

The Swedish Model and Mongolia



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Sweden is an exemplary model of social and economic development. Within a hundred years since 1868, when Londoners collected money for its starving children, Sweden surpassed the wealthiest country, USA, becoming a dreamland for many. The country, where one out of ten citizens is an immigrant, has a population four times larger than Mongolia's and a land four times smaller.

A few days ago, three hundred participants from thirty three countries gathered in Stockholm for the annual meeting of Mont Pelerin Society, World's Libertarian Economists' Organization. At the conference themed "The Market Economy in the Welfare State," scientists and economists held interesting discussions about the host country's economic model. Among the participants were Nobel Prize economist Jim Buchanan, Yale University professor Richard Epstein, well known for his unique position on market and taxes; authors Mark Skousen and David Boaz, well known to Mongolian readers for their "Making of Modern Economics" and "Libertarianism: a Primer," respectively. The mayor of Stockholm, Sten Nordin, hosted a gala dinner for the delegates in the "Golden Room" of the City Hall, where the Nobel banquet takes place on December 10 every year.

"We Swedes have three different development models," said the famous economist Assar Lindbeck. Those are the leap in development period from 1870-1970, the period of slow growth from 1970-1990 and the reformation period from 1990 on. The first part founded Sweden's basis for economic wonder and luxurious living standard. The middle is an unsuccessful attempt of socialism. The last phase is correcting the mistakes of the middle part.

During the first fast growing hundred years, the economy was not centralized and the government was small. It implemented a policy to create the rules of the game required for capitalist market and to keep those rules stable and transparent. The government played its "classical" role by creating public goods and services, building up functional reliable infrastructure, and supporting investment in human resources by introducing

compulsory primary school system and by establishing engineering schools at all levels of education around the country.

They passed laws to support private entrepreneurship, liberalized the foreign trade and lowered the level of income and profit taxes. Soon with the increase of productivity, Sweden became the fastest, intensively developed economy of the world. As a result of the open policy, every Swede spoke fluent German by the end of century, and fluent English by the middle of the 20th century.

While almost a quarter of the population has migrated to the USA, a fifth of them came back to Sweden and started his/her own private business based on acquired knowledge and skills and started to produce goods and services for the international market.

Education and knowledge of foreign languages combined with their natural hard working culture has made Swedes contribute to humankind many well known brands and famous innovations: Alfred Nobel's invention of dynamite, an easier and safer material to handle than gun powder, VOLVO cars and trucks, SAAB cars and planes, Eriksson mobile phones, IKEA furniture, H&M retail chain, ABBA pop group, to name only a few. Another distinct feature relevant to mention is their creation of a strong army of relatively well paid, competent, almost incorruptible and reputable public officers.

Since the late 60's, the socialists with their promises of a paradise have increased taxes and have attempted to create a land of welfare nation with tax payers money (the second model). Slowly the country kept losing its competitiveness while the economy came to stagnation. After the 90s, the country has been trying to correct these policies by reforming the ill public sector (the third model).

Mongolian current economic and social situation closely resembles Sweden of the last century's early period. One would assume that we better pursue the open economic policy consistently and encourage every business to orient for the global market. One would further assume that it is better to encourage investment in development of human resources capacity and make particular sectors competitive in the North-East Asian region. In short, the most relevant model for Mongolia seems to be the first one that boosted Sweden's economic growth.

Instead, our government is following the second model which served almost as an obstacle in the prosperity of Sweden. One would once more assume, that if a country like Sweden could not create a "welfare nation" on a solid basis of the hundred year old economy, Mongolia would definitely not be able to do it, with the lack of a functional infrastructure and without a single of our companies having entered into the world market with original products and services other than mineral commodities. We cannot become a "dreamland," even if we sold all our abundant minerals, when we have a wrong model of development. However, there are a number of smart initiatives taking place in Sweden such as the creation of private pension funds; school voucher systems where the education of a child from a low income family at a private school is paid from public fund; connection of

university labs with private companies and industries; and very well functioning internship programs that increase productivity and equality. These are only few ideas to consider and adapt to Mongolia's development.

Stockholm-Ulaanbaatar

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