



Secret To Nordic Success (Hint: It Isn't Socialism)

Swedish researcher issues warning to U.S. not to copy

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August 20, 2016

Look at those Nordic countries with their high living standards, income equality, low poverty levels and happy, long-living people. They must be so successful because they have adopted socialism, right?

Wrong.

Nima Sanandaji, a Kurdish-Iranian researcher who migrated to Sweden as a child, has a warning for Bernie Sanders, Barack Obama, Hillary Clinton and any leftists who think the United States should move toward a democratic socialist model: The success of the Nordic nations has nothing to do with socialism.

“The left internationally is using a perception of Nordic countries to sell the idea that socialism works, and the main ideological case for the left currently is the Nordic countries,” Sanandaji told a lunchtime audience Wednesday at the Cato Institute in Washington, D.C.

It makes perfect sense to admire the Nordic countries (Sweden, Finland, Norway, Denmark and Iceland), according to Sanandaji. After all, they have had lots of success with their social outcomes. However, they were even more successful before they adopted social democratic policies, which include high taxes and an expansive welfare state.

Sanandaji, president of the think tank European Centre for Entrepreneurship and Policy Reform, dismantles the case for social democracy in his brand-new book “Debunking Utopia: Exposing the Myth of Nordic Socialism.” He shared some of his research with his Cato Institute audience.

Before the Social Democrats came to power in Sweden, the country had the highest economic growth rate in the industrialized world. However, after the Social Democratic Party started dominating Swedish politics, the growth rate slowed to a mediocre level. Denmark saw a similar slowdown of growth after Social Democrats took over the country.

When the Great Depression struck the world in the 1930s, it hit the Nordic nations especially hard because they were dependent on trade, according to Sanandaji. However, the Nordic countries never had an American-style New Deal. Their governments did not try to fix every problem. Sanandaji presented a graph showing job creation in Sweden predictably went down during the Depression but bounced back quickly afterward. This was at a time when taxes were low, the welfare state was small and markets were freer.

In the 1990s, once Sweden's welfare state had grown, the country suffered a local economic crisis at a time when the global economy was growing. Sanandaji noted that, given Sweden's strong bounce-back from the Great Depression, it should have been able to overcome this smaller crisis in no time. However, jobs disappeared and only came back very slowly. This was despite a rapidly growing Swedish population and a government that was pumping public sector jobs into the economy. Job growth did not get back on track until 2008.

“So what does the data tell us?” Sanandaji asked rhetorically. “Job creation worked better during the free market era than today, and it worked phenomenally good during the free market era. Arguably the United States could learn from Sweden: Instead of a New Deal, you should have had Swedish politics.”

If Nordic success does not derive from social democracy, then where does it come from? Sanandaji said it comes from the unique qualities of Nordic culture.

“If you really understand Nordic society, they have a unique culture, social cohesion, working ethics, etc., that makes the economies be very well functionally,” the scholar explained. “High taxes, government involvement in the economy doesn't work there. It works as little there as it works here.”

He said the Nordic countries, throughout their histories, have always had uniquely high levels of social cohesion, social trust and peace, as well as a strong Protestant work ethic. And as with economic success, these countries enjoyed greater social success before they embraced social democracy. Sanandaji said the Nordic nations, during their free market eras, had longer average life spans and lower child mortality rates than most of the world.

Perhaps the most surprising, according to Sanandaji, is that the Nordic countries achieved an enviable level of income equality before they adopted high taxes and large welfare states. He showed that all five Nordic nations remain among the most equal countries in the world, but Slovenia, the Czech Republic and Slovakia are also near the top of the list. The latter three countries are not social democracies; rather, they all have small public sectors. So why do they boast high levels of income equality?

“They have one thing in common [with the Nordic countries]: they have homogeneous populations,” Sanandaji revealed. “Obviously countries which have one big group in the population have more income equality, because much of income differences are between different groups.”

He pointed out Iceland has the highest level of income equality in the world but the smallest welfare state among the Nordic nations. However, it is the most homogeneous of the Nordic countries. Sweden, meanwhile, has become less homogeneous in recent years because of immigration, and consequently it has the lowest level of income equality among the Nordics.

Therefore, Sanandaji said Americans cannot assume they will achieve Nordic levels of income equality by introducing Nordic-style social democracy to America. The U.S., which prides itself on being a “melting pot,” is nowhere near as homogeneous as the Nordic countries.

“The idealization of Nordic countries is because of cultural, societal attributes, not because of their policies mainly,” the scholar said. “And once you [realize] that, the case for adopting Nordic-style democratic socialism crumbles.”

In fact, he said leftists in America must realize the Nordic countries are looking to move towards a new model. In Denmark, when the Social Democrats last held power, they started a nationwide debate about the need for a “new welfare contract.”

According to Sanandaji: “The Danish Social Democrats, while in power, said, ‘We can’t have this anymore. We can’t have this over-reliance on welfare. We can’t have this system where the incentives of work are so limited.’

“So that’s the debate the Danish Social Democrats are having, because they live in the reality of Nordic countries.”

Therefore, Sanandaji cautioned the left not to use the Nordic countries as role models for socialism. Instead, he suggested people look to the Nordics as cultural role models.

“For the American left and the international left to admire Nordic policies, they’re fooling you,” Sanandaji said. “They’re actually pointing to Nordic cultural success. And if you want Nordic cultural success, you should have policies which encourage individual responsibility, not policies that say government can take care of everything.”