

# STOCKHOLM

The Tale of the Unicorn Factory

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**Stockholm: The tale of the unicorn factory**

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Once upon a time there was a city in a cold place a long way to the north. One day the city started to tell a story about itself. As the chapters unfolded, life in the city changed, and soon it didn't even seem so cold or far away any more. People listened to the story and realised that the city wasn't quite what they expected. They started to tell the story to each other about how the city had created a magical unicorn factory... Here's how Stockholm built a narrative for itself – and backed it up with urban development that was innovative and sustainable.

The infographic features a central smartphone displaying the 'Meet Stockholm Tech' app. Surrounding the phone are icons and text for various apps and services:

- Spotify**: N o. 1 music streaming service
- Toca Boca**: 70+ million downloads
- Lifesum**: Top health/ fitness app in App Store
- Candy Crush**: 500+ million players
- The Green Call Button**: Invented in 1979 by Laila Ohlgren from Stockholm
- Minecraft**: 100+ million users, sold for 2,5 Bn
- Skype**: 300+ million users, sold for 8,5 Bn
- Truecaller**: 100+ million users, raised \$80 million
- Fishbrain**: N o. 1 app for N o. 1 hobby: fishing
- ERICSSON**: 40% of global mobile traffic runs through Ericsson networks

Created by *Stockholm Business Region, 2016*

Source: *The City of Stockholm Start-up Strategy, 2017*

Stockholm often ends up high in the rankings of the world's most competitive cities. It is seen as capable of attracting talents, companies, visitors and capital. Stockholm is also listed as an attractive and innovative city with high quality of life and a lot of intellectual capital, as well as a city that is safe and secure.

But it wasn't always that way. This success grew out of bold branding – and smart development to back it up.

At the end of the 1970s Stockholm lacked a common growth strategy for the entire city. As a result, different parts of the city's organisation worked in their own ways to attract visitors and international investors. Consequently, several images of the city evolved. Stockholm has been depicted in many ways – as the city of culture, the Venice of the North; as an advanced environmental city; and as a city of IT that hosts STOKAB, the Stockholm Challenge Award, and the Mobile Valley of Kista (Dobers & Hallin, 2009). Stockholm has also been depicted as the only truly Nordic big city that combines in unique ways the continental and Scandinavian traditions (Czarniawska, 2002).

In the spring of 2005, the City of Stockholm shocked the other Scandinavian capitals by announcing that it was the “Capital of Scandinavia”. Several actors in the city had expressed the need for a new plan for growth. Politicians and city managers agreed to form a coherent strategy to build the Stockholm of the future. After looking at how other cities had done this, it became obvious that it was necessary to develop a brand strategy for the city and to gather everyone who worked with these issues under the same roof. The result was a reorganisation of the city and the launch of the Stockholm Business Region (SBR). The aim of SBR was to develop and promote Stockholm as a business and tourist location, with the ultimate goal of creating growth in the region (Dobers & Hallin, 2009).

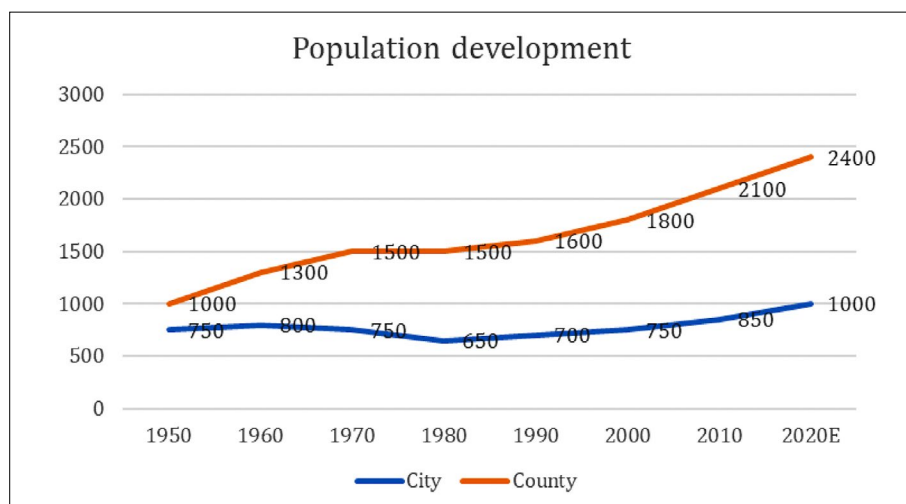
Dowell-Stubbs, a brand communications agency in Stockholm, was involved in formulating a new brand for the city. To Julian Stubbs, who worked on the branding, a strategy and positioning that were comprehensive and covered the needs of the city from both an inward investment point of view and a tourism perspective, were needed. Stockholm’s brand positioning was initially established on three legs: centrality, culture and business. The three legs eventually faded, but Stockholm – The Capital of Scandinavia has remained.



## Before the branding: Old Stockholm

The Stockholm region has undergone major changes since World War II. Large parts of Europe were in ruins due to the war, while Sweden and its industries were intact and thus had a great advantage. Industrial development in metropolitan areas was particularly strong. However, Stockholm has gradually changed from an industrial city to a centre for major stock companies, service companies and government administration.

Throughout the post-war period, the population of Stockholm has grown steadily. Initially the population increased due to migration from rural areas. From the 1950s the population growth was also due to labour immigration, primarily from Finland and southern Europe. Since the 1970s, refugee immigration has been the main source of inward migration in Stockholm. Since 1950, the population in the city has grown from 750,000 to 1 million and in the county from 1 million to about 2.4 million. Concurrently, a significant regional expansion has taken place, with significant commuting streams to and from surrounding counties. Thus the actual metropolitan region is now home to just over 3 million people. The population development in general – in the city and the county – over the past 70 years, is shown in the table below.



Source: Official statistics from SCB, 2018

Not long ago, Stockholm was a small town with poor housing supply and an infrastructure that could not handle its fast-growing population and its equally rapidly growing private economy (which brought more cars, etc.) In Sweden, the 1950s and 1960s are commonly referred to as the “record years”, since the economy grew steadily every year and because the welfare and living standards of the population increased significantly.

This powerful transformation to accommodate trade, offices and traffic meant the demolition of many houses and environments, leading to protests in the 60s and 70s. This whole process of urban transformation still today strongly affects urban development issues in a conservative direction.

In Sweden, municipalities and cities have an independent position, with the right to decide how land should be used and developed, taxation rights, and responsibility for large and resource-heavy operations.

This was a time of strong reforms in most areas. It was also clear that major institutional changes were required, primarily to meet the growing needs of public transport. However, changes did not come into effect until the mid-1960s when all public transport was gradually brought together in one company. In 1971, a reform was also implemented gathering healthcare, public transport and regional planning under once county-wide institution, which was elected by direct vote.

Housing supply problems were solved through highly ambitious plans within the city limits. However, after a couple of decades it became necessary to continue the development of housing also outside Stockholm’s borders in the surrounding municipalities. The neighbouring municipalities were in many cases small and lacked the economic muscle to carry out development on their own. Consequently, the City of Stockholm built in its surrounding municipalities.

Stockholm has a peripheral position in Europe at the fifty-ninth degree of latitude, which means that it is difficult to find cooperation partners that are close geographically. The exchange with the other Nordic capitals has of course been extensive over the years. After the war, there was substantial interest in cooperation between the Nordic countries, and the creation of a joint defence federation was even discussed. However, these ideas perished as Norway and Denmark rapidly joined NATO, Finland could not join due to its relations with the Soviet Union, and Sweden remained alliance-free.

Instead, different organisations for cultural exchange were developed between the Nordic capitals. In the 1960s, all five capital cities funded and formed a Nordic cultural centre at Hässelby Castle in Stockholm. The operations were, however, closed in 2000, as the other cities were no longer interested in financing the centre. Among the reasons for this was that Sweden and Finland had entered the EU, and that the independence of the Baltic countries created completely different conditions for cooperation and exchange of ideas.

Furthermore, Stockholm has never had any formal twin or sister cities. Instead of forming general friendship ties, Stockholm’s policy has rather been to cooperate with cities and regions on specific, concrete projects.

## The role of the institutions

Like other growing metropolitan cities, Stockholm has struggled with the expansion of the city’s borders. In Stockholm, much happened in terms of geographical expansion and city growth in the first half of the twentieth century, partly because the city acquired large land areas outside the city borders, and partly because small municipalities were incorporated into the City of Stockholm. The incorporation policy nevertheless came to an end mid-century when several small surrounding municipalities (despite their proximity to the city) opposed being administrative parts of the city. The reasons were, in most cases, that strong local politicians wanted to continue on their own. Just as Julius Caesar once said: Rather the first in a village in Gaul than the second in Rome.

This fragmentation of the administrative steering systems for the Stockholm region still casts its shadow and has hampered the development of the region. The Stockholm region has therefore created other systems to coordinate the development.

Public transport was divided between several different actors. To come to terms with this, in the 1960s all public transport (rail, metro, bus and boat) was essentially gathered together in one company, which after 1970 became part of the newly formed Stockholm County Council.

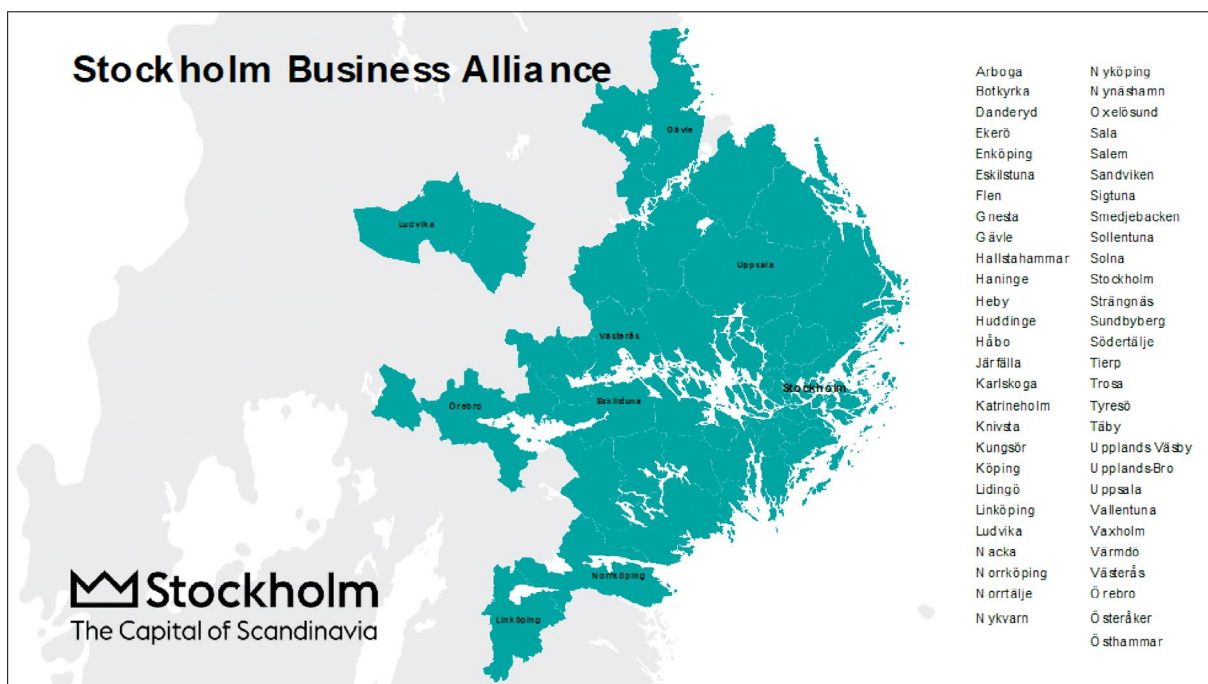
Housing construction was more complicated and meant that the City of Stockholm continued to make large land acquisitions outside the city borders with the help of special legislation, giving the city's own housing companies the ability to build outside the municipal boundaries. This solution worked in part, but entailed some democratic problems since the municipalities in Sweden have the right to decide how land should be used and developed – which led to restrictions on Stockholm's exploitation opportunities outside the city borders. Nowadays, almost all land holdings outside Stockholm's city borders have been sold to the respective municipalities or to private buyers.

The Stockholm region also had a fragmented organisation for healthcare, which was divided between the city and other municipalities. In 1971, the different parts were merged into one county council organisation with responsibility for all healthcare as well as public transport. There were major expectations that the region would now also get uniform regional planning. This was however not fulfilled, among other things due to the municipalities' rights to decide on the use of land, and because regional planning has subsequently been characterised by relatively toothless recommendations.

Finding ways around this for major infrastructure initiatives has involved the appointment by the Swedish state of special negotiators that deal with the municipalities and the national administrations. One of the more notable was the so-called Dennis package ("Dennispaketet") in the 1990s, negotiated by Bengt Dennis, then Governor of the Central Bank of Sweden. Thereafter, several state negotiators (so far only men) have led major negotiations as a result of which the state, the municipalities and the county councils have shared the costs of expansion of infrastructure.

Some collaborations have brought together the entire commuter region, and thus not only Stockholm county. "Mälardalsrådet" (the Mälardals Council) was founded 30 years ago as a forum for discussing mutual issues.

Moreover, Stockholm Business Alliance started in 2006 and is a collaboration between 55 municipalities. The primary aim of Stockholm Business Alliance is to promote the region under the mutual brand – Stockholm the Capital of Scandinavia – to attract foreign investment and talent to the region. These voluntary collaborations have also been important when it comes to other issues as they have created trust and understanding for cooperation.



Source: Stockholm Business Region, 2018



However, there is no regional large-scale institution with the power and right of decision to handle major issues related to social structure and construction of society.

Several national governments have tried to change county divisions, yet failed. It is notable that most proposals do not include ideas about an extended Stockholm. A likely development is therefore that different societal challenges are to be solved in different ways. However, emergency medical care is likely to require a greater national commitment to develop; and public transport will need to be developed according to its own model.

The relationship between the national level and the city's political leadership has always been strained. Within the Social-Democratic Party, opposition can be traced all the way back to internal party struggles in the 1910s. However, suspicion of the city's expansion has been present in several government constellations over the years, regardless of political colour. It is noteworthy that few leading Social-Democratic politicians in the city hall in Stockholm have pursued a career as ministers or party leaders at national level.

## Environmental and social sustainability

Environmental issues have for a long time been high on the agenda of urban planning. Many major investments were made early on, for example in water supply, water purification, and district heating. Stockholm is a city whose main street network was planned in the 1640s, so it was soon realised that private motoring could not account for any major part of urban mobility. Building the subway in the 1950s and 1960s has therefore been of crucial importance in keeping emissions down. However, political leaders of the time saw these major, heavy investments as a way of modernising the city. It was only in the early 1970s that the issue of the environment really became a part of the political agenda. Broad public opinion had turned in favour of the entire modernisation project and was manifested, for example, by massive protests against the felling of trees in a central park opposite the royal castle. Another contributing circumstance was that, in 1972, Stockholm hosted the United Nation's first environmental conference.

The 1970s saw the start of what came to be called "the green wave," in which many moved out of town to surrounding municipalities or even further away from the city. The population declined and reached its lowest point in 1981, to then start growing again.

The application to hold the 2004 Summer Olympics meant that during the bidding process in the 1990s Stockholm was profiled as an environmental city. The planned Olympic Village in "Hammarby Sjöstad" was therefore based on completely new environmental and sustainability standards. The Summer Olympics went to Athens, but Stockholm went full steam ahead with the planning and construction of the environmental city district Hammarby Sjöstad.

The district became a model and a source of inspiration for many other urban development projects. Thus, Hammarby Sjöstad became an internationally recognised model of sustainable urban planning that also has contributed to enhancing the brands of Stockholm and Sweden (Levin & Pandis, 2014).

Furthermore, Hammarby Sjöstad contributed to adding new perspectives to the environmental debate, which had previously been characterised by the so-called green wave and which represented a move away from urban life. Here, instead, a series of new, smart technical solutions showed that the metropolitan city as a living environment could be even more sustainable than life in the countryside. Hammarby Sjöstad became a much-needed display window, showing how the city could be sustainable, with large-scale solutions for energy supply, waste disposal, etc.

Lessons learned from the environmental sustainability work in Hammarby Sjöstad were incorporated into the development of Stockholm Royal Seaport, begun in 2010, when the City of Stockholm decided that this part of the city should develop into a sustainable city area and become an international role model for sustainable city development.

In the Seaport, the focus has been on embracing a comprehensive view of planning, continuous follow-up, and a clear process of rooting ideas, plans, visions and goals with relevant stakeholders in the project. Dialogue and competence-enhancing seminars and workshops with builders at an early stage of the project was for example encouraged, to supply feedback and experiences that could contribute to reaching the Seaport's sustainability targets.

The vision established for Stockholm Royal Seaport was to develop the area into a vibrant and sustainable world-class district that is able to attract the world's most highly skilled people and most successful companies. The Seaport is characterised by a dense, multi-functional and resource-efficient development and is an urban environment with an integrated green structure and proximity to the surrounding nature. The area is moreover an important part of the expanding Stockholm and resonates with the reasoning that major investments in various areas of Stockholm are needed to face international competition.

The sustainability focus in Stockholm Royal Seaport is steered towards energy, transport, buildings, recycling systems, climate change adaptation and lifestyles. In the Seaport, the soil has been washed, and rainwater is regarded as a resource. The buildings have been made sustainable, for example, by minimising the use of hazardous substances. The target is that 80 percent of the area should be green, one reason being to create good conditions when it is raining a lot. In the SRS district there is a restricted number of areas for car parking and a limit of 0.5 parking lots per apartment. There are charging stations for electric cars and priority is given to pedestrians, bicycles and public transportation. Carpooling (or car-sharing) is also available in the area, in line with the notion of the "sharing economy".

In Stockholm Royal Seaport, the focus has been on building city environments for children, old people and urban dwellers, and on creating a city district where residents will enjoy living. Much focus has also been on engaging citizens in dialogue, and it has been stated that SRS's vision can only be made possible by working together, as the work requires consensus, collaboration and dialogue. Creating dialogue has been initiated, for example, through conversations with potential and actual residents.

The issue of charges for car traffic has been discussed for a long time. Already in the early 1990s, in connection with the "Dennispaketet", car tolls were planned to finance parts of the investment. However, this did not come into effect for several reasons. The question was raised once more in 2003, when the Social Democratic government proposed the introduction of environmental taxes on traffic in Stockholm's inner city. However, the two biggest parties, the Social Democrats and the Conservatives, had both promised to oppose car taxes. Nevertheless, a successful attempt was made in the spring of 2006. After the election a right-centre alliance government came into power and decided that a special tax should be levied upon entry into the inner parts of the city. Consequently, both Social Democrats and Conservatives in the city were steamrollered by their national parties and the debate died since no one wanted to be reminded of their previous promises to the electors. The system now works smoothly, with only number plate recording, and without any bars, toll gates, or the like. The congestion tax has resulted in a significant reduction of car traffic in the inner city. The discussion now focuses more on what the revenue should be used for.

Through the various efforts described above, Stockholm has managed to reduce greenhouse gas emissions per capita from 5.4 kilos per person in 1990 to 2.3 kilos per person in 2017. In 2010, the EU named Stockholm the first European Green Capital, which can be seen as an acknowledgement of all the efforts made by Stockholm to change towards more sustainable development.

In recent years, Stockholm's focus on sustainable development has increasingly involved social perspectives – a central reason being the segregation seen in Stockholm's suburbs. In the City of Stockholm's budget for 2015, it was decided that the development of a divided Stockholm must be turned around. Four development areas were established with the purpose of creating a unified city. The four areas are: democracy and safety, work and income, accommodation and city environment, and upbringing and education. As a step towards realising this ambition, the City of Stockholm formed a commission for a socially sustainable Stockholm, with a mission to analyse differences in living conditions in Stockholm and suggest actions towards an equal and socially sustainable city.

One city development project in Stockholm that focuses especially on social sustainability is “Fokus Skärholmen”, which runs from 2017 to 2022. The ambition is to build more than 4,000 new residences as well as more pre-schools, schools, meeting places and green spaces. Central to the project is participation, girls’ and women’s access to the public space, children and youth activity in culture and sports, employment among 16 to 29 year-olds, safety, living and city environment, and parents’ decisions about letting their children attend pre-school.

## Housing development and challenges

The rapid population increase during the post-war era, combined with an old and worn-out housing stock of low standard, created a need for a great deal of investment in new functional housing. A very ambitious programme for housing development was produced. New suburbs were built along the new metro lines, while a large part of the old, shabby city centre was torn down in favour of wider streets, office buildings, department stores, etc. Initially, people moved with great joy from the city centre to the newly built and modern suburbs. However, after a couple of decades, a movement to preserve old environments began, while the rapidly built suburbs became less attractive, despite the high quality of the homes.

The pace of housing construction was not sufficient, and in the 1960s the national government launched an ambitious programme to build 1 million new homes throughout Sweden during a ten-year period. The “Million Programme” (Miljonprogrammet), as it came to be called, was combined with generous interest subsidies for the construction industry. Criticism grew, as the project was perceived as too industrialised and with too uniform a design.

Many social problems have arisen in these environments, which could be attributed to the fact that the population has often consisted of people who recently moved to Stockholm from other parts of Sweden or elsewhere in the world. Unemployment has been higher in these areas, there has been a high turnover of tenants, and people with more resources have moved to wealthier environments.

Several ambitious programmes for refurbishment and improvement have been implemented over the years in these areas. As a consequence, it is possible to track some “project fatigue” among the residents, as well as a desire to increase the effectiveness of basic social functions, such as police and local services.

Housing construction fell gradually after the Million Programme and the criticism of it. At the beginning of the 1990s, Sweden suffered from a severe economic crisis, which meant that a lot of jobs disappeared and very large budget cuts had to be implemented in most areas of society. State aid was completely eliminated and housing construction became a task for the private sector to handle without any support. Combined with the downturn in the economy, this meant that new production of housing almost ceased for several years. After the crisis, production of housing slowly began to grow again, but did not reach the same level as before the economic crisis hit until the mid-2010s.

In the last decade, the City of Stockholm and several of the surrounding municipalities made major efforts to boost housing production, for example, by using the municipal-owned housing companies proactively. They also developed residential plans for the private sector to the same effect, despite the fact that voters have not always been fond of densification and extension of existing residential areas.

Housing supply in Stockholm is the single biggest problem for Stockholm’s continued development. In Sweden there are several reasons for the problematic housing situation. The rental regulation system has existed in various forms since World War II and, of course, prevents mobility in the housing market. Moreover, the planning process is long and complicated, even though simplifications have been implemented. Finally, there are tax issues that prevent people selling their home and moving to another place.

Many new residents and young people have great difficulty entering Stockholm’s housing market. The lack of rental apartments is a major problem for Stockholm’s growing business community, which caters for much of its expansion by recruiting people from other parts of the world.

## Infrastructure connecting the city

Roads and rail have always been lively debated, partly because of their great impact on people and the environment, and because they are most often associated with high costs to society.

The first major decision in this area was when as long ago as 1941 the city council decided that the city should build a metro system, which was then built from 1950 to 1975. Thereafter, the extension of the metro halted, largely due to resistance from nearby municipalities that associated the metro with low-income districts and social problems. Only in recent years has the climate changed, and now a significant expansion of the metro system is being planned and built.

In the middle of the 1960s, the common commuter train system started. It still mainly operates on the existing railways. A large capacity boost was introduced in 2017, with a special commuter train tunnel, which extends throughout the central city.

For several years, trains took second place to car transport. A significant change for the region came in the 1990s with the modernisation of railways south and north of Lake Mälaren, west of Stockholm. This meant regional enlargement, because people could commute within the larger region. Below you can see the commuting pattern in the greater Stockholm region. One problem is that for many years there has been a lack of maintenance of major railways in Sweden, harming the reliability of the system.



Source: Mälardalsrådet, 2014

Boats have for many years had a subordinate role in Stockholm's traffic supply, except for the well-developed boat traffic to the city's extensive archipelago in the Baltic Sea. In recent years, however, boat traffic has experienced a renaissance due to the opening of several new lines that tie together different parts of Stockholm.

In Sweden there is no cohesive policy for ports, so it is up to municipalities or private interests to build and operate port facilities. This has meant that questions about how goods and people are transported from the ports have not always been the subject of advanced planning. In Stockholm, the problem has partly been solved by the Port

of Stockholm buying and operating two out-ports, one in the north of Kappelskär and one in the south of Nynäshamn. Neither Kappelskär, Nynäshamn or Stockholm, however, receives direct ocean-going vessels. Consequently, a lot of goods are transported on trucks from Sweden's largest port in Gothenburg.

Accessibility of air transportation is a matter of growing importance in this highly internationalised era. Stockholm's first real airport, Bromma, was opened in 1936 and is still in operation for domestic and some international flights. Over the years, there have been many attempts to shut down Bromma and use the land for residential development. An agreement between Stockholm and the state has prevented this. The agreement is valid until 2038. Only then is it likely that a shutdown of the airport will be considered.

Already in the early 1950s, a new airport in Sigtuna, 40 km north of Stockholm, was included in Stockholm's Master Plan. Arlanda Airport was opened in 1962 and has since been expanded in various stages. Today it has approximately 25 million passengers per year. There are big plans for the future, with new terminal buildings and a fourth runway, which is essential for the Stockholm region to keep up aviation availability, and in order for the old airport to close in the 2030s.

In addition to these airports, there are two other airports approximately 100 km from Stockholm, which mainly have charter and low-cost carriers.

Inadequate availability of direct flights from Europe and the rest of the world has been an increasing problem for the entire region, since Stockholm has one of the world's most internationalised business settings with many headquarters of world-leading companies. The other three Nordic capital regions all have better conditions for aviation availability.

Road traffic has been expanded throughout the post-World War II period. In the 1950s there were comprehensive plans for the gradual construction of highways and traffic routes. By the middle of the 1960s, the most important bypass, "Essingeleden", was built around the inner city, which greatly relieved car traffic in the city centre. Other parts of the comprehensive plans were not executed according to the original plans. Partly this was because car traffic did not increase at the anticipated rate. It was also due to increasingly loud protests against major projects, which in some cases involved insensitive interference with the urban environment. There were demands that traffic should be taken down into tunnels, which meant that major road projects became substantially more expensive. In 1984, a road tunnel under the inner city of Södermalm was opened, and in 2004 the southern link ("Södra länken") was opened as a southern extension of Essingeleden. In 2014, the northern link ("Norra länken") was opened as a northern extension of Essingeleden. Consequently, Stockholm now has a horseshoe-shaped ring road. To ease up the traffic west of Stockholm, a new bypass (called "Förbifart Stockholm") is currently under construction. The new bypass will be 21 km long and mainly in tunnels, and will be completed in 2026. Discussion about supplementing it with an eastern link to create a complete ring road has been going on for decades and appears likely to continue further in the future.

The expansion of a comprehensive network of district heating has greatly contributed to Stockholm's strong position as an environmental city. A central advantage of district heating is that the emissions are concentrated in a few points, where exhaust gas cleaning can be efficient. Another key advantage is that water can easily be heated with different fuels, allowing the entire heat supply to move gradually to a fossil-free future. District heating and district cooling have expanded in Stockholm, and since the 1990s the district heating system has been jointly owned by the Finnish state energy company Fortum.

Perhaps the most important infrastructure investment in Stockholm started in 1995, when the city formed the company STOKAB to lay fibre optic cables. Different companies were able to join STOKAB and sell their services. The background was that the Swedish state-owned telecommunications company "Televerket" had a monopoly on fibre optic services, and could thus act without competition. For example, Televerket charged high fees for internal telephone traffic within the city's own administration. Another argument later on was that the city wanted to be able to assert the so-called excavator monopoly, i.e. not having to let private actors into unregulated cable installation in the streets.

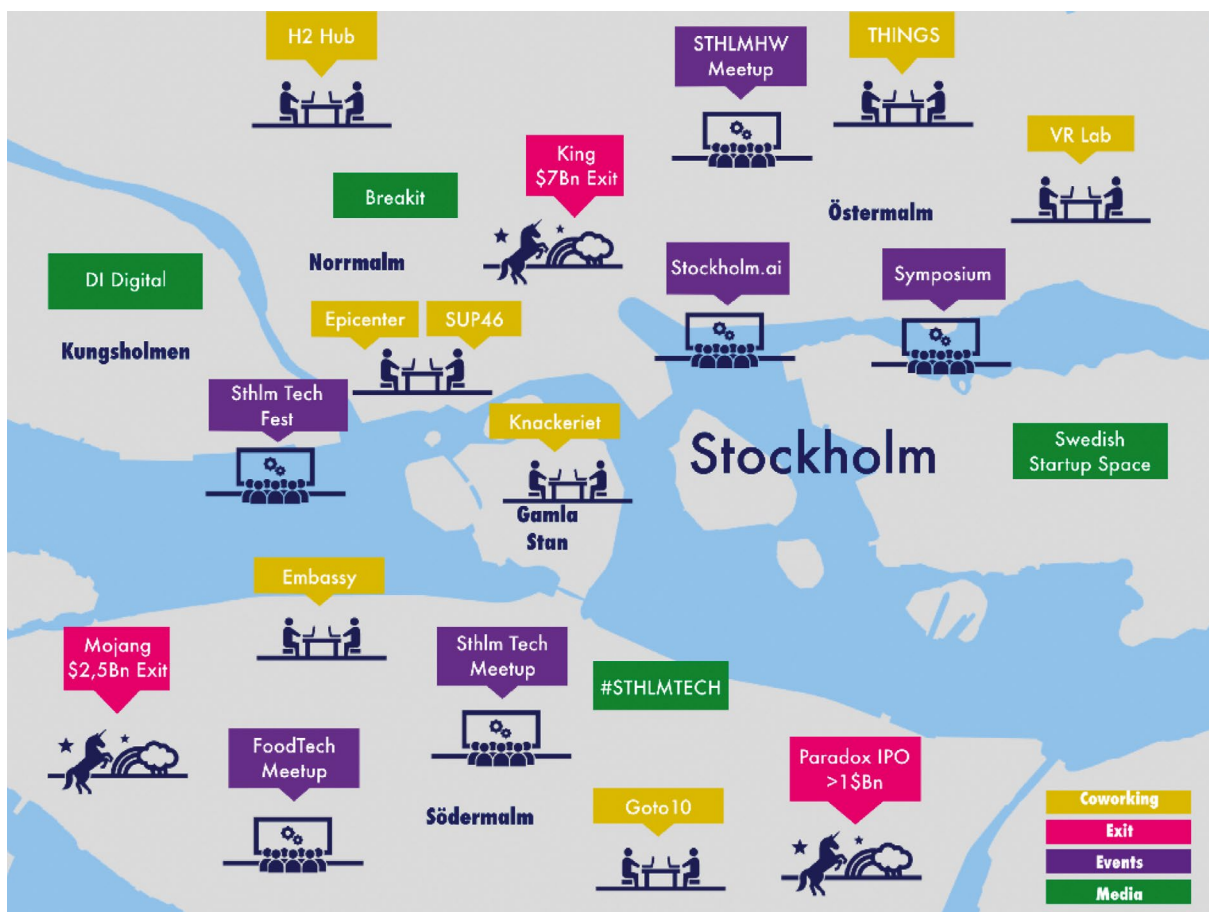
Since its inception, STOKAB has therefore been able to offer companies an open network with low fees, safety of operations and high capacity, which has been a significant explanation as to why so many successful companies in the technology area have been created in Stockholm in recent years.

It is possible that the leading politicians in the city hall at the time did not understand the full extent of this epoch-making infrastructure investment. It is somewhat amusing and contradictory that the inert, monopolised Televerket actually influenced and triggered the local politicians to form STOKAB.

## Stockholm's tech company miracles

Sweden is a technology-driven country. Many innovations have contributed to the plethora of Swedish companies that are important players on the global stage. Swedes, especially Stockholmers, are also very curious about new technical gadgets. We are about to become a cash-free society, for example. Already 100 years ago, Stockholm had the largest number of telephone subscribers per capita in the world, with a spider's web of telephone lines covering the sky above the city.

Since the turn of the millennium, many new technology companies have been very successful and have become "unicorns" (a unicorn is a company that, after 10 years, has a value of at least \$1 billion). There are many different explanations for this. Sweden as a whole is an innovation-driven country with many well-known researchers and scientists from the eighteenth century onwards. Nevertheless, many other concurring factors are also needed in order to explain the "tech miracles" of the past decade.



Stockholm Business Region, 2016

Source: The City of Stockholm Start-up Strategy, 2017

To begin with, a well-functioning society with good education and community institutions is required. If you ask, for example, the highly successful gaming industry in Stockholm, they emphasise the rapid expansion of fibre optics that the city has provided. They also mention the tax reduction introduced around the turn of the millennium for all employees. Millions of employees could, through their employers, buy a PC at a tax-subsidised price. Many came home with the family's first powerful PC, which the teenagers quickly seized.

Initially, it was often a problem for start-ups to get funding. But as several entrepreneurs made exits and reinvested in other start-ups, global venture capitalists turned towards Stockholm. The City of Stockholm became engaged early on, by supporting the region's most successful incubator STING. Here, the European Investment Bank Group contributed with support through the European Investment Fund of SEK 15 million to the Luminar Ventures fund. There are also several other examples of how the EIB has participated and engaged in developing Stockholm's ecosystem.

## Future development

Since World War II, Stockholm has been very successful in creating the prerequisites for a good living environment and in developing a virtuous and stable community. This has been very beneficial for existing companies in Stockholm, and also created a thriving environment for unicorns to grow.

If we summarise Stockholm's success, it is a combination of luck (other European industries were in ruins after the war) and a strong belief in a holistic social planning, in which the City of Stockholm in particular has had high ambitions regarding the vision and design of a cosmopolitan and global city.

Funding has mainly come from the national government, the city and the county, and thus from public money. The fear of inviting private actors into infrastructure investments has been enormous among politicians on both the left and the right. Furthermore, the EIB has not been a major player in urban development in Stockholm and Sweden, but has rather focused significant efforts on industry.

Stockholm has been a success story in many ways, yet for the future there are a number of difficult issues that must be addressed, primarily at the political level.

The biggest threat is the dysfunctional housing market, which creates a number of problems. Companies cannot recruit the right staff and are thus hindered in their development; young people do not leave their parental homes due to the great difficulty of finding a home of their own; and newly arrived immigrants may be the group that has most problems obtaining housing.

Another central issue is that it takes too long for refugees and immigrants to find jobs. A variety of reasons can be traced, such as difficulties with the recognition and equivalence of foreign degrees, language barriers, etc.

Moreover, Stockholm would benefit greatly from even better aviation availability, due to the city's geographic location far north in Europe. Sweden has one of the world's most internationalised economies, and today good air connections are essential for success in the world economy. Poor air accessibility is therefore a problem that needs to be handled with greater force.

Finally, there is also a concern that perhaps the success of Stockholm's development has come too easily. This has resulted in a belief among some that the impressive growth of the economy is given by God, and led to a lack of understanding that it is only through hard work and diligence that a city can continue to develop.

There is, of course, a strong belief – and a very considerable prospect – that Stockholm can continue to develop in a very positive way.

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