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Bernie Sanders's Scandinavian fantasy

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Sen. Bernie Sanders (I-Vt.) says that his proposals "are not radical," pointing again and again to countries in Northern Europe such as Denmark, Sweden and Norway as examples of the kind of economic system he wants to bring to the United States. The image he conjures up is of a warm and fuzzy social democracy in which market economics are kept on a tight leash through regulation, the rich are heavily taxed and the social safety net is generous. That is, however, an inaccurate and highly misleading description of those Northern European countries today.

Take billionaires. Sanders has been clear on the topic: "Billionaires should not exist." But Sweden and Norway both have more billionaires per capita than the United States — Sweden almost twice as many. Not only that, these billionaires are able to pass on their wealth to their children tax-free. Inheritance taxes in Sweden and Norway are zero, and in Denmark 15 percent. The United States, by contrast, has the fourth-highest estate taxes in the industrialized world at 40 percent.

Sanders's vision of Scandinavian countries, as with much of his ideology, seems to be stuck in the 1960s and 1970s, a period when these countries were indeed pioneers in creating a social market economy. In Sweden, government spending as a percentage of gross domestic product doubled from 1960 to 1980, going from approximately 30 percent to 60 percent. But as Swedish commentator Johan Norberg points out, this experiment in Sanders-style democratic socialism tanked the Swedish economy. Between 1970 and 1995, he notes, Sweden did not create a single net new job in the private sector. In 1991, a free-market prime minister, Carl Bildt, initiated a series of reforms to kick-start the economy. By the mid-2000s, Sweden had cut the size of its government by a third and emerged from its long economic slump.

Versions of this problem and these market reforms took place all over Northern Europe, creating what is now called the "flexicurity" model, combining flexible labor markets with a strong and generous safety net. I remember meeting the Danish prime minister, Poul Nyrup Rasmussen, who enacted many of the reforms in Denmark in the 1990s. He emphasized that the first part of the model was key: ensuring employers had the flexibility to hire and fire workers easily, without excessive regulation or litigation.

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Republican Tommy Blackwood of North Charleston, S.C. wants President Trump to stay in office, so he's trying to disrupt the Democratic primary race. (Joy Sharon Yi, Kate Woodsome/The Washington Post)

In addition, he stressed, countries such as Denmark had to stay extremely open, erecting no barriers to free trade, to gain access to markets abroad and keep their local companies competitive. When looking across Northern Europe today, one finds many innovative market-friendly policies such as educational vouchers, health-care deductibles and co-pays, and light regulatory burdens. None of these countries, for example, has a minimum wage.

It is true that these countries have a generous safety net and, in order to fund it, high taxes. What is not often pointed out, however, is that in order to raise enough revenue, these taxes fall disproportionately on the poor, middle and upper middle class. Denmark has one of the highest top income tax rates in the Organization for Economic Cooperation and Development, 55.9 percent, but that rate is applied to anyone making 1.3 times the average national income. In the United States, this would mean that any income above $65,000 would be taxed at the rate of 55.9 percent. In fact, the highest tax rate in the United States, 43.7 percent, applies to income that is 9.3 times the national average, which means that only those with incomes over approximately $500,000 pay this rate.

The biggest hit to the poor and middle classes in Northern Europe comes because they, like everyone, pay a national sales tax (value-added tax) of about 25 percent. These countries raise more than 20 percent of their taxes this way. In the United States, the average sales tax rate is 6.6 percent and accounts for only 8 percent of tax revenue.

One final statistic: A 2008 OECD report found that the top 10 percent in the United States pay 45 percent of all income taxes, while the top 10 percent in Denmark pay 26 percent and in Sweden 27 percent. Among wealthy countries, the average is 32 percent. The basic point is worth underlining because the American left seems largely unaware of it, and it has only become more true over the past decade: The United States has a significantly more progressive tax code than Europe, and its top 10 percent pays a vastly greater share of the country's taxes than their European counterparts.

In other words, bringing the economic system of Denmark, Sweden and Norway to the United States would mean embracing more flexible labor markets, light regulations and a deeper commitment to free trade. It would mean a more generous set of social benefits — to be paid for by taxes on the middle class and poor. If Sanders embraced all that, it would be radical indeed.