

## Global Economy Prize Acceptance Speech

### THE SPOKEN WORD PREVAILS

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Dear Professor and President Fulda,

Dear Professor and President Felbermayr,

Dear friends,

First, thank you, I have been awarded with the Kiel's institute's Global Economy Prize 2020.

I am honoured and I am grateful.

I have also been asked to deliver a speech, as part of this seminar. Or a contribution to a seminar, about macroeconomy and climate change. I do that gladly, because it is in the core of my activity since more than 50 years, I have been active dealing with politics, economy, and environmental dimensions.

So, let's reflect upon the theme.

First, I start with the economy.

My experience, as a former prime minister and minister of finance, is if you don't have, you're the economy in order, you will lose all your strength

We have seen so many, talking about programs and projects, promising what to do, but never being able to deliver. Because if you are in debt you are not free. Others in the end will decide what you can do and will do.

So, for me it has always been extremely important to underline the need for sound public finances. I one started as minister of finance, with a record high deficit.

12 – 13 per cent of GDP.

It was in the mid-nineties, we had a prognosed debt of 120 % of GDP. And we had a difference to the German bond of 450 points,

And we had a high unemployment, and a low real wage increase, if none. It was an economy in deep crisis. That was my task as a newly elected minister of finance, to deal with.

And to be honest. It was not so difficult to realise what to do, the difficult thing was to do it. So many before me have hesitated to act because it was painful. But sometimes as a leader you must act, you must do the difficult things, you must put your own position at stake, and I did so.

And we managed to turn it around. Quite quickly. And when I left politics in Sweden. We had a surplus in public finances, and extremely low debt. That has given us a freedom to act, freedom to act, freedom to invest, and freedom to take initiative.

So, politics, is always in the end about being able to deliver what you promise, to promise and to discuss, is always a very pleasant activity.

But if it ends there, it will also bring an opinion about politics, that politicians just talk never deliver. I also used to say, if you are to be re-elected, you need to deliver. And remember one thing.

Being elected is, almost everyone can be, if you look around the world, you see a lot of strange persons being elected to different positions, but being re-elected, there you have the art of politics. And to be re-elected you must deliver on your promises, you must do something. The difficult thing is not to realise what you must do, the difficult thing is to do it!

This was my starting point. And I understood, this is nothing that can stand alone it must be linked to political project, once we build in Sweden the welfare state, where everyone should be onboard, with good and equal conditions

And we should finance it together. That project is still under way so to say, it is eternal. I wanted to add something to that welfare state project and that was a green dimension. Because my opinion has been for long, that the environmental threat is something that will undermine the economic conditions and, in the end, also bring problems to the welfare state.

If the economy starts slowing down because of environmental reasons, you will in the end also have growing problem with unemployment and the welfare arrangements.

So therefore, addressing the environmental dimension was to stick to the traditional policy and program building the welfare state, but with a green dimension. Then of course being honest. Telling the electorate, the legislation we must today they are too weak, the need to be sharper. And the need to be more focused, Going for a whole reform of the legislation, then tell also, something we are doing today is harmful, we need to stop it, if you don't accept that we forbid it, you will end up in a position where you will pay higher taxes, for pollution.

Or you need to stop using carbon, we need stop with activities that creates carbon dioxide, we need to stop using fossil fuel, we need to develop the alternatives, therefore a tax on carbon.

Or we need to have a more secure supply of energy, we need to realise that our dependence in Sweden upon the nuclear power was too heavy, we needed to reduce it so therefore we closed a nuclear plant. One of the first that were closed, so to say, in an open democratic process.

Not for free to be honest, it was expensive. But I was glad that I did it because it was located, so you could see it from the capital of Copenhagen, on the other side of Öresund, a place that was called Barsebäck. We did this.

And a lot of other things, which had a macroeconomic perspective. It was not loved to be honest. It was controversial. It was questioned. Not least by the business society, who from time to time looked upon this program with a huge sceptical attitude. But we did it and we delivered, and it worked.

Was it enough, of course not,  
Where we early, yes  
Did we everything right? Definitely not.

But as always, when you are dealing with different forms of development, you need to start somewhere, and you need to accept that some things don't end of in a way that you expected.

So, we did mistakes, but generally it was accepted, and it went in the right way.

So, this green dimension. Together with structural reforms regarding the wage formation process, regarding the pension systems regarding the whole way of handling the state budget, all that together gave a stimulus for Swedish economic growth for many many years. And since then we have had an unbroken era of growth and real wage increases for ordinary workers and that has been extremely important. Low salary increases, but they have been real. And those 2- 3 per cent annually have been extremely valuable if you look upon it from a twenty years perspective.

This is my background. Together with that I have spent a lot of time in local politics, in regional politics, in the European union, in international organisations like the United Nations. I have been sort to say, on all levels in international politics, but I constantly come back to the very easy understood message.

If you want to achieve something, you want to deliver, you want to do it, not only talk about it.

If I had 30 – 20 years ago I had resistance from the business society. I must say today, it is rather the opposite situation. Today the business society have taken the lead, and you meet a lot of business leaders who have this badge on the jacket, the UN Millennium goals of how to handle the planet.

It is a new attitude and they realise one thing, it is also good business and necessary economic activities, to invest in the green dimension. Today I have the honour of being the chairman of the board of LKAB, that is a mining company producing iron ore, far up north, in the Arctic part of Sweden.

We produce 80 per cent of the European iron ore in those mines, and I am chairman of that company. 2000 metres down under the earth, we are taking our iron ore.

Now we are going from 1365 metres down to 2000 metres, it is a giant industrial project. At the same time, we are developing the iron ore treatment so we can deliver iron sponge, that is raw material, that will be used by steel plant, so the steel will not contain any carbon dioxide in the future, because of our delivery of iron sponge.

If we succeed in this program, and we are convinced that we will, we will reduce the carbon footprint, with 35 million ton annually.

I Sweden and in countries who have steel plants who are using our iron sponge. If we do so, that is the same figure as 2/3 of the Swedish total carbon dioxide footprint.

So, the investments in the iron ore, in the iron ore mines, in the arctic Sweden, will bring down the footprint with 35 million tons annually.

That is not a small industrial project, it is gigantic. And at the same time we will also see a new steel plant being constructed close to this mine. We will also see another new plant being constructed taking care of the real earth metals, those who are difficult to find in other places than in China. We will also see that this is possible to do, thanks to delivery of electricity that is green. And it is not small amounts of electricity we are talking about, we are talking about fifty terawatt hours, it is roughly the same consumption of electricity as the whole country of Denmark use annually. That will now be built in the arctic part of Sweden, with the mines, as driving forces for industrial project that is gigantic. We think we will invest roughly 50 Billion euros, roughly.

But realise which impact this will have in the total economy in Sweden, this will be a part of Sweden, a dramatic upturn in the economic growth. And the problems in the future will not be unemployment, it will be the opposite, how to find the work force carrying this through how to pay them, how to build the houses, how to construct the schools, how to go for a good society so we don't end up in a situation where we have to use airplanes to take the workforce in and out to our mines and to our construction activities in this part of Sweden.

I have often said, and I am convinced about that, the next leap, the next huge stride, will be taken just because we are forced to make it ecological sustainable. Here you have a good example, a very good example.

50 billion euros invested in creating something that will not leave a carbon dioxide footprint.

You have many examples of that kind. Huge investments will be decided in Europe, around the world, during the coming years. This is a driving force, for economic growth, and not to forget, it is built upon research development, scientific activities. It is built upon the best possible knowledge. So, it also creates good spirals in that type of perspective. So, what we have learnt earlier about investments as driving forces for economic growth, will be even more true in the future. And we have nothing that is more important to invest in than the industrial activities that are creating a carbon free footprint.

This is today one of my activities.

And if anyone would have told me thirty years ago, that the industry would end up in a situation where the green dimension would be a driving force for industrial development, I had doubted it, perhaps, but the discussion climate at that time did not send that signal, e the opposite, the green dimension was at that time the death for industrial activities. Now it is the future and birth of new industries and it is a privilege to have the opportunity to take part of this.

I am also chairman of a bank. One of the big banks in Sweden. A bank with its roots in the savings movement, a big bank. Profitable well run. But I can see there as well. If I look upon the financial sector. They are today focused on sustainability. And those who want to invest their money, the first question they have today is: "Is this sustainable? Is this something that will last, is this something that will give me good reputation, is this something that brings a more fair distribution. Because sustainability is not only about the green dimension, it is also about the social dimension. And the economic growth dimension, in a sound way.

So, when I see my bank today, and listen to the bankers. I can hear the same arguments, as I met twenty, thirty years ago of the green activists.

And now it is taken into the accounts of the financial sector.

And I am also very active in a forest company where I can see that very much capital wants to invest in forest land. Just because it's something that they regard being a core activity to combat climate change in the future and therefor profitable and interesting, and something worth investing it.

So both the industry as I see it from my position as chairman of LKAB, the mining company, and the financial sector, as I see it from my position as chairman of a Swedbank, are heavily engaged in sustainable discussions and investments.

So, the political initiatives that where taken thirty years ago, have now been, complete with by activities driven by the busines society itself. And it is a good development and it's understandable because green investments are profitable investments in many senses.

Having said this, my most interesting activity today, even if this could be enough, I am also a farmer. Probably they only former prime minister in Europe that ended up as a farmer. And not by chance. I did it because I really wanted to.

My wife and I, we bought a farm when I resigned. And since then we have built our own farming activities.

It is forestry of course. You must remember that Sweden is a forest when you look upon it, so if you have a farm, you also have a forest.

It is also a meat production, beautiful big cows, and their calves, keeping the landscape open, taken care of the wonderful places created via five, six, seven hundred years of agricultural activities.

I now bring that further and take care of that responsibility,

So, meat production and forestry are my daily work so to say. And there I have many opportunities to reflect upon the situation in the agricultural sector.

I think that the agricultural sector is the most important one, in Europe for combating climate change, and securing the good life.

I don't need to remind you in Germany about extreme weather. You have seen it this summer. Is that just by coincidence. Or is this something we will have to live with?

And if that is the case? Will it be even worse, can we see even worse situations, compared to the ones we have experienced this summer?

If the answer is yes, in the end, how will we be able to produce our food. Who will do that? Can we be sure of the possibilities for that? Yes, I think so. But we need to develop the agriculture sector. First for food security yes, but also being an active partner in combatting climate change. After all, most of our land is agricultural land to a large degree, in other countries, like in Sweden, to a smaller degree, but it is there. And is European, it is global everywhere, and is threatened because of climate change.

Which measures do they undertake? I think the agricultural sector is in the corner, they are under pressure, the profitability is too low, and the attractiveness of the sector is also too low.

We need to go for a period of new crops, new fertilisers, new equipment, new structures of the farms, a new generation farmers, women and men, and new capital coming into the sector. To be able to meet the challenges. To be able to take our part of the responsibility.

This is a sector that should not we leave the responsibility to the European union. We all have a responsibility in this. This as a natural part of all European countries, we need to see to that we have a prospering agricultural sector in every country. This is a future reform area. The same goes for forestry. As I said before, Sweden is de facto a forest. Next time you come to Sweden by air, look down, what you see are forests, the whole country is a forest.

Small parts are not, but most part are, 75 percent of the land area are forests. We are living in the forest. And probably, our forest will be our biggest contribution beside the industry, to combat climate change.

To use our forest actively, to produce fibres that will replace fossil products and don't forget, everything you can make in the industry based on fossil fuels, you can also make of cellulose.

So, this is a tremendous challenge and chance, the traditional paper industry and the tradition sawmills will be challenged in the future, because the raw material, the fibres from the forests are also attractive for other industries. If we let the development go ahead. If let the development take new leaps forward.

This is a tremendous chance. Not least for all of us, who are living in the countryside, if we focus upon agricultural and forestry. No European country today can say that they have good relations between the city's population and the rural, countryside populations. There are tensions, there are conflicts, there are misunderstandings. There are opinions about losers and winners.

We need to cooperate. We will never be able to use the agricultural sector or the forest sector to combat climate change, if we don't have anyone on the ground carrying out the practical work.

Once more, the difficult thing is not to realise what to do, the difficult thing is to do it.

All splendid research and development, all academic activities, if that is to come to a reality is dependent upon those who are working practically in the forest and agricultural sector. To build alliances again is necessary, that is the future recipe of how we can combat climate change in Europe.

We need the European union to be supportive. We need the European union in many respects. But this is a sector we need the EU extra.

What have I told you?

I have told you about a long journey in politics and in business.

The strange thing is if you have the opportunity as I have had, to be active for almost sixty years, following the development, having a chance to influence the development, you can see the long perspective.

And in the long run we all have a common responsibility, if we end up in putting group against group, we always in the end will be losers all of us.

To cooperate, to build our actions on science, to be sound economic, to not defuse things, but talk about it, look at them as they are, explain, take bold initiatives, that is what it is about.

I am extremely optimistic about the future. We can see the threats of course.

I could have discussed the Covid experiences, I could have discussed the security policy the architecture after Afghanistan, I could have discussed even more the climate change.

But I focus on what is happening right now, driving us into the right directions. We have well educated workforce. A Young people that are digital.

We have a world that is open for information and discussion. We have the economic resources for the sound investments. We have more capital than ever. So therefor. Why wait. Take the initiative now. Start not only the discussion, but also the actions.

Because in the end, also this seminar will be judged upon which type of actions that could be inspired. What kind of deliveries was an outcome of this speech and this intervention?

Thank you for listening and thank you for the prize.