Debunking the Scandinavian Socialism Myth

An Evaluation of Denmark, Norway, and Sweden

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# Debunking the Scandinavian Socialism Myth

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Summary

■ Denmark, Norway, and Sweden are not socialist nations.

■ Danes, Norwegians, and Swedes are not better off than most Americans.

■ Scandinavians have rejected many of the policies American democratic socialists regularly call for. For example, in Denmark, there is no federal minimum wage, no basic income, and no federal jobs guarantee.

■ In Sweden, as well as in Denmark and Norway, all citizens pay high tax rates.

Introduction

This paper seeks to establish, beyond any doubt, that Denmark, Norway, and Sweden have not embraced Marxist principles throughout much of their economies and are thus not “socialist” nations.

In recent years, self-identified “democratic socialists” such as Sen. Bernie Sanders (I-VT) and Rep. Alexandria Ocasio-Cortez (D-NY) have touted socialism as the solution for all of America’s economic and social problems. Although they have not articulated exactly what democratic socialism entails, they have on countless occasions pointed to Denmark, Norway, and Sweden as thriving “socialist” paradises—despite the fact an abundance of evidence shows these countries absolutely are not socialist utopias.

For example, during a 60 Minutes interview in 2019, host Anderson Cooper asked Ocasio-Cortez, “When people hear the word socialism, they think Soviet Union, Cuba, Venezuela. Is that what you have in mind?”

“Of course not,” Ocasio-Cortez replied. “What we have in mind—and what of my—and my policies most closely resemble are what we see in the U.K., in Norway, in Finland, in Sweden.”

Based on Ocasio-Cortez’s comments (and similar

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remarks from other democratic socialists), many have assumed Denmark, Norway, and Sweden are thriving Marxist socialist paradises and that Scandinavians are much better off than Americans because of their countries’ socialist policies. However, both these assumptions are false. The relatively high standard of living enjoyed by the citizens of these countries is a direct result of the free-market elements of their economies, not high taxes or expansive social welfare programs. This reality is particularly problematic for socialists such as Sanders and Ocasio-Cortez, who view capitalism as “irredeemable” and have hired campaign advisors who believe Hugo Chavez’s socialist reign in Venezuela was an “economic miracle.”

This paper seeks to establish, beyond any doubt, that Denmark, Norway, and Sweden have not embraced Marxist principles throughout much of their economies and are thus not “socialist” nations. Although these countries have, without question, socialized a relatively small number of their industries, such as health care and higher education, most of their economies benefit from strong private property rights protections and numerous free-market elements, including comparatively low regulatory requirements and largely flat tax systems.

This paper includes three primary sections, with each focusing on a single Scandinavian nation. Within each primary section are several subsections that cover a variety of topics related to the Scandinavian socialism myth, including taxes, regulations, and private property rights.

Denmark at a Glance

The Kingdom of Denmark has a population of 5.8 million and covers about 16,500 square miles. Denmark’s gross domestic product (GDP) is $351 billion, and its per-capita income is roughly $60,000.

To put this into perspective, Maryland has a population of about six million, covers about 12,400 square miles, and has a gross state product of $412 billion. The United States has a population of 328 million and covers about 3.8 million square miles. Its GDP is $20.6 trillion and its per-capita income is about $65,000.

As these figures show, the United States dwarfs Denmark—economically, geographically, and in population size.

Regulatory Burden

The Heritage Foundation’s 2019 Index of Economic Freedom reveals much of Denmark’s economy is not socialistic. Denmark finished 14th in Heritage’s 2019 index, which ranks 180 countries from most economically free to least free. Denmark’s...
high ranking alone shows that, at least in some very important respects, it incorporates limited government principles, free-market policies, and fiscal restraint—the antitheses of socialism.

According to the Heritage index, “Denmark has one of the world’s most attractive business environments … The labor market is sustained by flexible and modern employment regulations. Monetary stability is well established, and the government is on course to end renewable energy subsidies within a few years.”

In fact, Denmark’s business freedom score of 90.7 (out of 100) and monetary freedom score of 84.1 are well ahead of the United States’ scores of 83.8 and 76.6, respectively. (See Figure 1.)

Although democratic socialists argue Denmark’s economy is a prime example of how socialism should work, Danes have rejected many of the policies American democratic socialists regularly call for. For example, in Denmark, there is no federal minimum wage, no basic income program, and no federal jobs guarantee. The Cato Institute’s *Economic Freedom of the World: 2019 Annual Report* ranked Denmark a perfect 10 out of 10 in the categories of credit market regulations, hiring regulations, and minimum wage, indicating Denmark’s national government generally does not intervene in these crucial areas.

Further, over the past several years, Denmark has undertaken an

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extensive effort to simplify its regulatory scheme, similar to the Trump administration’s regulatory rollback. Denmark’s regulatory approach encourages free-market capitalism—not the burdensome, bureaucratic oversight democratic socialists promote.

**Private Property Rights**

In many respects, Denmark protects private property better than governments in the United States. Although prominent American democratic socialists point to Denmark as one of their models for confiscating and redistributing wealth, in many respects, Denmark protects private property better than governments in the United States. In Heritage’s 2019 *Index of Economic Freedom*, Denmark earned a strong score of 86.2 in the property rights category and 85.8 in government integrity. The United States’ scores in these categories lag behind Denmark, at 79.3 and 77.4, respectively.⁶

Why does the United States rank lower in these vital categories? According to The Heritage Foundation, because in America, “Property rights are guaranteed, but protection has been uneven. For example, civil asset forfeitures by law enforcement and an expansion of occupational licensing requirements have encroached on property rights.”⁷

If Ocasio-Cortez and Sanders are so enamored with Denmark’s economic system, then they should be calling for stronger private property protections in the United States instead of their confiscation and redistribution schemes.

**Market Freedom**

The Danish economy has a minimal regulatory burden and wide-open markets, which makes it attractive to global investors. The Cato Institute’s economic freedom report rated Denmark’s international trade policies 8.5 out of 10.⁸ Since 1990, Denmark has had a trade surplus every year except 1998. Denmark, unlike the United States, is a creditor nation.

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⁶ The Heritage Foundation, *supra* note 3.


⁸ James Gwartney *et al.*, *supra* note 5.
Government Spending

In 2018, Denmark’s Net International Investment Position (NIIP)—the difference between a nation’s financial assets and its liabilities—was 63.1 percent of GDP. Meanwhile, the United States’ NIIP in 2018 was negative 47.4 percent of GDP. In other words, Denmark is in a very stable financial situation in the short and long terms.

Over the past three years, budget deficits for the Danish national government have averaged 0.3 percent of GDP, compared to 3 percent in the United States. Even more impressive, Denmark’s total public debt is 34.1 percent of GDP, while the U.S. total public debt is equivalent to a whopping 107.8 percent of GDP. (See Figure 2 on page 10.) Denmark’s national debt of $127 billion means each Danish citizen currently foots about $22,000 of the country’s debt. On the other hand, the U.S. national debt of $23 trillion means each American is on the hook for about $68,000 of America’s unpaid bills.

As the U.S. federal government has brazenly continued to increase its spending, the Danes have decreased social spending and reformed many of their social safety net systems. For example, in 2010, Denmark

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reduced the maximum tenure for unemployment benefits from four years to two years. Denmark also raised the age for retirement benefits and no longer allows anyone under 40 who is capable of working to receive social pension payments. These changes indicate Denmark wisely realized its social safety nets were impractical and is now working to maintain the safety nets’ long-term sustainability. Misguided American democratic socialists, on the other hand, want to massively expand social programs, despite annual deficits topping $1 trillion and a $23 trillion national debt.  

**Tax Onus**

In Denmark, the overall tax burden is 45.9 percent of total domestic income. In Heritage’s index, Denmark’s tax burden score is an abysmal 42. In the United States, the overall tax burden is 26 percent of total domestic income, and the tax burden in Heritage’s index is scored at 75.1. In simple terms, the Danish government takes almost 46 percent of earned income while the U.S. government confiscates 26 percent. 

Democratic socialists often complain that wealthy Americans

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15 The Heritage Foundation, supra note 3.

16 Ibid.
do not pay their “fair share” of taxes. In recent years, they have called for highly progressive taxes, such as wealth surtaxes, increased taxes on corporations, and income tax rates as high as 70 percent on the “wealthy.”

Democratic socialists want to enact heavy taxes on the wealthy (and corporations) to pay for their socialist agenda—even though taxing the wealthy at 100 percent still wouldn’t cover the outrageous policies contained in proposals such as the “Green New Deal.” Because Ocasio-Cortez and Sanders use Denmark as a model for their policies, one might assume Denmark soaks the rich (and corporations) while sparing middle- and lower-income earners from the taxman. However, this is not the case. In fact, the U.S. tax system is more progressive than Denmark’s tax structure.

In Denmark, unlike the United States, everyone pays high income tax rates.

Conveniently, democratic socialists never mention that wealthy Americans already bear the brunt of the income tax burden. According to the Tax Foundation, in 2015 “the top 1 percent [of American earners] paid a greater share of individual income taxes (39 percent) than the bottom 90 percent combined (29.4 percent). … The top 1 percent of taxpayers paid a 27.1 percent individual income tax rate, which is more than seven times higher than taxpayers in the bottom 50 percent (3.6 percent).”

Further, IRS data from the 2017 filing period show the top 5 percent of earners paid 55 percent of all income tax revenues, and the bottom 53 percent of earners accounted for only 3.88 percent of income tax revenues.

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In Denmark, unlike the United States, everyone pays high income tax rates. “Scandinavian income taxes raise a lot of revenue because they are actually rather flat,” notes the Tax Foundation. “In other words, they tax most people at these high rates, not just high-income taxpayers.”

According to the Tax Foundation, “The top marginal tax rate of 60 percent in Denmark applies to all income over 1.2 times the average income in Denmark. From the American perspective, this means that all income over $60,000 (1.2 times the average income of about $50,000 in the United States) would be taxed at 60 percent.”

“Compare this to The United States,” the Tax Foundation noted. “The top marginal tax rate of 46.8 percent (state average and federal combined rates) kicks in at 8.5 times the average U.S. income (around $400,000). Comparatively, few taxpayers in the United States face the top marginal rate.”

Furthermore, income taxes are only one ingredient of the tax burden pie. All Danes pay a value-added tax of 25 percent on goods and services, as well as excise taxes and government fees.

heartland.org/publications-resources/publications/policy-brief-estimating-the-income-tax-hikes-required-to-pay-for-bernie-sanders-medicare-for-all-plan


20 Ibid.

As these figures show, all Danes pay high taxes, not just the wealthy, a clear violation of Marxist principles. Despite the rhetoric from American democratic socialists, the Danish tax system is far less redistributionist than the American tax code.

Moreover, it’s important to note it isn’t likely Americans would be willing to imitate the Danish tax system in the near future. According to a 2018 Gallup poll, 45 percent of Americans already think taxes are too high, a figure made even more stunning by the fact that about 44 percent of Americans don’t pay federal income taxes.

Finally, Sanders and Ocasio-Cortez frequently advocate for taxing corporations at higher rates, which might lead some to erroneously think Denmark collects boatloads of taxes from Danish corporations. However, Denmark’s corporate tax rate is just 22 percent, only slightly higher than the U.S. rate of 21 percent. (The U.S. rate was 35 percent before the 2017 Tax Cuts and Jobs Act.)

**Not Better Off**

Overall, those living in Denmark are not better off than Americans, at least not economically. All Danes, including the poor and middle-income earners, pay a hefty tax burden to support Denmark’s social safety nets, including government-provided health care. As a result, Danes have much less disposable income. Danes also pay considerably higher prices for basic goods and services because of the country’s 25 percent national value-added tax.

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Compared to the United States, Denmark has higher poverty and unemployment rates, higher housing and transportation costs, and a lower amount of median wealth per adult. Americans have access to better health care services, more purchasing power, and a higher GDP per capita. Further, a higher percentage of U.S. adults aged 25–64 have completed upper secondary education (high school) than their Danish peers.

**Conclusion: Denmark**

Denmark is not a Marxist socialist nation. Denmark has not in recent decades implemented anything close to the sheer breadth of socialist policies advocated by socialists like Bernie Sanders and Alexandria Ocasio-Cortez, including many of the policies in Ocasio-Cortez’s “Green New Deal.” Additionally, socialists in America ignore the many free-market parts of the Nordic system that don’t fit with their far-left ideology.

Furthermore, some of Denmark’s pseudo-socialistic programs are currently being reduced or reformed due to unsustainability. In recent years, Denmark has embraced several free-market policies, including a major deregulatory drive.

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26 GDP per capita, International Monetary Fund, September 6, 2019, https://www.imf.org/external/datamapper/NGDPDPC@WEO/OEMDC/ADVEC/WEOWORLD/DNK/USA

Perhaps Danish Prime Minister Lars Lokke Rasmussen put it best while speaking at Harvard’s Kennedy School of Government in 2015: “Some people in the U.S. associate the Nordic model with some sort of socialism. Therefore, I would like to make one thing clear: Denmark is far from a socialist planned economy. Denmark is a market economy.”

Denmark does have several socialized industries, including a government-managed universal health care system. However, those industries have significant problems, largely due to government’s failures. However, this does not mean Sanders and Ocasio-Cortez truly want to adopt the Nordic model, despite their many claims to the contrary. If they did, then they would also support dozens of Nordic policies Sanders and Ocasio-Cortez routinely reject, including reduced regulations, strong property rights protections, a high level of business freedom, a more broad-based tax system that requires the poor to pay a large tax burden, and lower budget deficits.

When Sanders or Ocasio-Cortez say they support the Nordic model, they are lying, plain and simple. They support the defunct socialist elements of the Nordic system, to be sure, but they ignore the many free-market reforms that have made these countries so prosperous in recent years.

“Denmark is far from a socialist planned economy. Denmark is a market economy.”
- Lars Lokke Rasmussen Danish Prime Minister
The Kingdom of Norway, which was unified in A.D. 872 after the Battle of Hafrsfjord, has a population of 5.3 million and covers about 117,000 square miles. It has a gross domestic product of $435 billion and a per-capita income of about $80,000.

Comparatively, the United States, which emerged in the eighteenth century, has a population of 328 million and covers about 3.8 million square miles. Its GDP is $20.6 trillion and it has a per-capita income of about $65,000.

According to the Heritage index, Norway has a “transparent and efficient regulatory framework [that] facilitates entrepreneurial activity and innovation.” Norway’s business freedom score of 89.4 and monetary freedom score of 75.4 are in line with the United States, which received scores of 83.8 and 76.6,
Although U.S. democratic socialists argue Norway’s economy is an ideal illustration of how their socialist proposals would work in the United States, the truth is that Norwegians have not imposed many of the socialistic policies promoted by American progressives and democratic socialists, including a national minimum wage, universal basic income, or a government jobs guarantee.

Moreover, the libertarian-leaning researchers of the *Economic Freedom of the World: 2019 Annual Report* gave Norway a score of 9.33 out of 10 for its credit market regulations, 9.85 for starting a business, and 9.12 for its relatively low licensing restrictions. Additionally, according to the World Bank, Norway ranks seventh in the world for its “ease of doing business,” one spot ahead of the United States.

Norway’s regulatory approach encourages free-market capitalism, not socialism.

**Fossil Fuels**

Democratic socialists, as well as many of the leaders of the Democratic Party in the United States, ardently oppose the use of fossil fuels. For example, under Ocasio-Cortez’s “Green

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30 James Gwartney *et al.*, *supra* note 5.

Over the past 50 years, Norway has become a global leader in oil and natural gas extraction. According to the Norwegian Ministry of Petroleum and Energy (NMPE), “In the 50 years since Norwegian petroleum activities began, about 47 per cent of the estimated total recoverable resources on the continental shelf have been produced and sold. Thus, there are large remaining resources, and it is expected that the level of activity on the Norwegian shelf will continue to be high for the next 50 years as well.”³²

Unlike Venezuela—a truly socialist country that also has abundant oil reserves—Norway’s oil industry is regulated with a light touch. NMPE has created a more business-friendly regulatory “framework for the profitable production of oil and gas in the long term,” rather than adopt the model in place in Venezuela, which has largely removed private industry from oil and gas extraction.

Norwegians realize fossil fuels are valuable commodities, which is why they support profuse extraction and exportation. To date, Norway has accumulated close to $1 trillion in a sovereign wealth fund from its oil exports—about $233,000 for every Norwegian.³³


New Deal,” all fossil-fuel consumption and most, if not all, production would be eliminated in the United States (including air travel) over a 10-year period. Since American democratic socialists are opposed to using fossil fuels and say they strongly endorse the Norwegian model, one might reasonably assume Norway has virtually no fossil-fuel production. In reality, Norway’s economy depends heavily on fossil-fuel exports.
Without oil revenues, Norway couldn’t afford its vast welfare programs. If the United States were to adopt Norway’s policies, it would need to dramatically increase its reliance on fossil-fuel revenues, not eliminate them, as democratic socialists routinely call for.

**Private Property Rights**

Although American democratic socialists point to Norway as one of their model countries for confiscating and redistributing wealth, Norway arguably protects private property better than the United States. In the Heritage index, Norway earned a strong score of 86.1 in the property rights category and 92.3 in government integrity, because Norway maintains an independent judicial branch, transparent court system, and rigorously protects private property rights.  

If Ocasio-Cortez and Sanders are so enamored with Norway’s economic system, then they should call for stronger private property protections in the United States, instead of promoting their Marxist ideology, which would significantly reduce private property rights.

**Market Freedom**

When it comes to investment and financial freedom, Norway scored 75 and 60, respectively, in The Heritage Foundation’s index, which noted Norway’s “economy benefits from openness to foreign investment. The financial sector is open, but the government retains ownership of the largest financial institution. Credit is allocated on market terms, and banks offer an array of services.”

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34 The Heritage Foundation, *supra* note 3.

Additionally, the Norwegian economy has relatively few regulations and open markets, which makes it very attractive to global investors. The *Economic Freedom of the World: 2019 Annual Report* rated Norway’s international trade freedom 7.57 out of 10.\(^\text{36}\) Further, since 1989, Norway has recorded a trade surplus every year. Norway, unlike the United States, is a creditor nation.

If American democratic socialists want to duplicate this aspect of the Norwegian economy, the United States should reduce its massive debt obligations—not implement the costly socialistic programs Ocasio-Cortez and Sanders recommend.

### Government Spending

Over the past three years, Norway has run a federal government budget *surplus* averaging 4.4 percent of GDP.

In 2014 (the most recent available data), Norway’s Net International Investment Position—the difference between a nation’s financial assets and its liabilities—was an astounding 170.9 percent of GDP. Norway is in a *very* stable financial situation in the short and long terms. Conversely, the United States’ NIIP in 2018 was *negative* 46.5 percent of GDP.\(^\text{37}\)

Over the past three years, Norway has run a federal government budget *surplus* averaging 4.4 percent of GDP.\(^\text{38}\) Over the same period, the U.S. government has done the opposite, running a budget *deficit* averaging 3 percent of GDP.\(^\text{39}\)

Norway’s fiscal health score is a nearly perfect 97.3, according to the Heritage index, while the U.S. fiscal health score is a frighteningly low 53.1. Even more impressive is that Norway’s total public debt is only 36.7 percent of GDP.

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\(^\text{36}\) James Gwartney *et al*., *supra* note 5.


\(^\text{39}\) *Trading Economics*, *supra* note 12.
The U.S. total public debt is 107.8 percent of GDP.\textsuperscript{40} (See Figure 4.)

In terms of government spending, Norway earned a score of 25.3 in the Heritage index because “over the past three years, government spending has amounted to 49.9 percent of the country’s output (GDP).”\textsuperscript{41}

There’s no question both the Norwegian and U.S. governments spend large sums of money financing costly welfare programs, but the Norwegian government—unlike the U.S. government—can afford to do this, at least temporarily, because of its vast oil revenues. The Norwegian government has more than $1 trillion in its sovereign wealth fund, the world’s largest; an annual revenue stream of oil export sales; a consistent budget surplus; and it has a relatively low amount of debt.

\textbf{Tax Onus}

Both Norwegians and Americans pay a relatively high tax burden, although Norwegians pay slightly more. The overall tax burden in Norway encompasses 30 percent of total domestic income, according to the Heritage index. In the United States, the overall tax burden is 26 percent of total domestic income.\textsuperscript{42}

\begin{figure}[h]
\centering
\includegraphics[width=\textwidth]{figure4.png}
\end{figure}

\textsuperscript{40} The Heritage Foundation, \textit{supra} note 3.

\textsuperscript{41} \textit{Ibid}.

\textsuperscript{42} \textit{Ibid}.
Prominent progressives constantly tout the need to punish the rich with increasingly higher taxes. Even worse, they routinely advocate for enacting excessive taxes on U.S. corporations, which would reduce jobs and wages while raising prices.

Because Ocasio-Cortez and Sanders constantly hold up Norway as though it were their ideal economic model, one would assume Norway’s tax system is highly progressive, meaning the wealthy bear a vast majority of the tax burden. However, this is not the case. In fact, the U.S. tax system is far more progressive, in terms of tax burden, than the Norwegian system.

In Norway, all citizens, including middle- and lower-income earners, foot large tax bills. “Scandinavian income taxes [including Norway’s] raise a lot of revenue because they are actually rather flat,” notes the Tax Foundation.43 According to the Tax Foundation, “Norway’s top marginal tax rate of 39 percent applies to all income over 1.6 times the average Norwegian income.”44

“Compare this to the United States,” the Tax Foundation added. “The top marginal tax rate of 46.8 percent (state average and federal combined rates) kicks in at 8.5 times the average U.S. income (around $400,000). Comparatively, few taxpayers in the United States face the top marginal rate.”45

All Norwegians also pay a value-added tax of 25 percent on goods and services. Additionally, Norwegians 16 years old or older pay an annual fee of 2,000 kroner (about $215) for health care.

43 Kyle Pomerleau, supra note 19.
44 Ibid.
45 Ibid.
Even Norway’s “wealth tax” is much flatter than anything now being proposed in the United States. The Norwegian wealth tax of 0.85 percent applies to net assets exceeding 1,500,000 kronen (about $170,000).  

As these figures indicate, all Norwegians pay high taxes, not just the wealthy, and top tax rates are imposed at much lower thresholds than in the United States, making the Norwegian income tax system much less progressive.

Further, Norway’s corporate tax rate is just 24 percent, only slightly higher than the U.S. rate of 21 percent and lower than the rate now being proposed by socialists and progressives in the Democratic Party.

Despite democratic socialists’ promises of “free” college and “free” health care, there is no such thing as a free lunch. As the Tax Foundation notes, “the spending-side programs in Scandinavian countries cost a lot. Taxes would definitely need to be increased in the United States if it were to adopt them. If the U.S. were to raise taxes in a way that mirrors Scandinavian countries, taxes—especially on the middle-class—would increase through a new VAT and high payroll and income taxes.”

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**Not Better Off**

Perhaps most importantly, Norwegians are not better off than Americans. Norwegians pay higher taxes, electricity rates, and transportation costs, and they have a lower amount of average wealth per adult. Norwegians also pay much more for many basic goods and services, as well as housing.

Compared to the average Norwegian, Americans have better health care (at least in terms of health care spending per capita);

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47 Kyle Pomerleau, supra note 19.

more purchasing power; and a higher GDP growth rate, average household net-adjusted disposable income per capita, and consumer confidence rating.

The average working American family can live in a bigger and better home, drive a bigger and better car, and save significantly more money than the average family in Norway—and this is mostly because of Norway’s highly punitive tax system, which all Norwegians must pay.

**Conclusion: Norway**

Despite its high tax rates and large welfare programs, Norway is not a socialist nation. In many areas, Norway’s economy is freer than the U.S. economy.

Furthermore, many of the socialistic programs in Norway are funded by the nation’s massive fossil-fuel production. Without Norway’s high oil revenues, it likely could not afford its current welfare policies. This is important to note because American democratic socialists want to completely eliminate all carbon-dioxide emissions and fossil-fuel production in the United States, which means Norway’s current system is completely incompatible with American democratic socialists’ policy proposals.
Sweden at a Glance

In the twelfth century, the Kingdom of Sweden was formed. Today, it has a population of 10 million, covers about 174,000 square miles, and has a gross domestic product of $550 billion. The average income per capita for Swedes is about $53,000.

On the other hand, the United States is less than three centuries old and has a much larger population than that of Sweden. The U.S. population is about 33 times larger and the U.S. land mass is 21 times greater. In terms of GDP, U.S. output is 38 times larger, and U.S. GDP per-capita is $12,000 higher than in Sweden.

As in the cases of Denmark and Norway, the United States dwarfs Sweden—economically, geographically, and in terms of population size. This is important to keep in mind whenever analysts or politicians compare Sweden with the United States.

Regulatory Burden

Like Denmark and Norway, The Heritage Foundation’s 2019 Index of Economic Freedom reveals numerous aspects of Sweden’s economy are not socialistic. In fact, Sweden ranked 19th in Heritage’s 2019 freedom index.
According to the Heritage index, Sweden’s “efficient regulatory framework strongly facilitates entrepreneurial activity, allowing business formation and operation to be dynamic and innovative.” Sweden’s business freedom score of 88 and monetary freedom score of 82 are ahead of the United States, which earned scores of 83.8 and 76.6, respectively.49 (See Figure 5.)

Despite rhetoric from democratic socialists that has led some to believe otherwise, Sweden implements a commonsense, limited regulatory regime. Like its neighbors, Sweden enacts government regulations that do not undermine commerce and entrepreneurship. Instead, Sweden’s relatively light regulatory approach encourages capital formation and innovation.

Although democratic socialists argue Sweden’s economy is an exceptional example of why Americans should adopt their obsolete Marxist policies, Swedes have rejected numerous failed programs that continue to be promoted by democratic socialists like Sanders. In fact, Sweden does not have a national minimum wage. It also does not have a basic income or federal jobs guarantee, which are stalwarts of the democratic socialist agenda. Moreover Sweden’s labor market regulations have been trending in a free-market direction over the past three decades.50

49 The Heritage Foundation, supra note 3.
50 James Gwartney et al., supra note 5.
Private Property Rights

Although countless American democratic socialists point to Sweden as one of their models for efficiently confiscating and redistributing wealth, many analysts argue Sweden protects private property more than the United States does.

In the Heritage index, Sweden earned a stellar score of 89.5 in the property rights category and 88 in its government integrity category, because “real and intellectual property rights are well protected. Enforcement of contracts is very well established, and the rule of law is well maintained.” By comparison, the United States has fallen behind Sweden, earning scores of 79.3 and 77.4, respectively.\textsuperscript{51}

Market Freedom

In the Heritage index, Sweden scored in the investment and financial freedom categories 85 and 80, respectively. These policies “facilitate large flows of investment.”

The Swedish economy has a relatively low number of regulations and open markets, making it very appealing to global investors. The \textit{Economic Freedom of the World: 2019 Annual Report} rated Sweden’s international trade policies 8.18 out of 10,\textsuperscript{52} and Sweden has consistently run trade surpluses for more than 30 years.\textsuperscript{53} Like Denmark and Norway, Sweden is also a creditor nation.

If democratic socialists want to duplicate the Swedish economy, they should call for slashing regulations and addressing America’s substantial debt obligations by cutting government spending.

\textsuperscript{51} The Heritage Foundation, \textit{supra} note 3.

\textsuperscript{52} James Gwartney \textit{et al.}, \textit{supra} note 5.

\textsuperscript{53} “Sweden Trade Balance,” CEIC Data, July 2019, \url{https://www.ceicdata.com/en/indicator/sweden/trade-balance}
Government Spending

In 2018, Sweden’s Net International Investment Position—the difference between a nation’s financial assets and its liabilities—was 8 percent\(^{54}\) of GDP, a sign Sweden, like Denmark and Norway, is in a very stable financial situation.

Since 2016, the budget surplus for the Swedish national government has averaged 0.9 percent of GDP.\(^{55,56}\) Even more impressive is that Sweden’s total public debt is 38.8 percent of GDP, significantly lower than total public debt in the United States (107.8 percent of GDP).\(^{57}\)

As the U.S. federal government continues to spend increasingly more, the Swedes are decreasing government spending and reforming their social safety nets. In 1993, government spending in Sweden reached an all-time high of 70.5 percent of GDP, but by 2017, it fell to a near-record-low of 49.9 percent of GDP.\(^{58}\) Similarly, in 1995, Sweden’s debt-to-GDP\(^{59}\) ratio was 72.4 percent. By 2018, it was cut to 38.8 percent. (See Figure 6 on page 29.)

After years of trying to implement failing socialist policies, the Swedish government in the 1990s implemented a series of important free-market reforms. According to the Swedish Institute, “First, in 1996, a ceiling for public spending (utgiftstak) was introduced. This was accompanied by the addition of the ‘surplus goal’ (överskottsmålet) for the government budget – measures that remain largely intact.”

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\(^{56}\) *Trading Economics*, *supra* note 12.

\(^{57}\) CEIC Data, *supra* note 13.


\(^{59}\) *Ibid.*
“Additionally,” the Swedish Institute notes, “the Swedish Fiscal Policy Council (Finanspolitiska rådet) was established in 2007. This committee of experts audits the government’s policy decisions regarding public finances and aims to ensure that they remain consistent with the goals of growth, employment and long-term financial sustainability.”

Sweden realized its social safety net was impractical and unsustainable, so it instituted necessary fiscal reforms to maintain its long-term economic viability. Because of Sweden’s much-needed reforms, the nation’s fiscal health score in The Heritage Foundation’s index is now an outstanding 96.6.60

Tax Onus

According to the Tax Foundation, “Sweden’s top marginal tax rate of 56.9 percent applies to all income over 1.5 times the average income in Sweden … Compare this to the United States. The top marginal tax rate of 46.8 percent (state average and federal combined rates) kicks in at 8.5 times the average U.S. income (around $400,000). Comparatively, few taxpayers in the United States face the top marginal rate.”61

In Sweden, as is the case with Denmark and Norway, all citizens pay high income taxes. Sweden’s tax system is extreme-

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60 The Heritage Foundation, supra note 3.

61 Kyle Pomerleau, supra note 19.
ly broad-based, meaning all Swedes send a large percentage of their income to the capital city of Stockholm, whether they are extremely wealthy or living paycheck to paycheck.

As stated previously, Kyle Pomerleau notes, “Scandinavian income taxes raise a lot of revenue because they are actually rather flat. In other words, they tax most people at these high rates, not just high-income taxpayers.”

Sweden’s overall tax burden equals 44.1 percent of total domestic income. No wonder The Heritage Foundation’s tax burden score for Sweden ranks among the world’s bottom dwellers! And income taxes are just one component of the tax burden Swedes face. Many also pay a highly regressive value-added tax of 25 percent on goods and services.

Although tax rates paid by individuals of every economic class are high in Sweden, some progress has been made over the past 15 years. In 2004, Sweden eliminated its inheritance and gift taxes, and in 2007 it scrapped its wealth tax. As these reforms illustrate, Sweden is jettisoning some of its most progres-

Sweden is jettisoning some of its most progressive taxes in favor of broad-based taxes—the opposite of what a socialist nation would do.

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62 Ibid.

63 The Heritage Foundation, supra note 3.


sive taxes in favor of broad-based taxes—the opposite of what a socialist nation would do.

Further, it’s worth noting Sanders and Ocasio-Cortez often advocate for taxing corporations at high rates, all while singing Sweden’s praises, causing some to reasonably assume the Swedish model also places high taxes on corporations. But this, too, is not accurate. Sweden’s corporate tax rate is 22 percent, only slightly higher than the U.S. rate of 21 percent.67 (See Figure 7.)

**School Choice**

In Sweden, unlike the United States, *all* parents can choose the school their children attend. According to the Swedish Institute, “Following a law change in the 1990s, parents and their children can choose among tuition-free schools, whether municipal or private. Although private schools have been in existence for as long as there has been compulsory education in Sweden, they were not a widespread competitive alternative to municipal schools until the 1992 law provided them with public funding.”68

Close to three decades after Sweden instituted its universal school choice program, many Swedish parents are still taking advantage of the opportunity to choose to enroll their children

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in a charter school. “[In] 2017, around 17 per cent of compulsory schools and 33 per cent of upper secondary schools were charter schools and they attracted 15 per cent of all compulsory school students and 27 per cent of all upper secondary school students,” according to the Swedish Institute.⁶⁹

Since the implementation of Sweden’s school choice program, those students in private schools have outperformed their public school peers. According to EdChoice, “The most vigorous study on the Swedish school voucher system … concludes that students in non-public (or Independent schools as they are called in Sweden) perform better than their public school peers both in the short term, with increased test results and grades, and the long term, with higher grades in secondary school and at university. Both for-profit and nonprofit private schools showed this positive effect.”⁷⁰

Moreover, EdChoice found “a recent national survey in Sweden showed that parents who had children enrolled in Independent (private) schools were 10 percent more likely to be satisfied than those with children in municipal schools.”⁷¹

The Swedish education system is the exact opposite of the centralized, socialistic approach embraced by the left in the United States. In fact, democratic socialists constantly advocate for more government control of education.

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⁶⁹ Ibid.


⁷¹ Ibid.
Not Better Off

The available evidence clearly shows Swedes are not in a better situation than Americans. Swedes pay higher taxes, have less disposable income, suffer with a higher unemployment rate, and have a lower amount of median wealth. Swedes also pay significantly more for many goods and services, including housing and transportation.

Conversely, Americans have access to better health care services, more purchasing power, a substantially higher average household net-adjusted disposable income per capita, lower transportation and energy costs, and a higher GDP per capita.

Conclusion: Sweden

Democratic socialists claim Sweden is an ideal model for socialism, but, as the data presented throughout this section indicate, Sweden is not a socialist nation and the Swedish people are not better off than Americans.

According to acclaimed Swedish historian and Cato Institute Senior Fellow Johan Norberg, “Sweden is not socialist—because the government doesn’t own the means of production. To see that, you have to go to Venezuela or Cuba or North Korea.”

Norberg has written extensively on Swedish economic policy and recently released a documentary—titled Sweden: Lessons for America?—that explores the modern, mostly free-market reforms that have saved the fledgling country from its poor economic outcomes in previous generations, when socialist policies were more popular in the country.

In an interview with John Stossel, Norberg succinctly told the story of Sweden’s economic decline: “We did have a period in

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72 The Economist, supra note 25.

the 1970s and 1980s when we had something that resembled socialism: a big government that taxed and spent heavily. And that’s the period in Swedish history when our economy was going south.”

Norberg later added, “People couldn’t get the pension that they thought they depended on for the future … At that point the Swedish population just said, enough, we can’t do this. … We do have a bigger welfare state than the U.S., higher taxes than the U.S., but in other areas, when it comes to free markets, when it comes to competition, when it comes to free trade, Sweden is actually more free market.”

Contrary to what politicians like Sanders and Ocasio-Cortez have claimed, Sweden’s dalliance with socialism is a cautionary tale for Americans about the significant risks of embracing socialistic ideals—not evidence of why socialism supposedly “works.”

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About the Authors

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Prior to working at The Heartland Institute, Talgo taught U.S. history and American government for five years in Bluffton, South Carolina. He served on the Town of Bluffton Accommodations Tax Committee and was elected precinct delegate for his voting district. He is an avid reader of history and social science, and he enjoys watching and playing sports. He regularly competes in 5k and 10k runs.

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Haskins’ work has been featured hundreds of times by leading media outlets, such as the Fox News Channel, New York Times, Drudge Report, Newsmax TV, Real Clear Politics, the White House, and the Rush Limbaugh Show. Haskins has appeared on dozens of occasions on national radio and television shows, including the Fox News Channel’s Tucker Carlson Tonight and Fox & Friends and The Blaze TV’s Glenn Beck Program.

In 2016, Haskins was named to MediaDC’s “30 Under 30” list of young and influential leaders on the right, and in 2017, Newsmax named Haskins one of the nation’s “Top 30 Republicans Under 30.” Haskins was inducted into The Philadelphia Society in 2018.

Haskins earned his bachelor’s degree from the University of Richmond in 2010, and he received a master’s degree in government from Regent University (Virginia Beach, VA) in 2011. In 2015, Haskins earned a second master’s degree, this time in journalism, from Regent University.

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About The Heartland Institute

Founded in 1984, The Heartland Institute is an independent national nonprofit research organization. It is a tax-exempt charity under Section 501(c)(3).

Our mission is to discover, develop, and promote free-market solutions to social and economic problems. Three things make Heartland unique among free-market think tanks:

- We communicate with more national and state elected officials, more often, than any other think tank in the United States. We contacted elected officials 812,789 times in 2018.

- We produce four monthly public policy newspapers—Budget & Tax News, Environment & Climate News, Health Care News, and School Reform News—which present free-market ideas as news rather than research or opinion.

- We promote the work of other free-market think tanks on our websites, in our newspapers, at our events, and through our extensive government and media relations. No other institution does more to promote the work of other think tanks than we do.

In 2018, a telephone survey of 500 randomly selected state elected officials (no staff) found 78 percent of state legislators read at least one of our newspapers “sometimes” or “always.” Forty-five percent reported a Heartland newspaper “influenced my opinion or led to a change in public policy.”

The Leaflet, government relations’ weekly e-newsletter, was read by more than half (58 percent) of all state legislators in the country in 2018. That equates to more than 4,200 state legislators.

In 2018, we appeared in print and online and on television or radio nearly 5,200 times, and our podcasts were downloaded 3.2 million times. Our Facebook page has more than 100,000 fans, and we use Twitter to promote our free-market mission to more than 84,000 followers every day.

Heartland’s annual budget of nearly $6.25 million supports a full-time staff of 40. More than 500 academics, legal scholars, and professional economists participate in our peer-review process, and more than 300 elected officials serve on our Legislative Forum. We are supported by the voluntary contributions of 5,000 supporters. We do not accept government funding.

For more information, please visit our website at www.heartland.org or call 312-377-4000.