

NATIONAL REVIEW

Sweden: The Rorschach nation

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Everybody loves to talk about Sweden,” says Johan Norberg, the Swedish libertarian and Cato Institute scholar. “We’re a Rorschach test of people’s political ideas. But almost all of them misunderstand what Sweden is about. It’s not really the kind of model that people assume.”

There is a progressive myth of Sweden, and a conservative one, too.

For the American Left, Sweden is the great exemplar of what progressives erroneously call “socialism” or “democratic socialism,” even though the actual facts of life in Sweden’s open and entrepreneurial economy are far from socialistic. They point to Sweden’s robust economy, enviable standard of living, and the general contentedness of its people and conclude that what the United States needs is higher taxes, more social spending, and a larger public sector. Conservatives cannot help but notice that progressives draw precisely the same lesson from ... everything: that the wisest course of action is to give more money and power to people and institutions politically aligned with progressives.

For some on the American right, Sweden is a socialist hellhole. The talk-radio ranters and Internet-based rage retailers conclude that Sweden is a socialist hellhole because ... Sweden must be a socialist hellhole. It has very high taxes, a sprawling welfare state, and public-sector spending that represents an enormous share of GDP. The problem with that analysis is that Swedes don’t seem to believe that they live in a socialist hellhole, and Sweden sure as heck doesn’t look like one. It has its troubles, including worrisome unrest within its poorly assimilated immigrant community, but in the main it is a prosperous, healthy, and happy country.

“Those perspectives on Sweden were formed in the ‘70s and ‘80s, when they were ... almost correct,” Mr. Norberg says. “Sweden was the place where the government tried out on a large scale the most generous welfare-state socialism imaginable. But this was a parenthesis, one episode in Sweden’s history. Sweden was already rich when this happened. It was one of the richest countries on the planet, and it had an open economy, with about the U.S. level of taxes. And that is the precise moment in time when Sweden began to lag behind, the period when Sweden began to fail. It needed a terrible crisis in the 1990s. Since then, Sweden has begun to reform: pension reform, school vouchers, tax cuts, abolishing taxes on inheritances and gifts, and more. That’s the thing that people on the left misunderstand.”

There's a different rightward perspective on Sweden: "Give us some of that." Conservatives may not be excited about Sweden's tax burden or the scale of its welfare state, but they are rightly impressed with the effectiveness and transparency of Sweden's institutions, with its sober attitude toward public debt, its free trade, its flexible labor markets, its lack of corruption, the security of its people's property rights, and much more. They conclude that the variable isn't that Sweden has a larger public sector but that it has a more honest and effective one, that it thrives not because it has high taxes but because it spends them more wisely and more honestly. The conservatives at the Heritage Foundation rate Sweden's economy as very free — more free than the American economy on some measures — and suggest that its path of reform since its economic crisis in the 1990s contains lessons for our own less sprawling but at least equally dysfunctional welfare state.

A great part of our view of Sweden is shaped by cultural assumptions extraneous to actual policy concerns. The editors of *Monocle* magazine admiringly describe Swedes as being among "the world's best looked-after," and a certain kind of American — my people — cringes at the notion of grown adults being "looked after" by some kind of federal nanny. On the other side of the great cultural divide, a considerable part of American progressives' romantic attachment to European welfare states has nothing to do with the effectiveness of those programs (European-style health care, you say? Did you mean the French system, the Swiss system, the German system, the British system — they are very different, after all) but is more a product of the familiar American self-loathing, the idea that we are hicks and rustics compared to our European cousins. These progressives often are shocked to learn — or in denial about the fact — that many European countries, including the Nordic ones, are to the right (by which I mean to the free-market side) of the United States on several important metrics.

And, inevitably, it's complicated. Sweden has relatively high wages but no national minimum wage; as in many similar countries, its wages are determined by a series of industry-by-industry labor agreements rather than set by national fiat. Sweden is also a small-ish country, which has subtle and less-than-subtle implications for public policy. For example, for many years (up through the 1970s) the main instrument of bank regulation in Sweden was . . . lunch. Sweden's banking regulations were enforced through a regime of voluntary compliance, but because the country was small enough for the leaders of important financial institutions and regulatory agencies to be in regular face-to-face contact, and it has a culture of cooperation that encourages good-faith compliance efforts, which discourages petty regulatory gamesmanship.

"There is a high degree of trust in a country like Sweden, Mr. Norberg says. "I think it's part of our long tradition of having little conflict, few invasions, and no feudalism. There is a built-in work ethic and trust in your fellow man. It's one of the reasons for our success . . . and also one of the reasons why bigger government works in Sweden while it wouldn't work in other places with less trust. If you want to give politicians the right to redistribute more money, you have to assume that they won't steal or waste it, and that the recipients aren't just trying to get whatever they can lay their hands on. If you don't have that, a big welfare state won't result in trust, but in bankruptcy. That's what we've seen in southern Europe when they've tried to imitate us."

Those cultural differences are tough to replicate in a country as big and wild and unruly as the United States. But there are Swedish policies to which we should pay attention. Its post-crisis reforms are worth some thought — before we find ourselves in a(nother) economic crisis.

“In the short term, the most important thing was that Sweden opened up new markets dramatically,” Mr. Norberg says. “All those areas that had been blocked by government monopoly, regulation, and license requirements were opened to competition: telecom, energy, railways. This helped give birth to a whole new breed of important companies. In the long term, the most important reform was in the pension system. We have reformed the system to the extent that it cannot go bust. That sounds like magic, but it’s not a defined benefit any more. It all depends on what happens in the economy, to wages, in the future. It’s a more modest offer, partially privatized, but we know that it will survive.”

Trust, openness, entrepreneurship — it’s a potent combination. “The only way we can pay for those taxes is by having a more open economy,” Mr. Norberg argues, “a more deregulated market economy in other areas: more freed trade, more openness to business and competition than the United States. That’s something the American Left misses completely.”

For those interested in a classically liberal and Swedish perspective on Sweden, Mr. Norberg is screening a new film, “Sweden: Lessons for America?” which began showing in September and is in wider release in October. Those interested in Sweden as it actually exists — as opposed to the Rorschach Sweden of our popular political discourse — should give it a view, and some serious thought.