

European bailout needs Swedish model: FT

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A European solution to the debt crisis should follow Sweden's model of in the early 1990s, Finance Minister Anders Borg and Foreign Minister Carl Bildt wrote Wednesday in the Financial Times.

"We learned then the importance of restoring confidence and that capital injections are vital -- if necessary with government money," the pair wrote in a comment piece.

Following years of crazed property speculation and deregulation of the Scandinavian country's credit markets, Sweden's banking and financial service bubble burst in the early 1990s amid a global economic slowdown, landing it in its deepest economic crisis since the 1930s.

The Swedish government took control of its struggling banks in exchange for emergency aid, thus making the taxpayer footing the bill owners of the ultimately valuable assets.

Once the crisis was over, the Swedish state sold off nearly all of the nationalised bank investments, getting back most of the money that had been pumped into the sector.

Sweden also cut public sector jobs, slashed pension and unemployment benefits, sold off publicly-owned companies and hiked union membership fees as part of efforts to stabilise the economy and its public finances.