

## The Nordic Model

The welfare states of the Nordic countries are successful because they are actually free markets. They are neither socialist states nor regulatory states. The countries have trustworthy, independent, and fair judicial systems that protect private property rights. Also, the countries have transparent and efficient regulatory frameworks that facilitate entrepreneurial activity. “I would like to make one thing clear: Denmark is far from a socialist planned economy; Denmark is a market economy,” said Lars Løkke Rasmussen, Prime Minister of Denmark.<sup>1</sup> “Denmark is a full-on, free-market capitalist country,” said Otto Brøns-Petersen, Head of Analysis, Center for Political Studies, Copenhagen, Denmark.<sup>2</sup> Yet the Nordic countries (i.e., Sweden, Denmark, Norway, Finland, and Iceland) still are not as prosperous as the world’s freest economies.

The annual *Index of Economic Freedom*, published as a project by The Wall Street Journal and The Heritage Foundation, analyzes the relationship between economic freedom and prosperity across the world.<sup>3</sup> Of the 184 countries analyzed each year, the data point to the same conclusion: Countries with the most economic freedom also have higher rates of long-term economic growth; their people are better off, at all income levels. Throughout the world and throughout history, the less regulatory the state, the more prosperous.

The *Index* ranks the United States 25th in economic freedom in 2022, behind Finland 9th, Denmark 10th, Sweden 11th, Iceland 13th, and Norway 14th.

“This bigger burden of government hurts Nordic competitiveness, both because government spending consumes resources that could be more efficiently allocated by market forces and because the accompanying high tax rates discourage productive behavior. A smaller state sector is one reason why the United States is more prosperous. Per capita GDP in the United States is more than 15 percent higher than it is in the Nordic nations,” wrote Daniel J. Mitchell, then-senior fellow at the Cato Institute.<sup>4</sup> “[T]here is much to applaud in Nordic nations. They have open markets, low levels of regulation, strong property rights, stable currencies, and many other policies associated with growth and prosperity. Indeed, Nordic nations generally rank among the world’s most market-oriented nations.”

“Nordic nations also have implemented some pro-market reforms. Every Nordic nation has a lower corporate tax rate than the United States [in 2017], for example, and most of them have low-rate flat tax systems for capital income. Iceland even has a flat tax for labor income. And both Iceland and Sweden have partially privatized their social security retirement systems,” wrote Mitchell.

According to the World Values Survey and other similar studies, Sweden combines one of the highest degrees of individualism in the world, solid trust in well-functioning institutions, and a high degree of social cohesion. Among the 186 countries studied in the *Index of Economic Freedom*, Sweden ranks 15th, and is one of the few countries that increased its economic freedoms during the financial crisis. “[D]ecisive economic liberalizations, and not socialism, are what laid the foundations for Sweden’s success over the last 15 years...So reforms that increase economic freedoms should and will continue – the results so far have been more than encouraging. That is the real lesson to be learned from ‘the Swedish model,’” wrote Johnny Munkhammar, then-Moderate Party member of the Swedish Parliament.<sup>5</sup>

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<sup>1</sup> Steven Crowder, *PragerU.com*, “Democratic Socialism is Still Socialism,”  
<https://www.prageru.com/playlists/why-capitalism-beats-socialism-every-time#5>.

<sup>2</sup> Otto Brøns-Petersen, *PragerU.com*, “Is Denmark Socialist?,”  
<https://www.prageru.com/video/is-denmark-socialist/>.

<sup>3</sup> The Heritage Foundation, *2018 Index of Economic Freedom*.

<sup>4</sup> Cato Institute, “What Can the United States Learn from the Nordic Model?,” *Policy Analysis No. 603*, November 5, 2007.

<sup>5</sup> *The Wall Street Journal*, “The Swedish Model,” January 26, 2011.