects of the pandemic, followed by economic measures and outcomes, and the strategy for opening up. We also discuss the challenges in measuring costs in the pandemic before providing our concluding remarks.

To put the Swedish experience in a broader context, we will in general compare Swedish data with the EU, the Nordic countries and also a number of (former) transition countries that we follow more closely since we are at the Stockholm Institute of Transition Economics which is part of a network of research institutes in these countries under the name Forum for Research on Eastern Europe and Emerging Economies or FREE network that include institutes in Russia, Latvia, Belarus, Ukraine, Georgia and Poland.

2. What is the Swedish model?

The Swedish model has for a very long time been associated with a particular way of organizing society and in particular its labor market as well as an all-encompassing welfare system organized by the state. It started out with legislation on collective agreements and was followed in 1938 with the “*Saltsjöbaden Agreement*” where the employers and employee organizations signed an agreement to avoid further regulations from the government. This led to the government taking the role of bystander in labor market negotiations or as one of the central labor union organizations, TCO (2008) puts it: “*The government has no mandate to get involved in negotiations, as the terms are negotiated through voluntary agreements between the parties in the labour market.*”

Over the years, the Swedish model has come to also be associated with a generous welfare system based on a government that controls half of GDP. More recently, the government (2017) has stated that: “*The Swedish model is a strategy for inclusive growth. The objective is to increase prosperity to the benefit of all, while safeguarding the autonomy and independence of citizens. The Swedish model can be said to consist of three fundamental pillars: a labour market that facilitates adjustment to change, a universal welfare policy and an economic policy that promotes openness and stability.*”

The size of government, high tax levels, and a “*cradle-to-grave*” welfare system (Lindbeck, 1997) has led many to associate the Swedish model with a heavily centralized and collectivist model of government. This is, however, not entirely correct. As explained by e.g. Berggren and Trägårdh (2010) many aspects of the Swedish model are aimed at allowing each individual freedom of choice, where the welfare systems and state substitute for relying on family. In addition, some aspects of the Swedish governance structure are based on many layers and decentralized decision making; a high degree of autonomy for regions and municipalities and government agencies that are not controlled directly by its minister or ministry. In fact, so called “*ministerial rule*”, is explicitly forbidden in the constitution (see e.g. Angner and Arrhenius, 2020).

However, with COVID-19, the Swedish model has now also become associated with a particular (lax) model of dealing with the pandemic, which again has generated significant international interest. To those who associate the Swedish model with heavy regulation and a strong centralized state, this comparatively “*laissez-faire*” approach has come as a surprise. But as suggested above, at least in part this is a misunderstanding about some key aspects in the Swedish model. In fact, individual responsibility and “*trust*” are key ingredients. Reading the “*Communicable Diseases Act*” from 2004 (Smittskyddslag 2004:168), the main legislation to be applied in a pandemic, it clearly places emphasis on “*each individual's own responsibility to prevent spread*”. It also states that government actions “*must not be more intrusive than warranted*” and also especially stresses the “*well-being of children*” in this respect. Taken together, this places a lot of weight on individual responsibility and not limiting freedoms of children (aspects that may have been of importance in terms of measures taken).

In short, the government is supposed to provide a strong foundation for society but not impose too many restrictions on individuals. This is in turn based on strong institutions, a knowledge-oriented society, and trust at both personal and institutional levels. We will now turn to how this has played out in the pandemic.

3. The pandemic in Sweden

As for most of Europe, the first infected people in Sweden were detected in the winter of 2020 with the first case registered at the end of January. At the time, the message from the Public Health Agency of Sweden (Folkhälsomyndigheten), later often represented by the state epidemiologist Anders Tegnell, was that there was little reason to be worried about a few cases and that the Swedish health system was well prepared to deal with this (Public Health Agency of Sweden, 2020a). In mid-February, there is no general spread of the virus, and the agency says that, except for traveling to the Hubei province in China, the risk of getting infected is small. Later in February, the risk of detecting infected people in Sweden is said to be high, but at the same time, the agency says that the risk of getting infected in Sweden is low (Public Health Agency of Sweden, 2020b). Still there are no recommendations against travel in general.

Then, at the end of February, there is the school winter break when many Swedes go abroad, not least to go skiing in the Alps. At the time, a total of seven people are diagnosed with COVID-19, all related to international travel. When people are returning back to Sweden after the winter break, the number of infected start to increase but the message is that the risk of infection in Sweden is moderate. Then, in early March, the agency says that labs should start looking for the virus in patients with relevant symptoms and, on March 10, they state there is a high risk of infection within Sweden and not only from travel abroad (Public Health Agency of Sweden, 2020c). There are also recommendations to limit social interaction and protect elderly and vulnerable groups.

On March 11, the agency proposes the first measure to limit the spread of the virus to the government, which is to put a cap of 500 people at public events (Public Health Agency of Sweden, 2020d). This is the same day the WHO declares that COVID-19 is a pandemic and that it will likely affect all countries in the world.

Then already by March 13, the Swedish agency gives up on the idea of general testing of people that have travelled and have symptoms and instead tell people with symptoms to voluntarily self-isolate to limit the spread of the virus and stay home for two days without symptoms before getting back to work. No specific recommendations are made for family members or others that have been in contact with a person with symptoms.

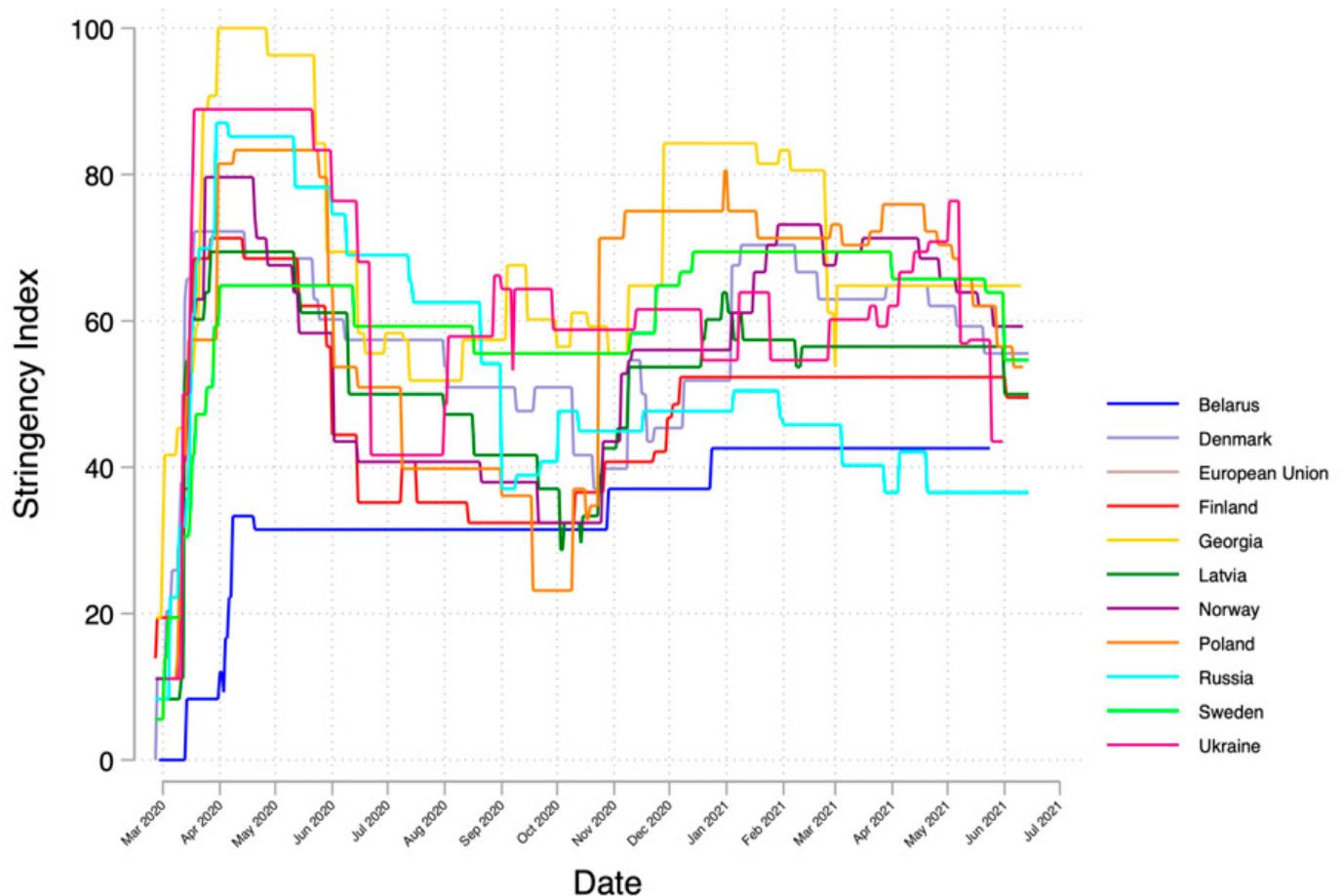
We will not go through all of the following press releases and statements that were made, but it is rather telling how, at the onset of the pandemic, the central Swedish agency went from being rather certain that this would not be a problem and that the Swedish system was prepared, to giving up on general testing, tracing and isolation and putting most of the pandemic preventing measures in the hands of individuals. (see Ellingsen and Roine, 2020, for a more detailed account including a comparison with other Nordic countries.)

4. The health-related responses and outcomes

4.1. Policy responses

Instead of a detailed account of every measure that was taken (or not), the Swedish policy response on the health side is summarized by the Stringency index in Figure 1. In the initial phase of the pandemic, all the comparator countries except for Belarus introduced more stringent measures than Sweden. In the spring of 2020, the index in Sweden is a bit over 60 while Georgia, the country with the most extensive restrictions, reach 100. The Nordic countries as well as the EU are somewhere between Sweden and Georgia. As we move further into the crisis, many countries relax measures more quickly than Sweden and after the initial relatively lax phase the country, the generally impression is that Sweden is more an average country in this respect.

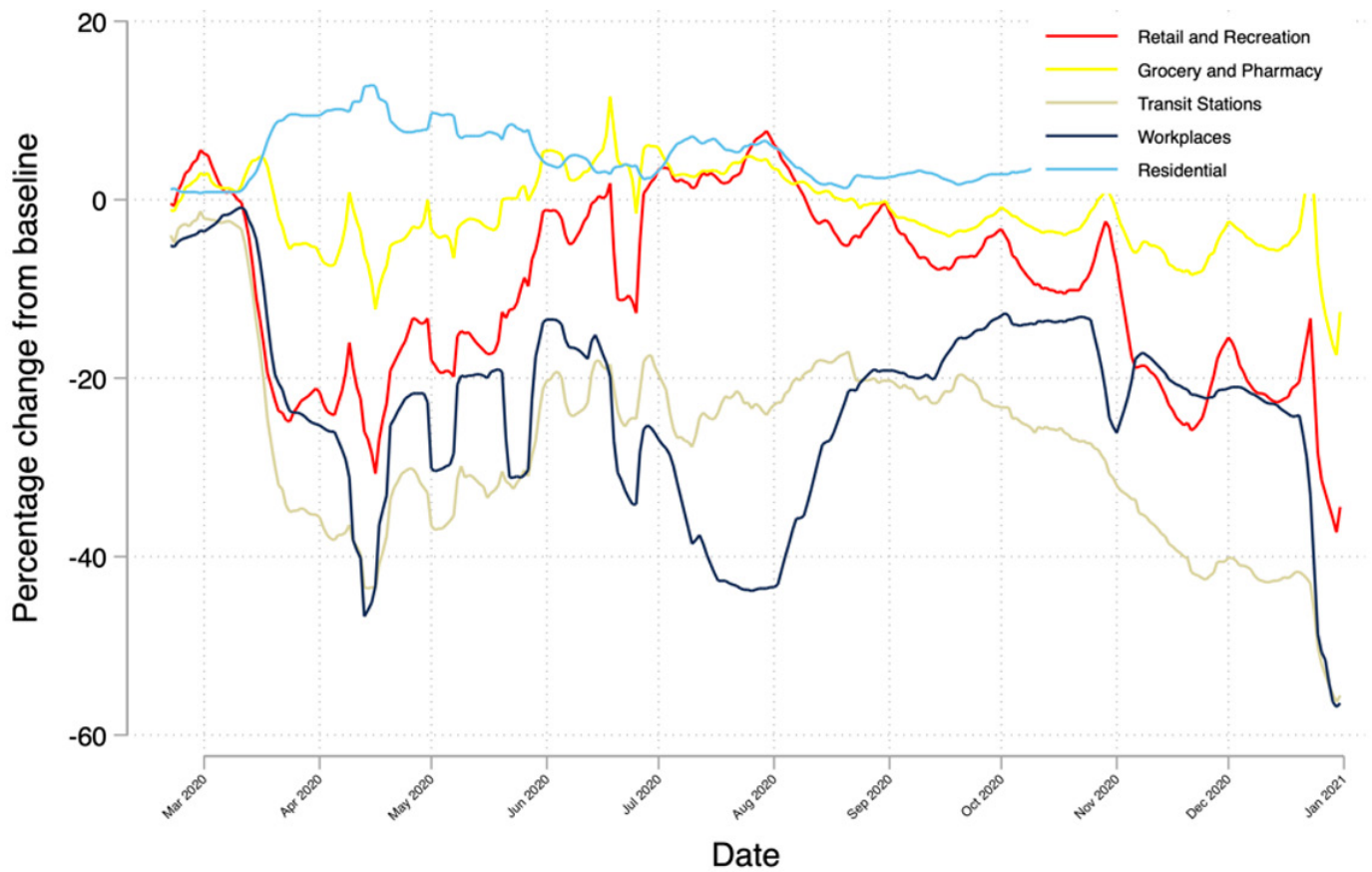
Figure 1. Health responses



Source: Source: Thomas Hale, Noam Angrist, Rafael Goldszmidt , Beatriz Kira , Anna Petherick, Toby Phillips, Samuel Webster, Emily Cameron-Blake, Laura Hallas, Saptarshi Majumdar, and Helen Tatlow. (2021). "A global panel database of pandemic policies (Oxford COVID-19 Government Response Tracker)." *Nature Human Behaviour*. <https://doi.org/10.1038/s41562-021-01079-8>. OWID's definition: "The Stringency Index is a composite measure based on nine response indicators including school closures, workplace closures, and travel bans, rescaled to a value from 0 to 100 (100 = strictest). If policies vary at the subnational level, the index is shown as the response level of the strictest sub-region."

Some more personal observations from the authors living in the Swedish capital Stockholm suggest that what is proposed or recommended in Sweden is not always consistent with behavior on display in the city. On many occasions, large groups of people gathered outside restaurants and in public spaces with seemingly limited observance of any recommendations. Later on in the pandemic when it was (finally) recommended to wear face masks in public transport and other enclosed spaces with limited possibilities to keep distance, a vast majority did not wear masks. When people go shopping, many come in groups, with children, and wear no face masks, contrary to general guidelines and signs at the stores.

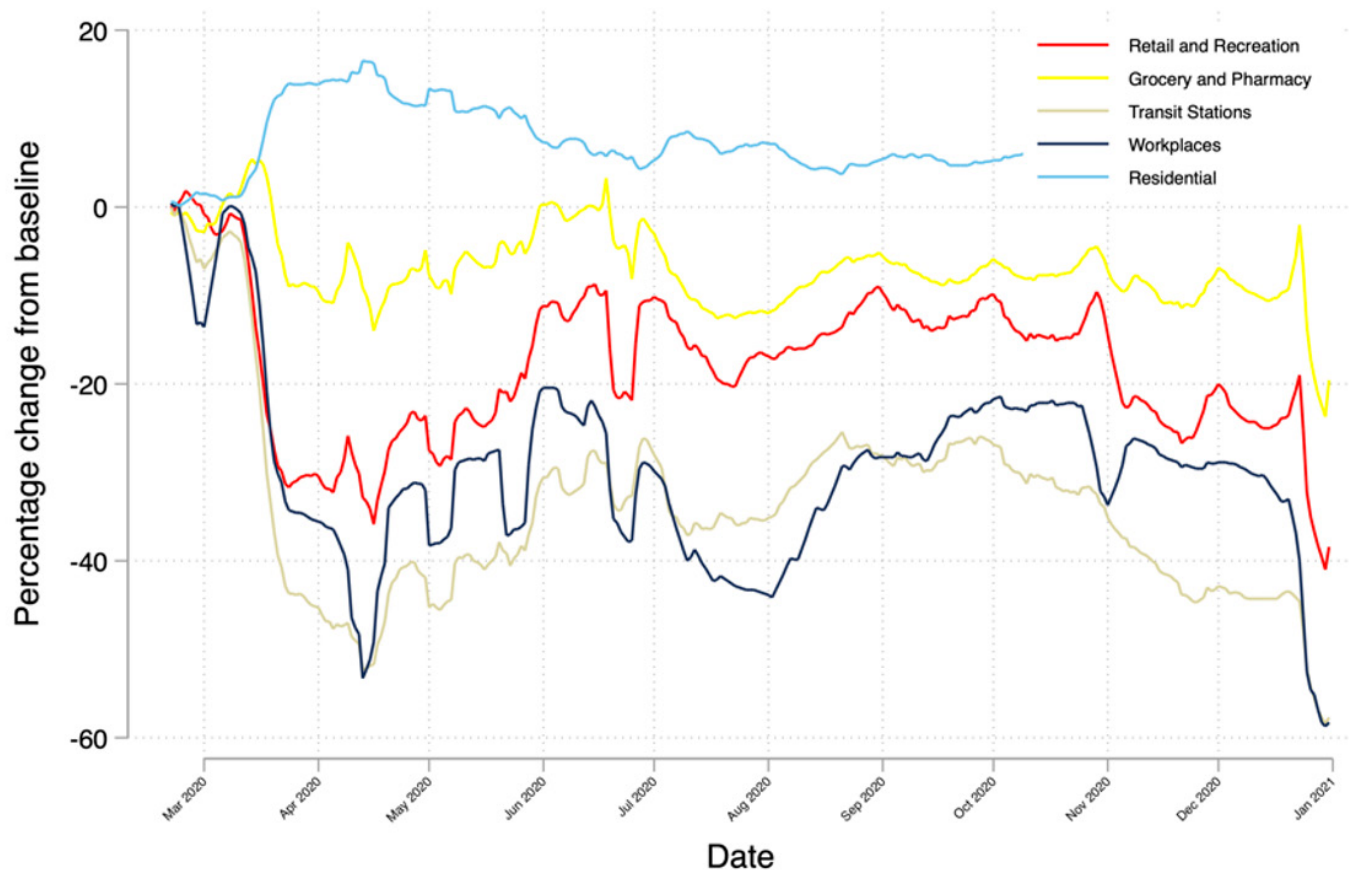
Figure 2. Mobility in Sweden



Source: Google Mobility Data. The google mobility reports measure visits and length of stay at locations compared to a baseline value. The baseline is defined as the median value on the corresponding day of the week during the five-week period between Jan 3 – Feb 6, 2020.

Although mobility data in Figures 2 and 3 suggest that Swedes reduced travel in line with other Nordic countries at the onset of the pandemic, there is no hard data on how people have followed recommendations more generally. However, many would agree that the communication, implementation, and adherence to recommendations have not always been great in Stockholm or Sweden. In short, many take their individual freedoms seriously (consistent with the Swedish model) but not the external effects this entails in a pandemic.

Figure 3. Mobility in Stockholm



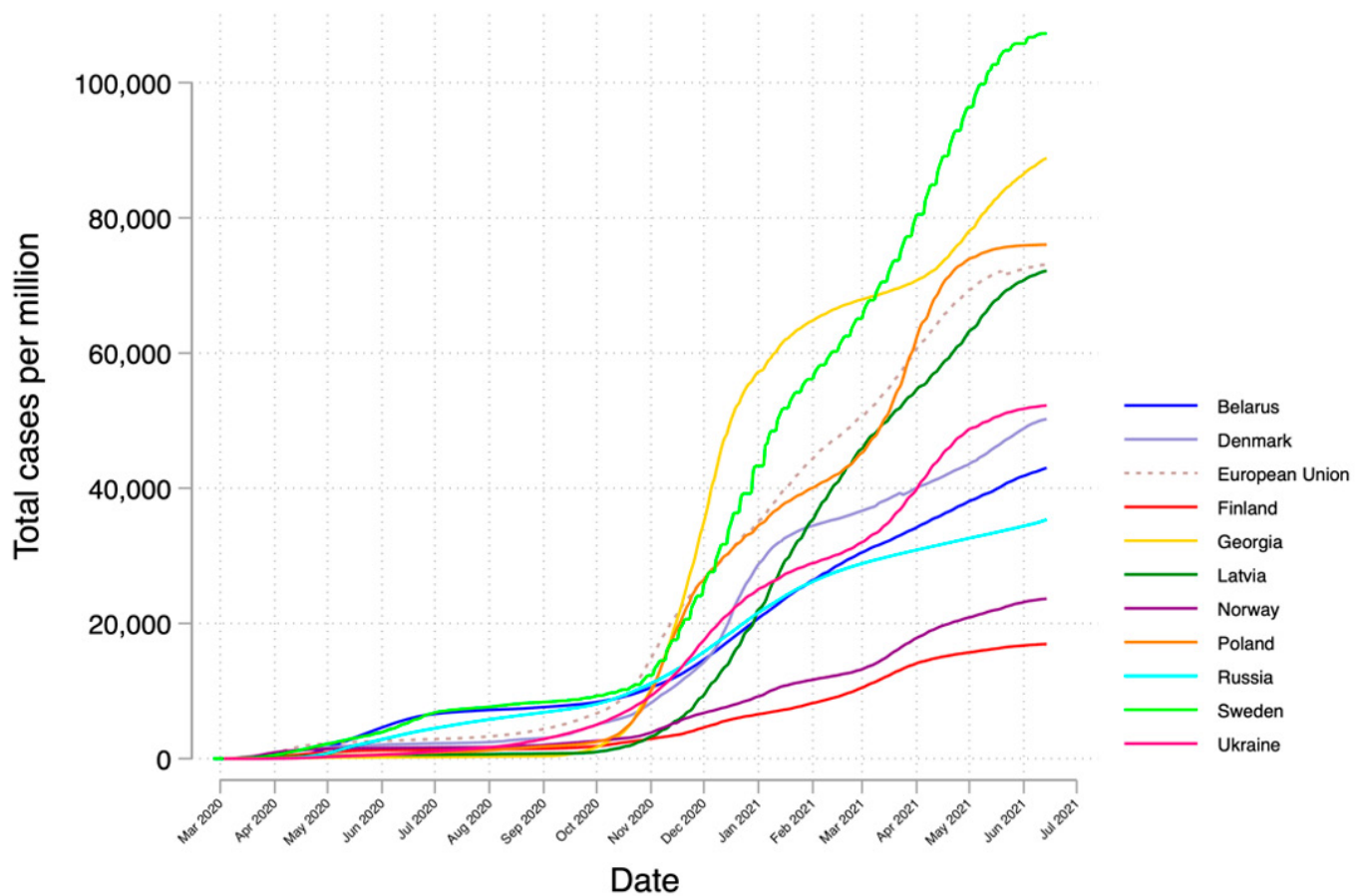
Source: Google Mobility Data. The google mobility reports measure visits and length of stay at locations compared to a baseline value. The baseline is defined as the median value on the corresponding day of the week during the five-week period between Jan 3 – Feb 6, 2020.

4.2. Outcomes

We will now turn to the official health statistics that are often used to describe different countries in the pandemic. We are very much aware of the fact that the statistics we receive and show here is a function of country-specific factors related to testing and reporting, which will affect the available data. For example, if countries are not testing on a large scale (like Sweden in the early phase), infection rates will be less certain and lower than in countries with more testing. In the case of Sweden for example, testing went from 750 PCR-tests in February to 75000 in June, both because of the spread of the virus and the capacity and willingness to test. However, since this is the data most frequently used for international comparisons, we use this here as well.

Starting with the number of cases, Sweden has consistently been at the high end of the spectrum in the set of countries that we include here. As this is written in mid-June 2021, over 1 million Swedes have tested positive for the corona virus, which amounts to over 100,000 infected per million citizens (Figure 4). The average for the other countries is about half of that, close to Denmark and if we look at the other Nordic countries, Finland and Norway is at a fifth of the Swedish number. Sweden has clearly not been successful in containing the spread of the virus on the face of these numbers.

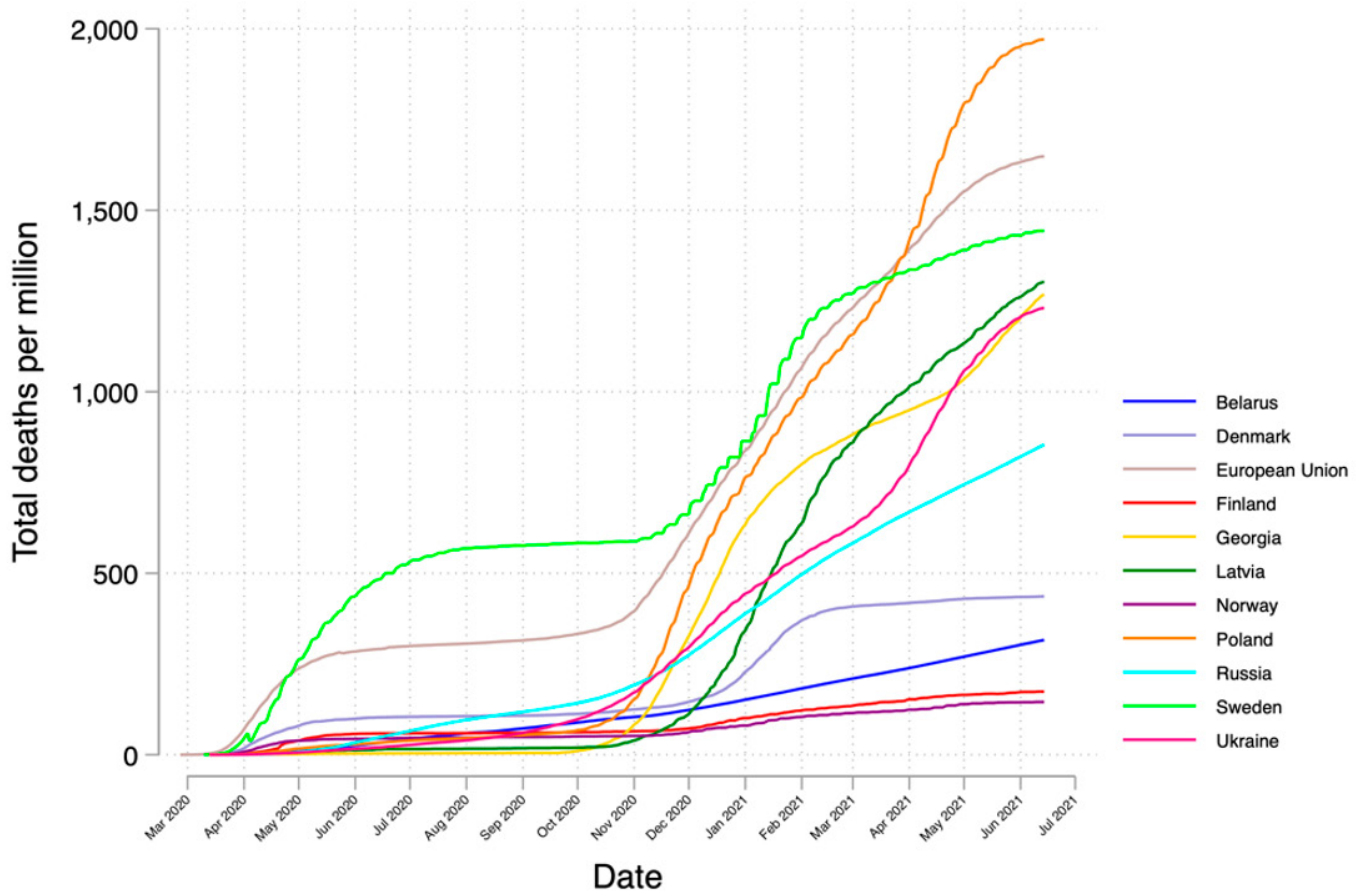
Figure 4. COVID-19 infections



Source: Aggregated data sources from the COVID-19 Data Repository by the Center for Systems Science and Engineering (CSSE) at Johns Hopkins University, compiled by Our World in Data.

But perhaps Sweden has been able to limit deaths from the virus by being “prepared” as stated by the Public Health Agency, or because of a superior health care system in general, or other underlying factors? There is some evidence pointing in this direction given that Poland and the EU on average have fewer cases but more deaths per million than Sweden (Figure 5). However, the Swedish death rate of almost 1500 per million is around five times higher than in Norway and Finland, so there is not much comfort in these numbers from a Swedish perspective either. Again, there have been several indications that death numbers in some countries are significantly understated but we do not think this is the case for the other Nordic countries to such a great extent that it could change the overall picture of a very high death toll in Sweden compared with its Nordic neighbors.

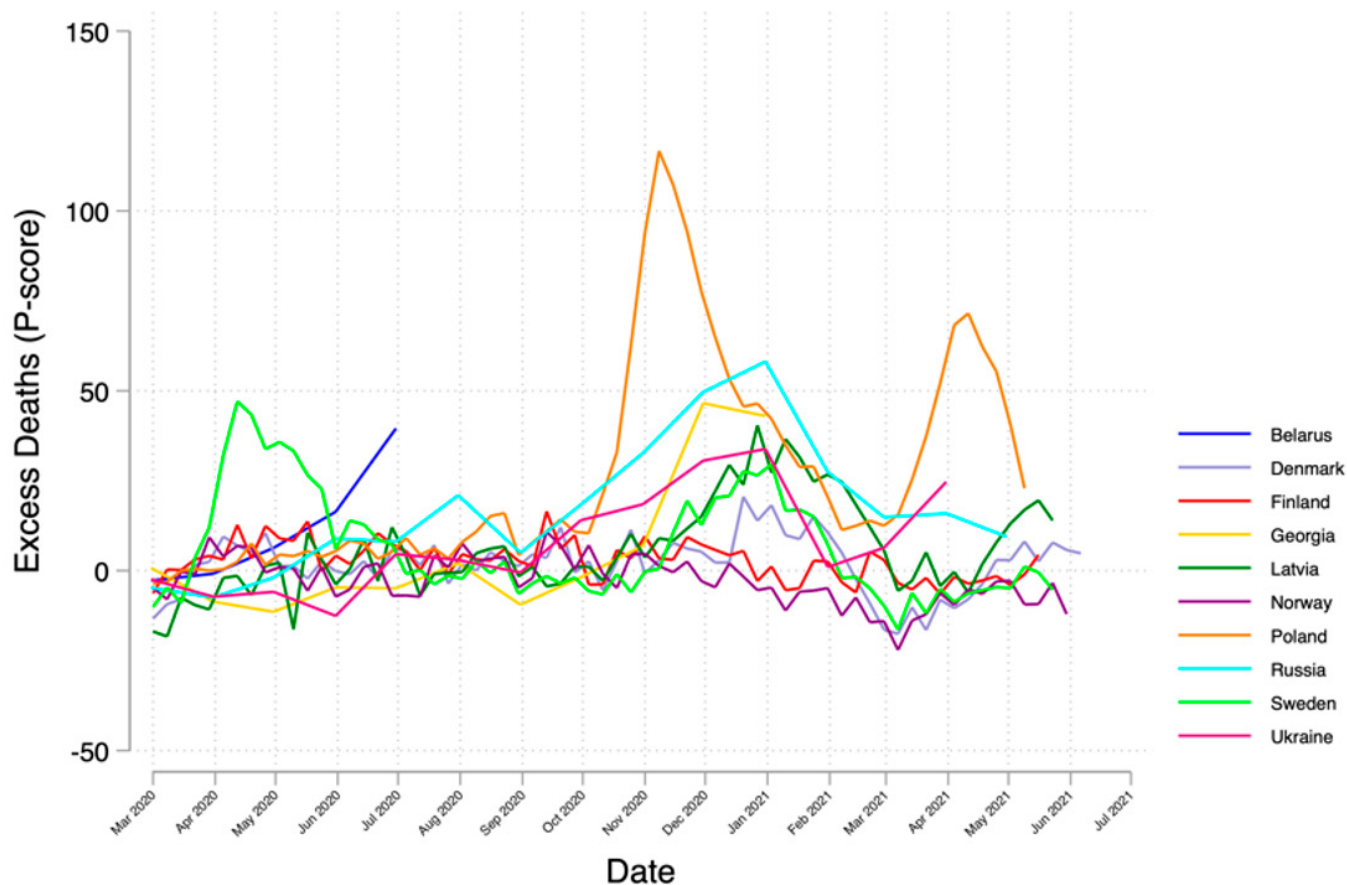
Figure 5. COVID-19 deaths



Source: Aggregated data sources from the COVID-19 Data Repository by the Center for Systems Science and Engineering (CSSE) at Johns Hopkins University, compiled by Our World in Data.

One way of handling under-reporting of COVID-19 related deaths is to look at excess deaths p-score. This measures the percentage difference between the weekly number of deaths in 2020-2021 and the average number of deaths in the same week over the years 2015-2019. This calculation also requires assumptions and are not without its problems when looking at an individual year, since the number of deaths vary over years for several reasons. Nevertheless, it can provide a more testing- and diagnostic-neutral way of measuring the health impact in the pandemic. Figure 6 shows the excess deaths p-score for our sample of countries, where Sweden indeed stands out with very high death numbers in the early phase of the pandemic with an increase of close to 50 percent in deaths, but that in the later phases, the Swedish numbers are more in line with other countries in this sample.

Figure 6. Excess deaths



Source: Human Mortality Database & World Mortality Dataset compiled by Our World in Data.

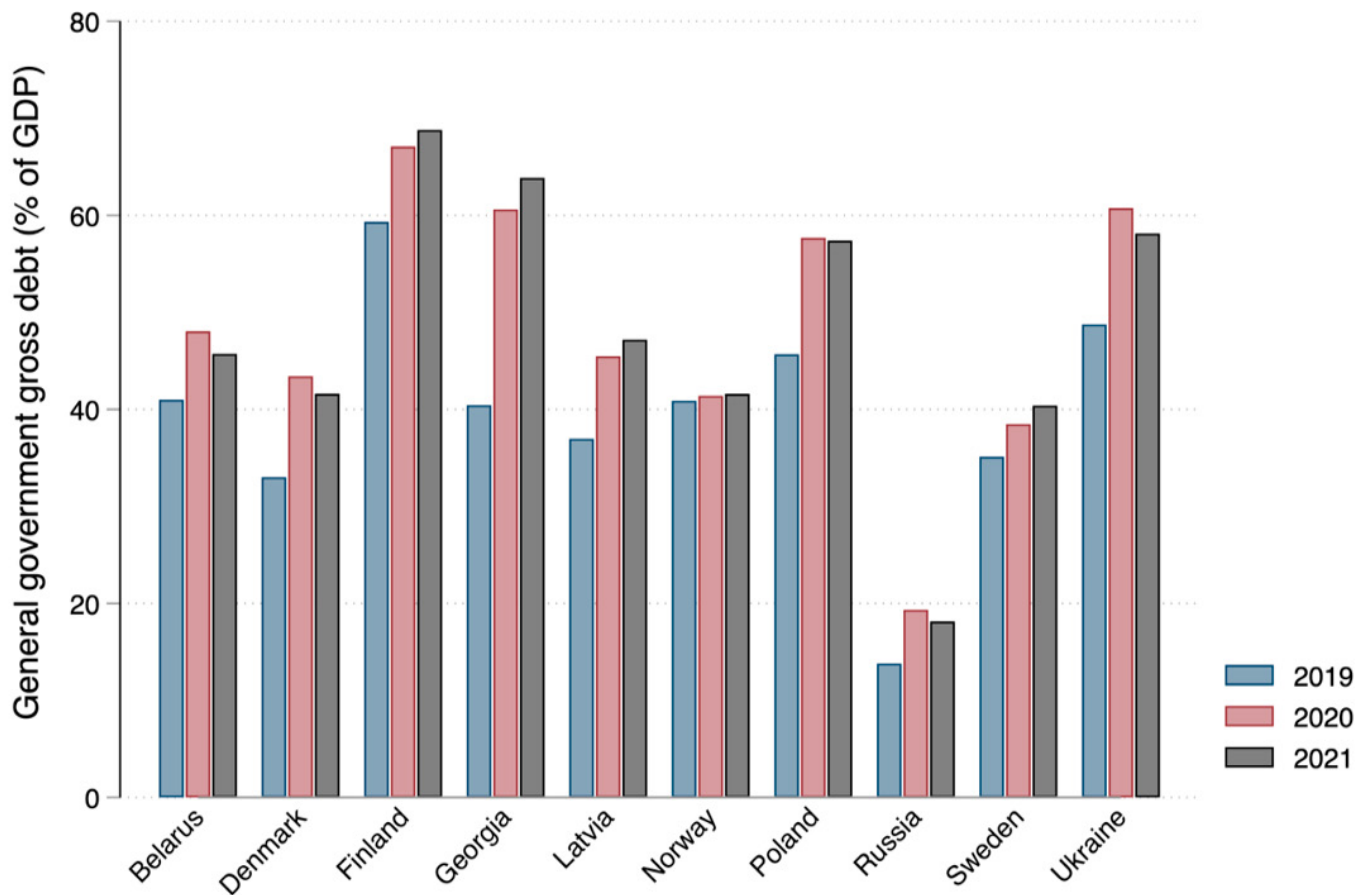
5. The economic policy responses and outcomes

Although the pandemic is foremost a health crisis, there is a lot of focus on how economies are doing in the wake of the protective measures that governments have taken all over the world. In this section, we will outline the economic policy response in Sweden and provide some macroeconomic indicators that are often used to evaluate the economic impact of the pandemic. As with the health statistics discussed above, economic indicators also have their shortcomings when it comes to assessing the real economic impact of the crisis. However, we will start by taking the indicators at face value, but then also discuss when they are not providing the full, or “correct”, picture.

5.1. Policy responses

Sweden entered the pandemic with a favorable public debt situation which provided the government with ample fiscal space to provide support to the economy. For many of the comparator countries shown here, this was also the case at a first glance. However, we should remember that debt to GDP ratios are not necessarily comparable across countries with different fiscal capacity. Nevertheless, the ratios shown in Figure 7 are well below the 100 percent plus ratios seen in many high-income countries and in many cases well below the 60 percent that the EU sets as a limit. The figure shows that countries have in general used their fiscal space to support their economies in the crisis but perhaps in a less dramatic fashion than we would expect given the health impact of the pandemic and media reporting. For Sweden, the forecast is that the debt to GDP ratio will stay below 40 percent.

Figure 7. Government debt



Source: IMF Economic Outlook Database, April 2021.

Given the favorable pre-pandemic debt level, it is not surprising that the Swedish government is providing substantial fiscal support to many sectors of the economy. Table 1 shows measures to support capital and liquidity which sums to almost 1000 billion SEK, or around 20 percent of GDP. The idea is of course that this in the end will not lead to actual costs for the government at this level, but the amounts are no doubt very large.

Table 1. Fiscal measures part 1

Capital and liquidity enhancements and guarantees	SEK Billion
Capital Gain	Amount
Capital gain state enterprises	10
Total	10
Guarantees	Increase
National companies acutely 2020	100
National companies acutely 2021	50
SEK (125-200)	75
EKN (450-500)	50
The European Investment Bank and SURE	20
Airlines	5
Total	300
Liquidity Enhancement	Max Amount
Deferment tax account	669
Additional tax deferment	7
Accrual fund	13
Total	689

Source: Ministry of Finance, 15th of April 2021. <https://www.regeringen.se/4972c4/globalassets/regeringen/dokument/finansdepartementet/pdf/2021/varbudget-2021/tabell-2-atgarder-med-anledning-av-pandemin.pdf>

The other part of the fiscal measures in Table 2 is more closely related to what we can expect to be the actual costs for the government at the end of the pandemic. This includes measures that are directly related to increased costs of health care and fighting the spread of the virus, but the bulk of these fiscal measures are targeted at saving companies and jobs. In total this amounts to almost 10 percent of GDP.

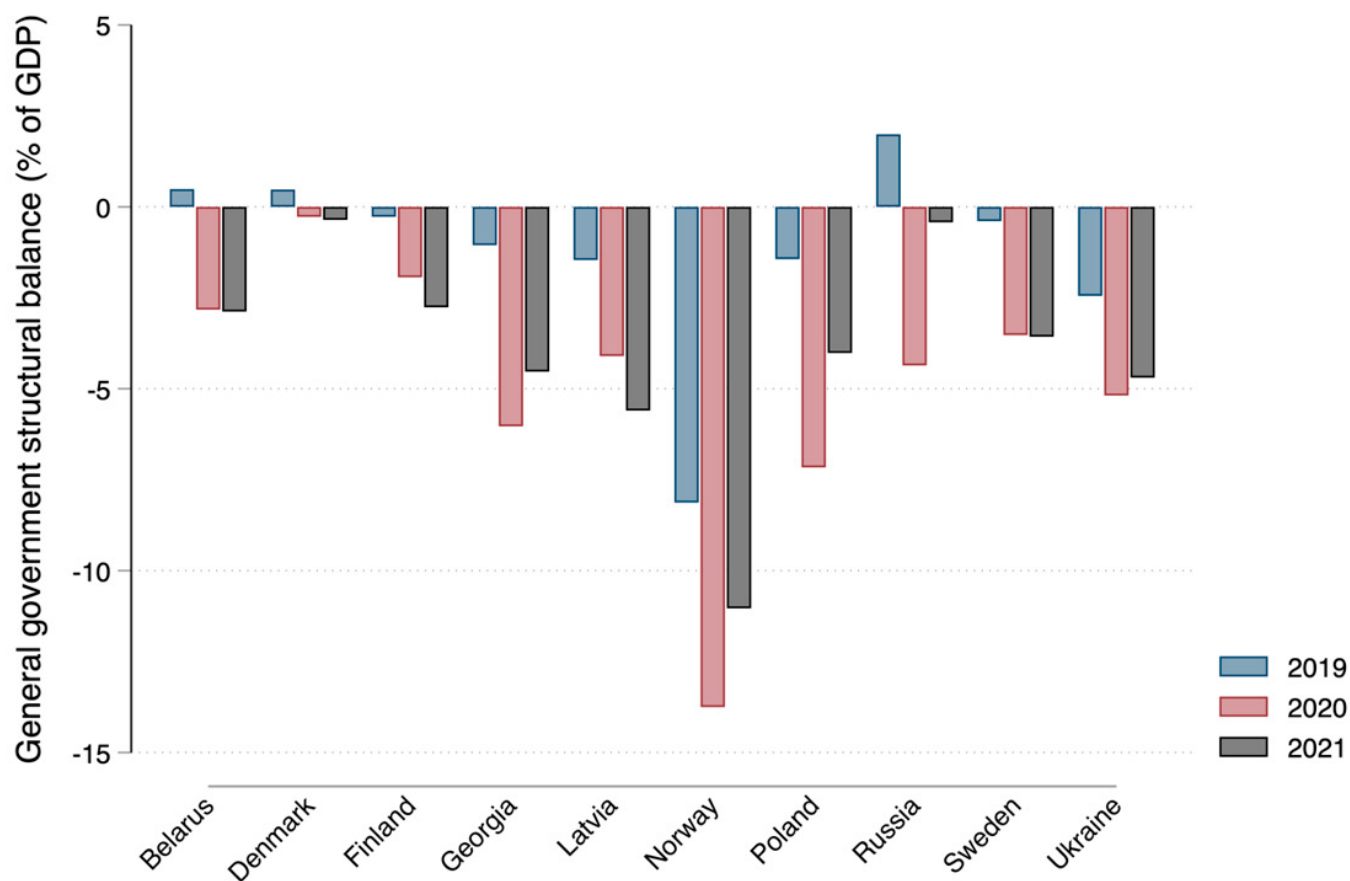
Table 2. Fiscal measures part 2

Policy measures (SEK Billion)	2020	2020 (thereof budget proposition 2021)	2021 (thereof budgetary changes)	Total 2020-2021
More resources for the welfare and reduced contamination				
General government grants to municipalities and regions	21	10	12,5	43,5
Compensation for additional costs in health care	10		11	21
Deferred care and covid-care		4	2	6
Testing and contact tracing, etc.	8,3	2	10,1	20,4
Fast and safe vaccination			8,7	8,7
Safer elderly care		4		4
Sickness benefit standard deductions, medical certificates, risk and disease carrier, etc.	6,7	0,8	2,7	10,2
Other contributions to health care, education and social services etc.	0,5	4,5	1	6
Crisis support to save Swedish jobs and businesses				
Short-term furloughs	35,1		23,7	58,9
Reduced payroll taxes, gross	33			33
Redundancy support, sales support, etc.	6	3,5	44,7	54,2
Sick pay responsibility, rent assistance, etc.	16,1	3,8	14,5	34,4
Sports, culture, media support	4,7	1,9	6,4	12,9
Safety and conversion for those who become unemployed				
Enhanced UIF	5,3	5,7	1,1	12,2
Active labor market policies and more training places	6,6	8,3	6,2	21,1
Other	0,6	0,1	1	1,7
Working Sweden out of the crisis together				
Powerful green economic restart	3	8,9	1,8	13,7
More to come into work		23,6	2,9	26,5
The whole country will grow		5,2	0,4	5,7
Sweden to be a safe country for all		3,3	0,4	3,8
Strengthening of household finances		11,4		11,4
Other measures	4,2	4,5	2,6	11,3
Overall	161	105,4	153,8	420,3

Source: Ministry of Finance, 15th of April 2021. <https://www.regeringen.se/4972bb/globalassets/regeringen/dokument/finansdepartementet/pdf/2021/varbudget-2021/tabell-1-atgarder-med-anledning-av-pandemin.pdf>

However, the projected fiscal deficits in Sweden for 2020 and 2021 are only around 3-4 percent (Figure 8), which seems rather modest given the severity of the pandemic. In Norway, the strict health response was accompanied by a larger government deficit. However, the deficit in Norway was already the largest pre-pandemic due to how its economy is working, so the increase in the pandemic is somewhat less extreme than what the deficit number for 2020 suggests. Our other Nordic neighbors followed much more conservative policies, with Denmark showing little deterioration of the fiscal balance. Finland on the other hand started out with a higher public debt than Sweden and is relatively conservative in its fiscal response.

Figure 8. Fiscal balances



Source: IMF Economic Outlook Database, April 2021.

On top of the fiscal response, there are also the measures taken by the Swedish central bank (the Riksbank) in Table 3. As we saw in the inflation chart, there are many reasons for a central bank with the mandate to keep inflation at two percent and maintain financial stability to act in the pandemic. The measures do not generally have specific amounts but the Riksbank as many other central banks have seen a significant increase in its balance sheet over the last year. In a broader international comparison, the balance sheet of the Riksbank is still relatively modest at less than 30 percent of GDP. Like the Ministry of Finance, the Riksbank has been able to act forcefully in the pandemic but there have also been calls to limit how much the Riksbank can do in the wake of a crisis more generally. This is linked to a review of the laws governing the Riksbank, where there are calls for limiting how much the Riksbank can decide independently to ensure that it cannot commit too much of Sweden's common resources without well-defined democratic controls from the parliament (Ministry of Finance, 2019). Again, a discussion not totally unrelated to the idea of decentralization and autonomous government agencies versus a strong central government leading the country in a crisis.

Table 3. Central bank measures

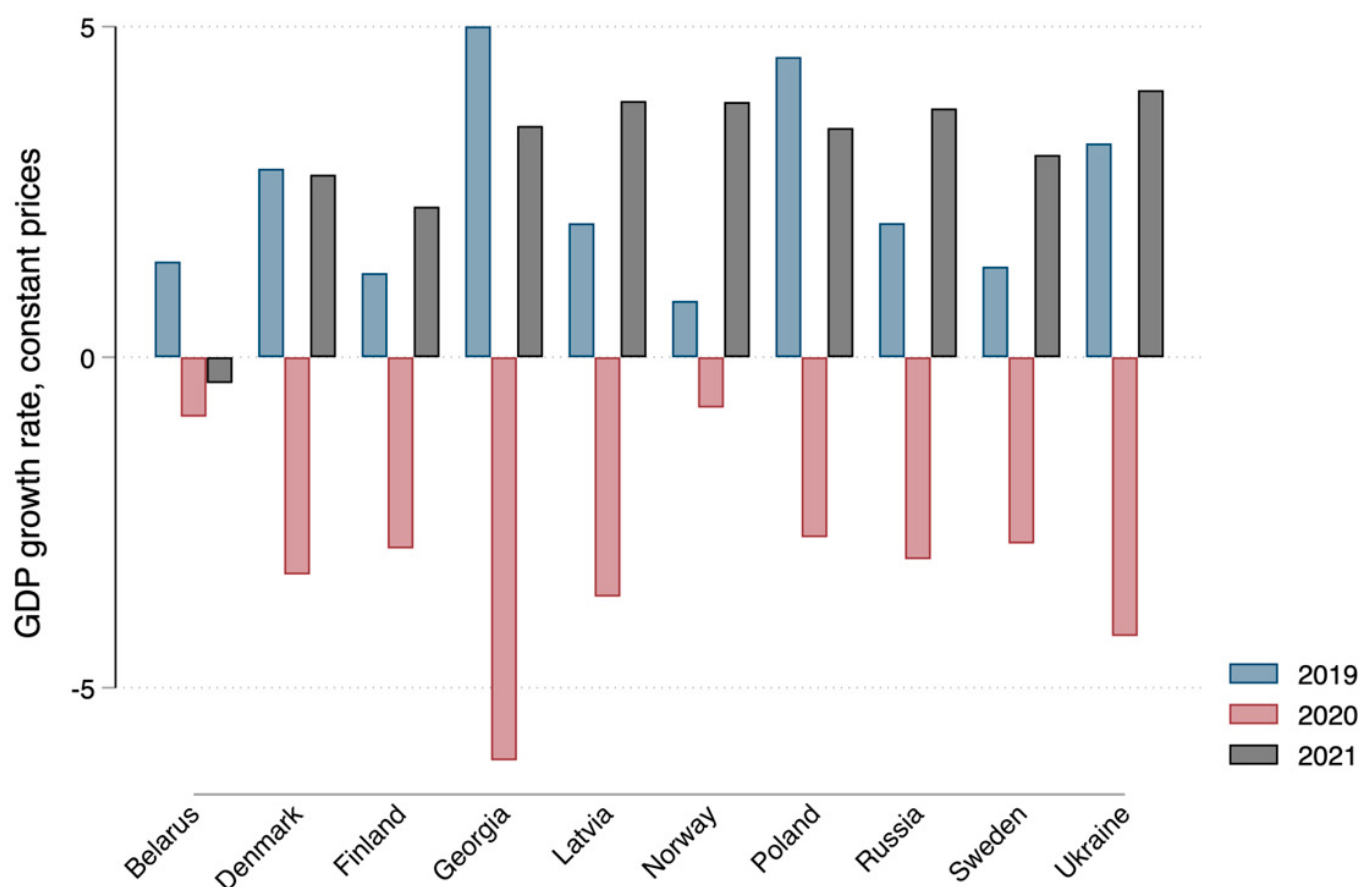
Measure	Start date	End date	Description	Note	Source
Funding to banks to support corporate lending (SEK 500 billion limit)	2020-03-20		Through this programme, the Riksbank is offering banks the opportunity to borrow against collateral to stimulate their corporate lending and mitigate the effects of the coronavirus pandemic on the Swedish economy. The Riksbank may have a maximum of SEK 500 billion in outstanding loans within the envelope for this programme.	On 10 March 2021, the Executive Board decided to stop offering further funding under the programme of loans to banks for onward lending and instead start a new, similar funding for lending programme called Funding to banks to support corporate lending (UBF)	https://www.riksbank.se/en-gb/monetary-policy/monetary-policy-instruments/loans-to-the-banks-for-onward-lending-to-companies/
Extended purchases of securities	See note	2021-12-31	The Riksbank intends to purchase securities in an amount of up to SEK 700 billion, up to 31 December 2021, in addition to the purchases planned prior to the pandemic. The aim is to facilitate credit supply and mitigate the downturn in the economy. This includes purchases of government bonds, treasury bills, covered bonds (mortgage bonds), municipal bonds and corporate securities (commercial paper and corporate bonds).	The start date of purchase differs depending on the security. Government bonds since 2015-02-01, treasury bills since 2021-01-01, covered bonds since 2020-03-01, municipal bonds since 2020-04-01, corporate bonds since 2020-09-01, and commercial paper since 2020-04-01.	https://www.riksbank.se/en-gb/press-and-published/updates-on-the-riksbank-and-the-coronavirus-pandemic/the-riksbanks-measures-in-connection-with-the-corona-pandemic/
Loans in US dollars	2020-03-19	2021-09-30	The Riksbank is offering the banks the possibility of loans in US dollars against collateral, up to a total of USD 60 billion. The purpose is to increase access to liquidity in US dollars in the Swedish financial system.		https://www.riksbank.se/en-gb/monetary-policy/monetary-policy-instruments/loans-in-us-dollars/
Lending unlimited amounts of SEK against collateral	2020-03-18	2021-05-04	The Riksbank is offering banks the opportunity to borrow an unlimited amount of money on a monthly basis against collateral at three and six months' maturity respectively to the repo rate. This is to facilitate their financing and safeguard their role as credit suppliers to Swedish companies.		https://www.riksbank.se/en-gb/monetary-policy/monetary-policy-instruments/weekly-market-operations-at-longer-maturities-in-kronor/
Increased number of banks that have the possibility to borrow money from the Riksbank	2020-03-26		The Riksbank grants Swedish credit institutions under the supervision of Finansinspektionen the opportunity to become temporary monetary policy counterparties to the Riksbank. Also temporary monetary policy counterparties will be given the opportunity to participate in the programme for lending to non-financial companies via banks.	Temporary monetary policy counterparties: - Sparbanken Alingsås AB - Sparbanken Skåne AB (publ) - Sparbanken Skaraborg AB (publ) - Tjustbygdens Sparbank - Bankaktiebolag - Volvofinans Bank AB	https://www.riksbank.se/en-gb/monetary-policy/monetary-policy-counterparties/temporary-monetary-policy-counterparties/
Eased collateral requirements when borrowing from the Riksbank		2024-12-30	The Riksbank has eased the requirements regarding the collateral the banks can use when borrowing from the Riksbank. The reason is that the banks' access to liquidity in Swedish krona may need strengthening in connection with the coronavirus pandemic.		https://www.riksbank.se/en-gb/payments--cash/the-payment-system---rix/collateral/
Reduced overnight lending rate to banks	2020-06-30		The Riksbank has reduced the overnight lending rate loans to banks from +0.75 percentage points (prior to the pandemic) to the repo rate +0.10 percentage points to ensure that the overnight rate on the market for Swedish krona is close to the repo rate. This measure has been taken also to make it less expensive for the banks to have access to overnight loans.		https://www.riksbank.se/en-gb/press-and-published/updates-on-the-riksbank-and-the-coronavirus-pandemic/the-riksbanks-measures-in-connection-with-the-corona-pandemic/

Source: Sveriges Riksbank, last updated 6th of June 2021

5.2. Outcomes

The questions are then how much economic pain the pandemic has inflicted or how the policy measures have been able to mitigate these effects. GDP growth is the standard measure of how income for a country develops over time and is a commonly cited statistic in the pandemic as well. Figure 9 shows data for 2019 to 2021 from the IMF's World Economic Outlook in April of 2021. It is important to note that 2021 is obviously still a forecast, but in some cases, also 2020 is subject to revisions. The first observation is that all countries in this group experienced negative growth in 2020. The magnitudes vary from rather modest declines of GDP in Belarus and Norway to a decline of GDP of around 6 percent in Georgia. Sweden's GDP fell by 2.8 percent, which is close to the average for the group. Already here it is clear that the pandemic-related measures of lock-downs and travel restrictions are not a very good predictors of the economic outcomes of countries in the short run and it is also clear that Sweden does not really stand out in either a positive or negative way in this group of countries when simply looking at GDP growth.

Figure 9. GDP growth

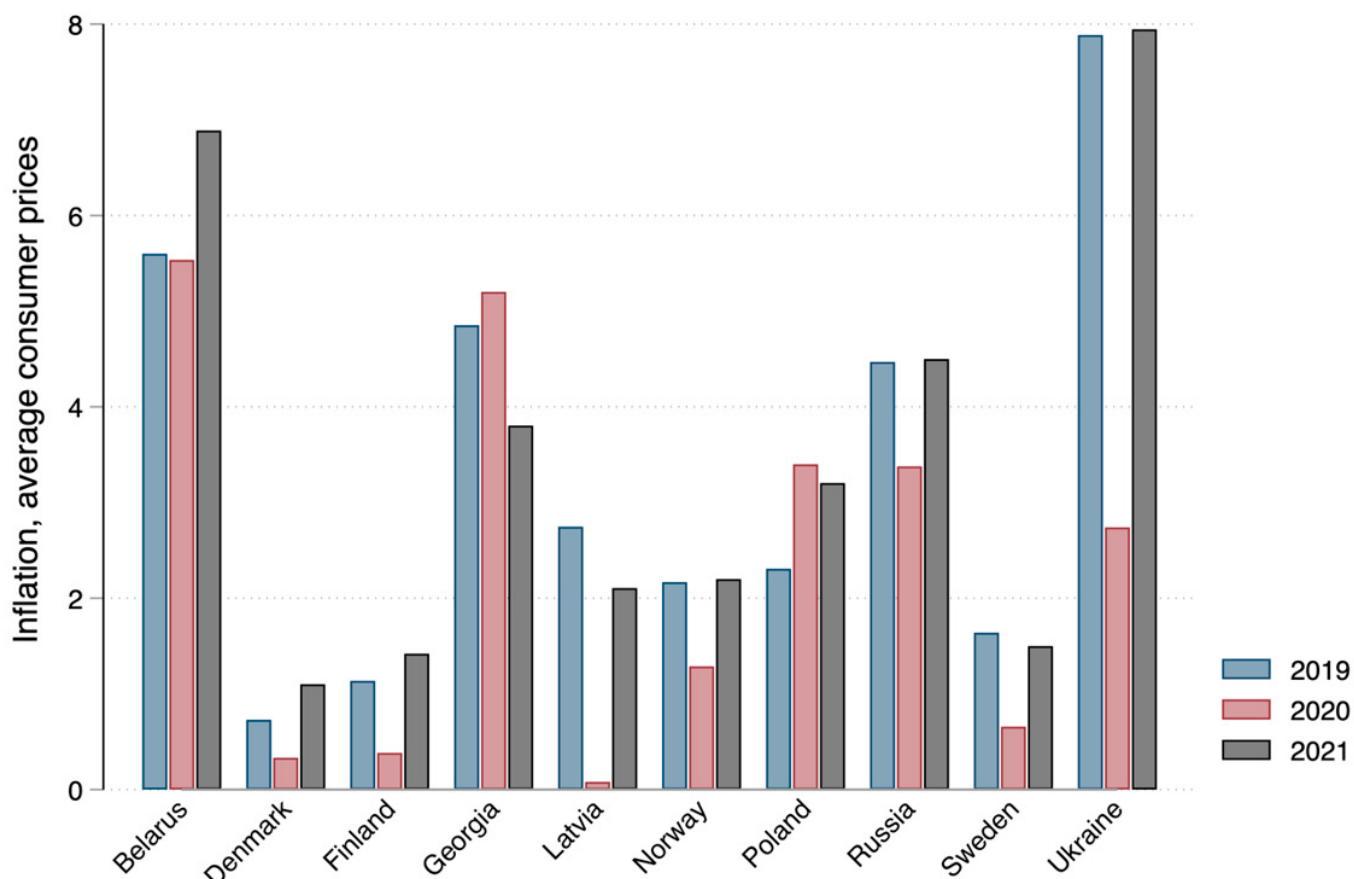


Source: IMF Economic Outlook Database, April 2021.

Many people have noted that pre-pandemic industry structures will have a great influence on the GDP impact on the macro level. In addition, countries such as Russia that have been subject to large terms of trade changes in the pandemic will have GDP measures that may be computed correctly but do not really capture the full impact of the pandemic. Becker (2021) shows that more reasonable measures of trade for Russia would have resulted in a GDP drop of 9 percent rather than the modest 3 percent shown in official statistics. If a pandemic affects relative prices more generally, measures such as real GDP (that focus on volumes rather than prices) may be distorted in many countries, including Sweden. Furthermore, the crisis has hit different sectors, companies, and individuals very differently which is obviously not shown in the macro aggregates.

The GDP declines and associated drops in demand have also impacted inflation negatively in most countries (Figure 10). In the group of countries we show here, there are two exceptions, Georgia and Poland, that saw modest increases in inflation. Sweden was already before the pandemic below its target of 2 percent, and in 2020, it fell below 1 percent. The measures taken by the Riksbank should be seen in light of this. The IMF projections are for rebounds in inflation in most countries to pre-pandemic levels already in 2021, but this could be a bit of wishful thinking for Sweden and other low-inflation countries in this group despite the recent uptick in U.S. inflation.

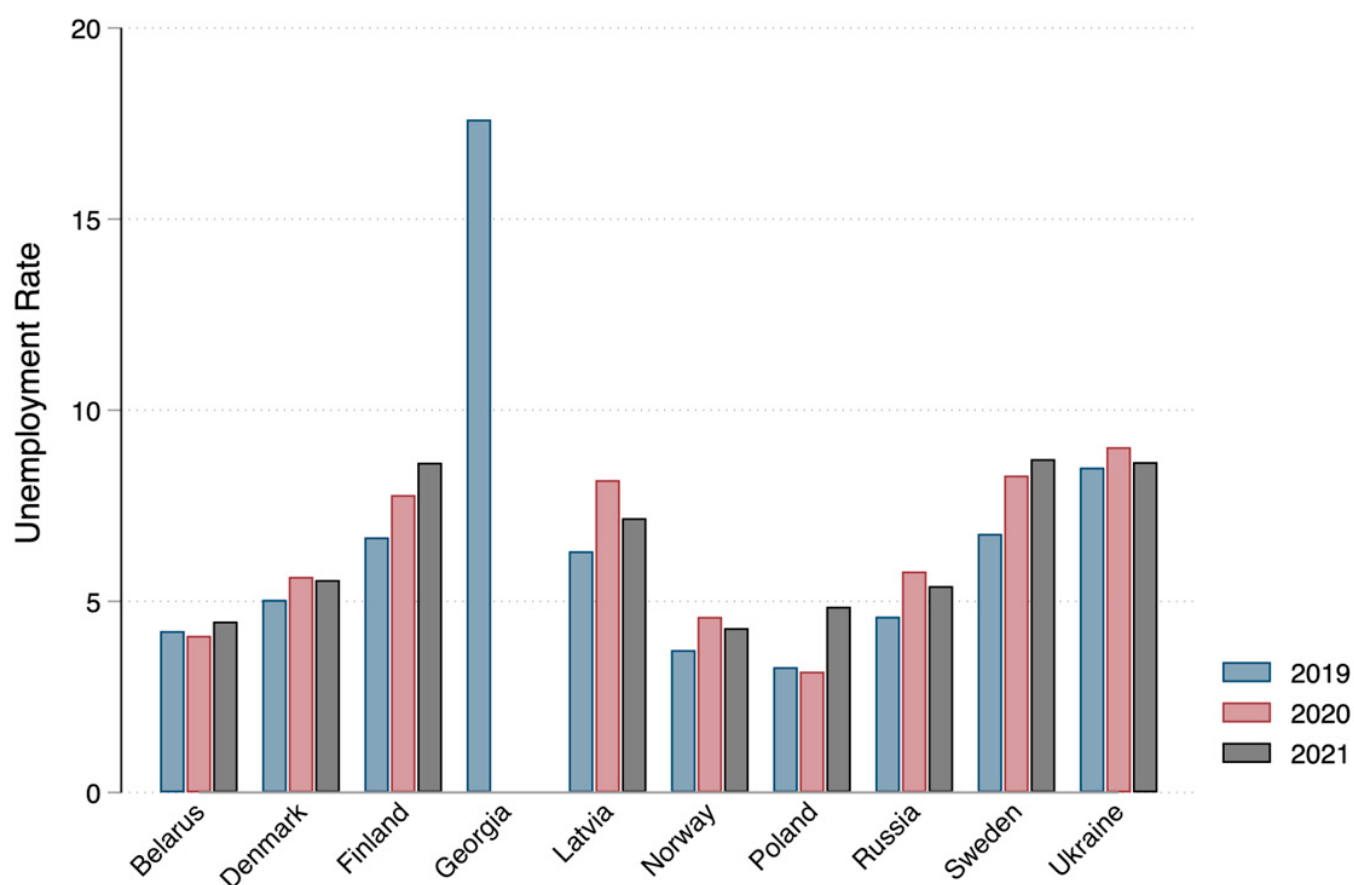
Figure 10. Inflation



Source: IMF Economic Outlook Database, April 2021.

The harder long-term issue for Sweden to deal with in the aftermath of the pandemic is unemployment (Figure 11). Already before the pandemic, unemployment in Sweden was significantly higher than the goal the Social democratic-led government had set. With the pandemic, unemployment increased significantly, in particular in sectors of the economy that employ relatively young and unskilled workers. These jobs have functioned as first jobs for people entering the labor market and the fear is that we are now facing a long-term increase in unemployment since people risk becoming hard to hire even when the economy rebounds. For a welfare state like Sweden, a high unemployment rate that is persistent is a serious challenge since it both adds to the government's costs and lowers tax revenues. The uncertain employment outlook for people that became unemployed in the pandemic could be a major economic cost for Sweden that is very hard to calculate today. It could in the end be a much more significant cost to the economy and state budget than the one-year decline in GDP that we saw in 2020 and associated stimulus packages if it is not handled well.

Figure 11. Unemployment



Source: IMF Economic Outlook Database, April 2021.

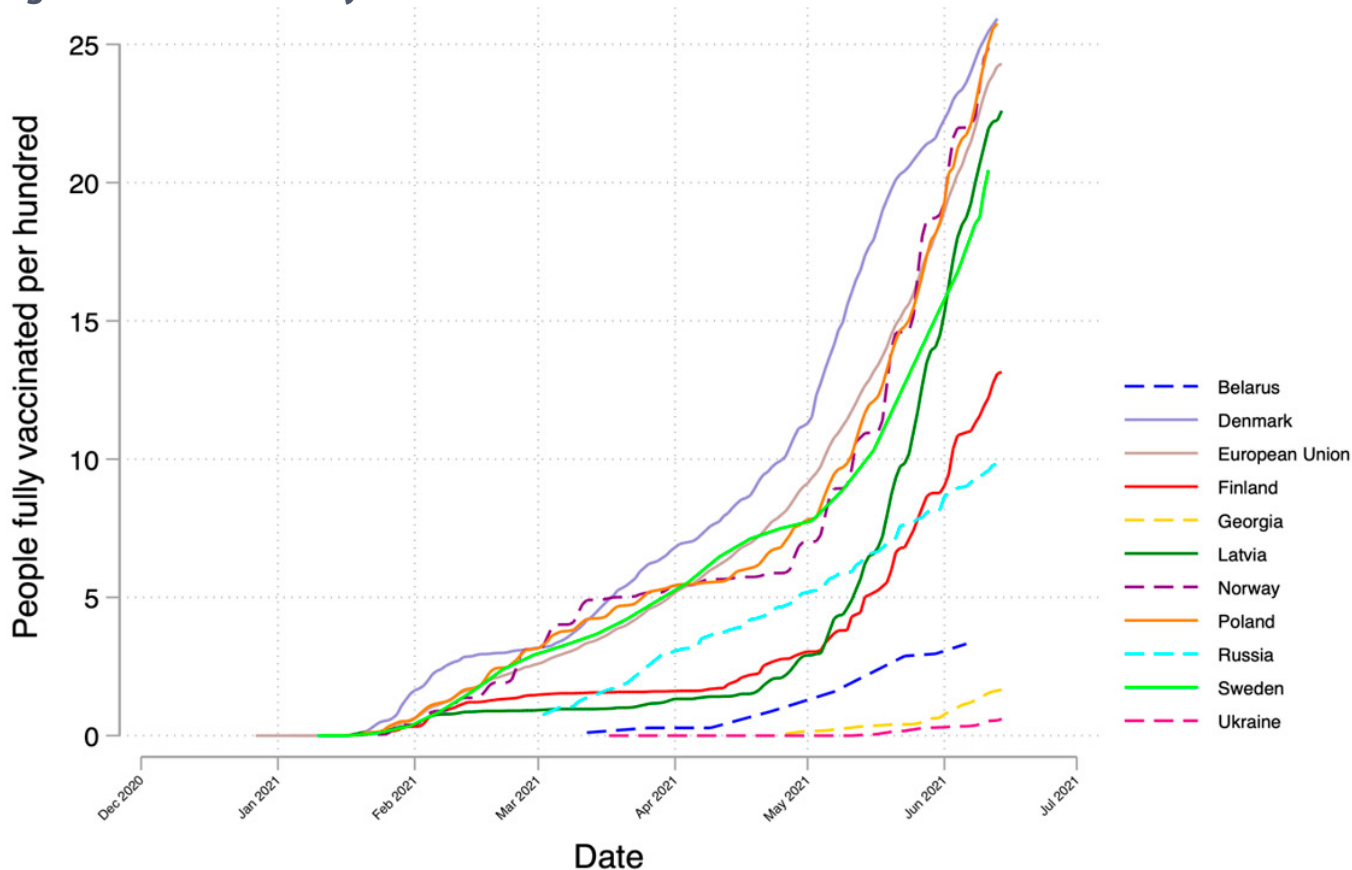
6. Opening up

Vaccination is clearly our best hope when it comes to defeating the virus and being able to open up societies in a way that would allow for a life closer to what we were used to before the pandemic. The initial predictions of vaccines taking years to develop and deploy at a large scale were fortunately wrong, but then the more optimistic scenarios were also tempered by production failures, protectionism, and serious side effects of some vaccines. Nevertheless, Sweden together with other countries have now made significant progress in vaccinating the population. The main constraint in Sweden has been related to the supply of approved vaccines and as this has improved, vaccination rates are going up relatively quickly. Again, there has been significant variations across regions in terms of organization and implementation, which is not surprising in a decentralized health care system, and thus the share of people that have been fully vaccinated in different parts of the country in mid-June range from a low of 18 percent to 34 percent.

The general strategy has been to start vaccinating vulnerable groups, connected to health status and age, as well as medical staff and other health care professionals. Since every region has their own system for getting vaccinated and there are no restrictions on where people can get vaccinated, the general picture is that the process of knowing when and where to get vaccinated and booking times for vaccination has been rather inefficient. If we have now entered a world with a recurrent need for vaccinations, how to organize the whole country in a common system with a much greater capacity than we have seen so far seems to be an easy way for politicians to gain popularity with voters.

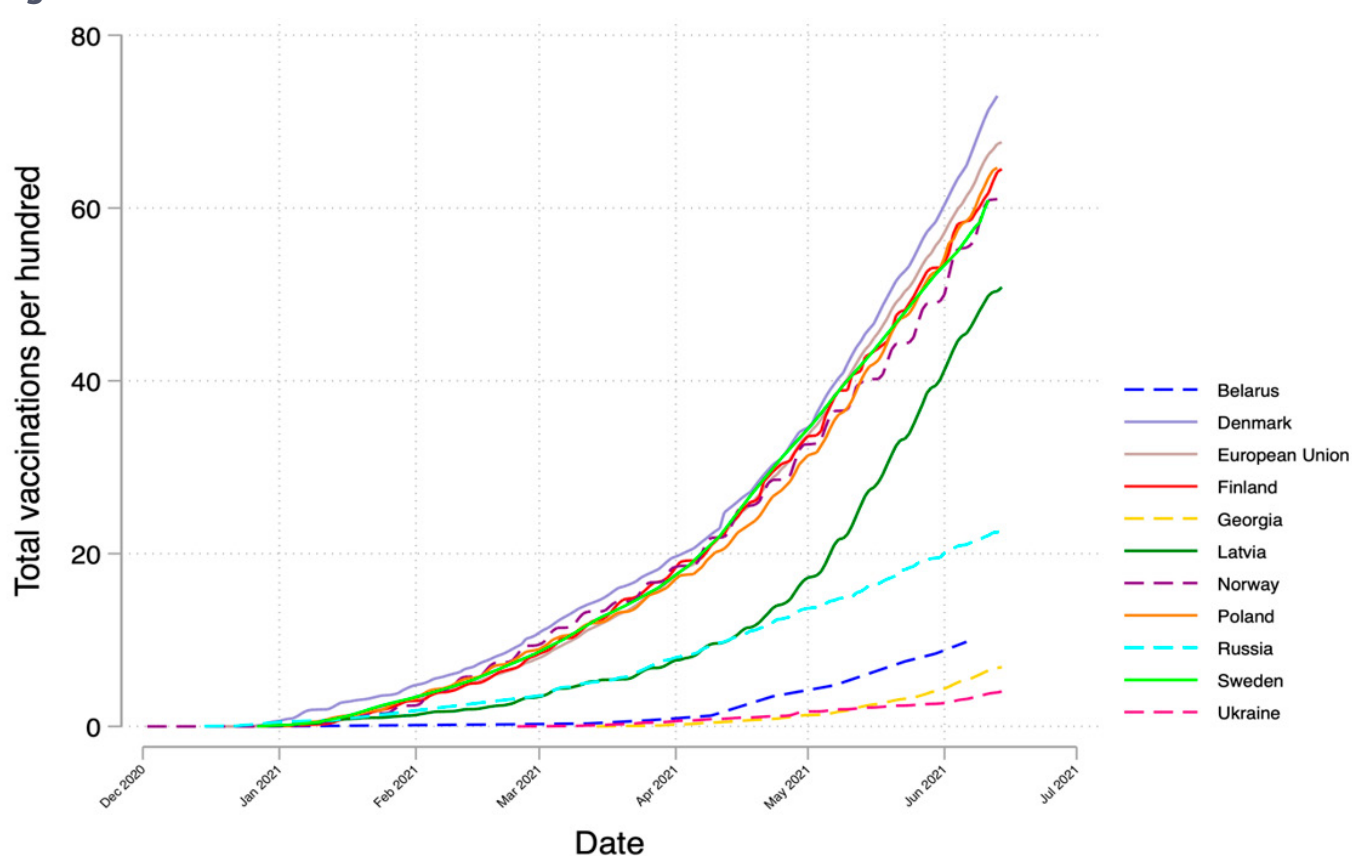
Having said this, the Swedish vaccination data does not look bad in comparison with the countries we focus on here. Vaccinations have progressed more or less in line with the plans and there is a higher acceptance among people in Sweden than in many other countries to get the shots. Again, supply rather than demand has so far limited vaccination efforts in Sweden. This is rather promising and perhaps a display that trust is giving us some advantage in the pandemic compared to countries that rely more on a heavy-handed government.

Figure 12. Share of fully vaccinated



Source: Official data compiled by Our World in Data.. See full source list at: <https://github.com/owid/covid-19-data/blob/master/public/data/vaccinations/locations.csv>

Figure 13. Share of vaccinated with at least one shot



Source: Official data compiled by Our World in Data. See full source list at: <https://github.com/owid/covid-19-data/blob/master/public/data/vaccinations/locations.csv>

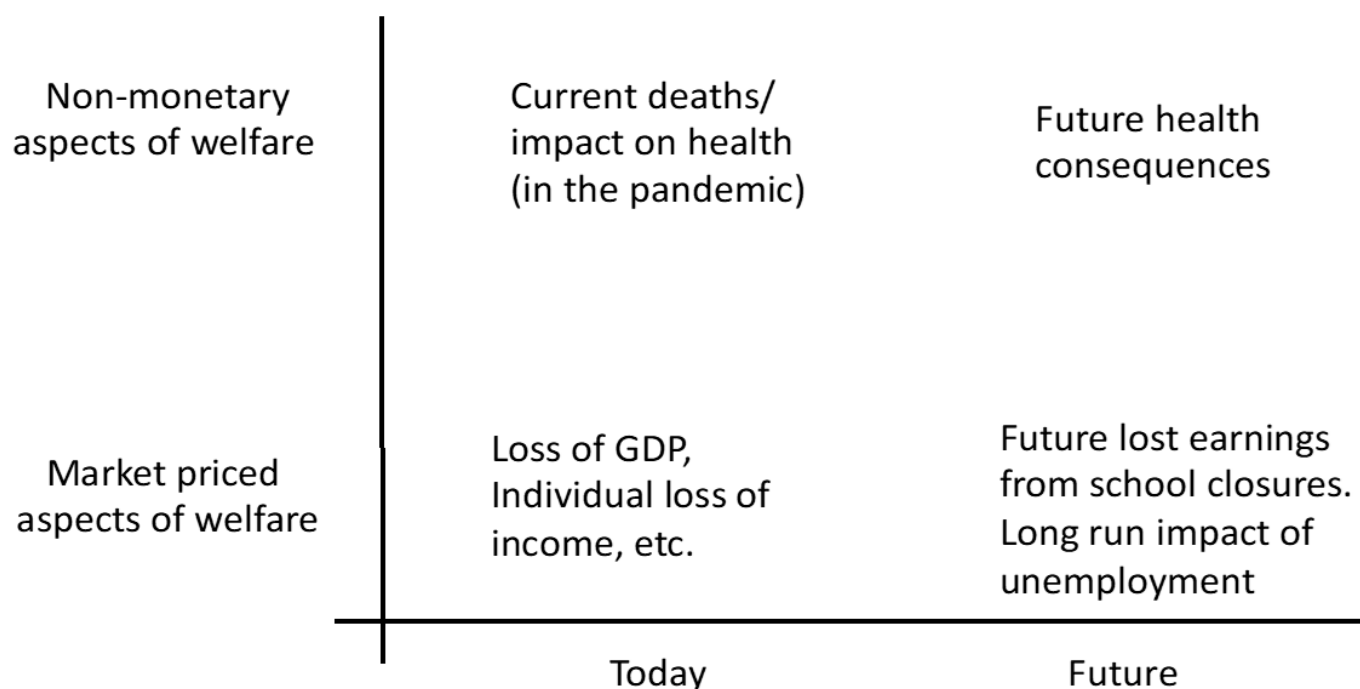
7. The difficulty of aggregating the “total costs” of the pandemic

We have so far discussed a number of pandemic related impacts on society. People have died, many more have been ill, some for very long periods, the economy has suffered and with that individual welfare. Some of these things have long-run consequences. Among much debated issues are the life-time loss of income due to youth unemployment and school closures and/or distance learning (see Sjögren et.al., 2021, for an overview). Other potential long-run consequences include long run health effects and unemployment remaining at high levels even after the economy recovers. How should we think about the total costs of the pandemic? This is clearly a big question and not one that we will attempt to answer. We do, however, think that there is value in putting some structure to it since this can illustrate why there is such disagreement about it.

Figure 14 below illustrates two main dimensions along which different consequences can be placed. Each dimension has its challenges when attempting to sum-up the costs but for slightly different reasons.

First, there is the obvious tension between judging what we may call non-monetary and market-priced aspects of welfare. When faced with the accusation that “*not everything is about money*” economists like to (correctly) point out that economics is not about maximizing money but welfare. This, however, does not take away the fact that choices need to be made while also acknowledging that there are good reasons for not wanting to price everything in life. Second there is the time dimension. Some consequences are visible in the short term, others only with a long lag. This means that we need to discount the value of these future events, and also that we must deal with the uncertainty of these. In addition, one can also add that as these things have not yet come to pass, we can also enact policies to prevent or minimize these adverse future conditions, adding even more complexity to the policy choice.

Figure 14. Different dimensions of the costs of the pandemic



Source: Authors' illustration.

Finally, it is important to note that in relation to deciding on what would be the best policy, agreeing on how to calculate the costs in different dimensions is just a first step. Sometimes it has, unfortunately, been portrayed as if there is a clear trade-off between saving lives and saving the economy. The Economist headline on April 4th-10th 2020 was “*A grim calculus – The stark choice between life, death and the economy*” which by some has been interpreted as if letting the pandemic run free would be the best thing to do with respect to the economy. This is very unlikely. In fact, the clear first-best for the economy would of course be not to have the pandemic at all, and then it is, for example, not impossible

that policies that curb its spread quickly could be better than looser restrictions that cause the virus to spread uncontrollably. Again, our point is not to suggest what is optimal but rather to point out that trade-offs are not likely to be linear. This is of course also true when we discuss how the Swedish model has worked in the pandemic and is a major caveat not only for this paper but for any attempts at ranking how different policies have worked in the pandemic.

8. Concluding remarks

The pandemic is most likely not fully over in the near future given a mutating virus and limited uptake and availability of vaccines around the world. This means not only that we will have to adjust our activities and lives to the virus still for some time, but also that the final verdict on what worked to contain the health and economic impacts will have to wait. That said, we have shown that the Swedish model in the pandemic, but also before the pandemic, has some features that are not always well-understood in international discussions. The Swedish model is based on a strong state that, in many circumstances, only provide support to its citizens to ensure their maximum freedom, trust, and prosperity.

This may work relatively well during normal periods when the free choice of individuals has limited external effects that may be balanced by the gains enjoyed by free choice. In a pandemic, this balance between individual choice and external effects is shifted, and it seems quite clear in comparison with our Nordic neighbors that a more heavy-handed response by a central government that has the tools and ambition to act in the greater interest of the nation at the expense of some individual freedom would have been desirable. This may not be consistent with our long history of a Swedish model based on decentralization and a passive central government, but the pandemic has certainly given us reasons to consider alternative models of governing the country in crises that may indeed have us revise the Swedish model more fundamentally once the pandemic is over.

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