

The Daily Cardinal

Scandinavian socialism would not work in the United States

Ben Miller

April 19, 2016

In recent years, the Scandinavian countries have become a glistening castle in the distance for leftists. Heralded as a shining example of the success of socialism, leftists have propped up these countries as proof that their policies will work. However, the economies and standards of living in Sweden, Norway, Finland and Denmark are not as great as liberals make them out to be. Moreover, the economies of these countries are a far cry from the “democratic socialism” espoused by Sen. Bernie Sanders, I-Vt., and his supporters.

Despite having large welfare programs, the Scandinavian economies are primarily free-market driven. Each year, the Cato Institute releases its Economic Freedom of the World Annual Report which gauges economic liberty based on the following categories: size of government (smaller being more free), property rights, sound money, free trade and regulation. Even with large government programs, the Scandinavian countries continually rank similarly to the United States in terms of economic freedom due to the free-market capitalism below their surfaces. Denmark, for example, ranks 154th out of 157 countries in terms of size of government, but ranks 8th best for property rights and 10th best for free trade. The Scandinavian countries also perform well in the World Bank’s Ease of Doing Business Ranking, with Denmark placing 3rd and Sweden, Norway and Finland finishing 8th, 9th and 10th respectively. In comparison, the United States ranks 7th. Even though Bernie Sanders continuously uses the Scandinavian countries as examples of success, this high economic freedom isn’t very similar to Sanders’ views at all. To highlight my point, I would like to highlight some specific policy examples.

Although Sanders hasn’t stated whether he would raise the corporate tax rate, it is clear that he does not wish to lower it any time soon. In the United States, the corporate tax rate sits at a whopping 35 percent for combined state and federal taxes. Corporate tax rates in Scandinavia are much lower and continue to be lowered. Denmark and Sweden both have a corporate tax rate of 22 percent. Norway has the highest rate at 27 percent, and Finland has the lowest at 20 percent.

Another major difference is minimum wage laws. Sanders has been an outspoken advocate for a \$15 minimum wage in the United States. The Scandinavian countries refuse to have any minimum wage at all. Instead, all wages are negotiated between unions and companies. It is also important to note that labor unions are structured in a significantly different way in Scandinavia. Following the Ghent system, the primary responsibility for providing unemployment benefits falls on the union rather than a government agency. Instead of bargaining over wages and unemployment, unions and employers negotiate over wages and unemployment benefits while

leaving the right to hire and fire to the employer. This is a major check on union power, specifically in an area where union power has gotten out of hand recently.

As mentioned earlier, one of the five major categories of economic freedom is free trade. The Scandinavian countries excel in this area, especially Denmark. Bernie Sanders, on the other hand, is strongly opposed to free trade. Sanders has espoused a protectionist economic viewpoint that stands at polar opposites with the Scandinavian view of trade.

Even on issues that seem relatively minor, Sanders is at odds with the Scandinavian countries. Sanders has promoted a loosening of patent and copyright laws which he believes give an unfair advantage to patent holders. The Scandinavian countries all rank near the top in terms of tightest intellectual property rights, and rely on these laws to incentivize companies to innovate.

In reality, the only major way in which Sanders' campaign platform is even remotely similar to the Scandinavian countries is that both support large welfare programs. While the Scandinavian countries do have high personal taxes, Sanders seems to be completely ignorant of what allows these countries to have such high taxes without completely distorting the economy: free-market capitalism.

For the United States, Bernie Sanders aside, the ultimate question comes down to whether or not it would be worth mimicking the welfare-state structure of Scandinavian countries. In terms of the free-market structure, absolutely. Economic freedom is directly tied to growth, and we could learn a thing or two from Scandinavia's free-market system. However, the added welfare programs simply drag down the economy rather than improve living conditions. Before the implementation of large welfare programs, the Scandinavian countries had much higher per capita income growth; Sweden's was the highest in the world. Since these large welfare programs were implemented, that income growth has slowed down without much to show for it. On top of that, the quality of "free programs" such as healthcare and universities has started to severely suffer due to lack of competition in the marketplace.

The economic structure of the Scandinavian countries is quite unique and definitely provide an interesting case study. The United States could definitely take notes on the free-market aspect of these countries, even if their welfare programs are dragging down the economy where a completely free market would simply be better. What Sanders has in mind for the United States based on these Scandinavian countries is not what is in the best interest of our nation, and he should really look elsewhere for a better model.