



PRESS RELEASE

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■ Opinion on the Long-term Planning Commission's report (SOU 2004:19)

The Riksbank presented on Friday its opinion on the Long-term Planning Commission's report (SOU 2004:19) to the Ministry of Finance.

The Riksbank considers the Long-term Planning Commission to have described commendably the challenges – increased demand for public consumption and a shrinking tax base – facing the public sector and the options available for meeting them. The problems ahead are that the costs of care services will rise relative to other prices. At the same time, people are living longer, which will entail a growing need for care services. In addition, tax receipts will be lower due to the number of people of working age becoming increasingly fewer.

The Riksbank shares one of the main conclusions in the report, namely that it is unreasonable to meet these challenges through continuously higher taxes.

According to the Commission, the relatively favourable period in the coming years should be taken advantage of to conduct a broad discussion of how to finance the public sector in the future and to initiate reforms. The Riksbank shares this conclusion. The Riksbank has underlined on several previous occasions that it is better to begin this now rather than wait until Sweden is in a situation where the problems have grown so large that it becomes difficult to implement in time the necessary reforms under orderly conditions. Experiences from the work on introducing the new pension system show that it takes time to bring about more comprehensive changes to the public sector.

Due to a declining tax base and increased need for care services in the future, it is important to take a long-term approach to economic policy. The Riksbank therefore considers it important to study regularly issues of long-term significance for economic policy. One option that could be tested would be to establish under parliament a new institution with the main task of following up regularly issues of long-term importance for economic policy and assessing whether the conducted policy is consistent with the long-term economic restrictions and conditions. Such



■ an institution could, for example, have a similar organisation and role as that of the Congressional Budget Office (CBO) in the United States.

The stable fiscal policy that was established after the crisis at the beginning of the 1990s has improved the conditions for achieving long-term stability in the public finances and has facilitated considerably the conduct of monetary policy. However, there have been recent tendencies towards a less strict view of the need to maintain the high ambitions within fiscal and budget policy. The expenditure ceiling has been circumvented by "privatising" some expenses without adjusting the ceiling and by replacing transfers with corresponding tax reductions. These are examples of measures that are not in line with the intentions of the Budget Act and that risk impairing the conditions for conducting an economic policy that is sustainable in the long term.

The entire submission is available (in Swedish only) on the Riksbank's website www.riksbank.se.