

UNIVERSITY OF STOCKHOLM
Department of Economics
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**Exam for the advanced level course, NE3070/4010/5010.
The Swedish Model – Problems and Prospect of “the Third Way” in the 21st
Century, 5 credit points / 7,5 ECTS
16 March 2014**

Write your identification number on each paper and cover sheet (the number stated in the upper right hand corner on your exam cover).

Do not write answers to more than one question in the same cover sheet. Explain notions/concepts and symbols. Only legible exams will be marked. No aids are allowed. You can answer either in English or in Swedish.

Examination time: 3 hours.

The exam consists of 8 questions for each student (7 short questions and 1 essay question), 50 points in total. For the grade E 20 points are required, for D 25 points, C 30 points, B 37 points and A 45 points.

Good luck!

I. Short questions

Answer 7 of 8 questions only. Not more than 1/2 page per answer (max 5 point per question).

1. What is the main principle of the *Lex Laval*?
2. Sweden displayed very high labor productivity growth from the early 1990s until 2007. Present the main argument in Erlandsen & Lundsgaard (2007). (Guide: this argument implies that Sweden has abandoned the traditional Swedish model according to Lindbeck's definition). Is there any other, probably more important, explanation for the Swedish growth wonder emphasizing the country's industrial composition?
3. Define the principles (goals) and coverage of the so-called Industrial Agreement.
4. Which were to two most important explanations for the increase in unemployment from the 1960s to the 1990s in the OECD countries according to Nickell *et al.* (2005)?
5. There are two public insurance systems at unemployment in the Nordic countries. Which are the two alternatives? What system has traditionally been practiced in Sweden?

6. Mention at least two explanations for the high GDP growth in Sweden 1994-2007 in Erixon's article "Can fiscal austerity be expansionary...." (2013). Guide: the explanations were mentioned in the lecture notes for seminar 5 on Stabilization policy.

7. Present at least two arguments for why the Swedish *youth* unemployment problem is exaggerated in the policy debate?

8. Why has net-income gaps (earnings and capital gains *after* taxes and transfers) increased dramatically in Sweden from the mid-1990s? Provide at least two explanations in terms of wages and at least one explanation in terms of taxes and transfers.

II. Essay question

Choose one of the questions only. Approximately 2-3 pages (max 15 points)

1. Discuss why Sweden experienced higher unemployment but lower inflation in the 1990s and 2000s compared with the previous decades. Discuss also why Sweden had higher unemployment and lower inflation in the 1990s and 2000s than many other OECD countries. Use the course literature and the lecture notes as starting points for your discussion.

2. In what way was the 1960s and the early 1970s the golden age of the Rehn-Meidner model? And in what way has Swedish economic and wage policy deviated from the Rehn-Meidner model since then?