Abstract

Small States under Internationalisation. Deregulation of the Foreign Exchange Markets in Sweden and Finland during the 1980's. A Study of Institutional Change

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This study is an investigation of institutional change in economic policy in the post-war decades. Of particular interest is the deregulation of foreign exchange markets in Sweden and in Finland during the 1980's. The dissertation emphasises how structural change in the international economy and institutional change in international capital markets influenced economic growth and economic policy-making in Sweden and Finland, which led to a profound change in the economic policy models of the two countries. Behind structural and institutional change lies increasing internationalisation of the domestic economies, which increased the pressure on these small open economies to adjust to exogenous economic change in order to retain high growth rates. Endogenous macroeconomic problems raised incentives for policy-makers to find new economic policy solutions. The new institutional framework, regarding economic policy and foreign exchange controls, was shaped through a political bargaining process were the Nordic pattern of corporatist negotiations between economic policy-makers, producers' interest organisations and trade unions were central. The business world demanded an immediate deregulation in both countries. In Finland trade unions accepted free capital flows, while trade unions in Sweden and the primary producers' organisation in Finland, advocated retaining the status quo.

The decisions of economic policy-makers, the Swedish and Finnish governments and their respective Central Banks, to carry out a gradual deregulation of the currency markets was based on expectations of higher growth rates in respective economies in general and in their export sectors in particular.

Key words: economic policy, foreign exchange controls, institutional change, structural change, central bank policy, fiscal policy, monetary policy, capital market, currency markets, corporatism, interest organisations, deregulation, economic performance.