

Nordic nations are not socialist; they're free-trade lovers

By Pasi Kuoppamäki

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One hears too often that Nordic economies (Denmark, Finland, Iceland, Norway and Sweden) are based on socialist systems with sky-high taxation that are void of opportunities for entrepreneurial individuals.

The latest case occurred when Fox Business host Trish Regan compared Denmark to Venezuela, and in the face of Danish backlash, she admitted that the comparison was unfair, but that socialism is not the way forward for the U.S.

A big part of the Danish backlash was to say that Denmark is by many metrics a very market-oriented country. All Nordic countries are very high on World Economic Forum indicators on competitiveness and innovation, and they all are also high on the World Bank Doing Business indicator.

Their employment rates are generally higher than the U.S., and while GDP per capita may be lower on average, Nordic people are the happiest bunch of people on Earth if you look at almost any relevant study on happiness.

Their happiness is often more reserved, however, and not overly exuberant. Taking care of the wellbeing is, after all, a serious business.

Nordic countries are not socialist, they are small, open economies, and they cherish free trade. Nordic companies that operate in global markets are exposed to hard competition in all forms. Exports and imports of goods are much bigger part of the economies than for the U.S.

Successful businesses turning a profit and creating well-paying jobs are a necessary element of the Nordic model, which also aims to give everybody a chance to study, irrespective of the size of their wallet, and tries

to take care of the losers of the hard realities of free trade and competition.

These aspects of the Nordic model may sometimes sound socialist, but they have helped to spread wellbeing, improve social mobility and maintain social cohesion. It is true that the model requires a relatively high tax rate, which causes constant debate about proper incentives to work, but people pay their taxes willingly in most cases.

Massive budget deficits of the size observed in the U.S. would be an abomination, especially if the economy is booming and fiscal policy buffers could be strengthened.

Nordic people trust that their government uses the money wisely and openly. If there is one thing at which Nordic countries excel over every other nation, it is the rule of law and lack of corruption as evidenced by the World Justice Project and Transparency International indicators.

People trust each other more than in most countries, and they trust the system not to be rigged. This kind of trust allows the combination of free-market liberalism with big government and deep safety nets for those who are left behind.

Democracy and rule of law also mean that if majority of people want less immigrants they get less immigrants, and illegal immigrants can be deported after due process.

The truth is, however, that greying Nordic countries are likely to need more immigrants to boost their work force, trade successfully with other nations and keep the welfare system alive.

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