

## Socialist?

This is the dominant Left vs Right debate which clouds any conversation over the Nordic model. Is the answer really this partisan?

An interesting study by Razi Iqbal and Padma Todi suggests that it's more nuanced.

They summed their findings in the table below, which shows which characteristics the model holds. Nordic countries have a high level of economic freedom, with the market mechanism the predominant method of resource allocation. This, along with property rights and private companies, shows high elements of capitalist societies. However, the Nordic model does have some socialist traits, namely in the ultra-developed welfare states and high taxes.

As we can see, the Nordic countries exemplify a capitalist society with socialist characteristics.

	CAPITALISM	SOCIALISM	NORDIC MODEL
Free Market Mechanism	Yes	No	Yes
Globalisation	Yes	No	Yes
Tax Rate	Low	Very High	High
Private Property Rights	Present	Absent	Present
Income Equality	Low	Very High	High
Political System	Democracy	Communism	Democracy
Importance of Economic Institutions	Very High	Low	High
Density of Labour Unions	Low	Very High	High
Retirement and Unemployment Benefits	Average	Very High	High
Expenditure on Education and Healthcare	Average	Very High	High
Presence of private companies in public domain	Very High	Low	High

## The Nordic model

## Sustainable?

The question of sustainability is a very important one for such a successful model. Factors such as rising cost of welfare services, work culture and benefits have always threatened the Nordic model. However, more recently, the factor of immigration has also become a potential threat. Since the 1990s, the Nordic countries, previously homogenous have taken in large numbers of refugees and immigrants from war-torn countries. Not only does this have negative effects on the welfare states, but it has also destabilised the political atmosphere. Reactionary parties, such as the Swedish Democrats, have platformed on a nativist politics which are highly anti-immigration. This could have detrimental effects on the cultural and historical relationship between the state and the general population, as trust has deteriorated and will further. More immigration may accelerate this disillusionment.

Another crucial factor is demographic changes. Ageing populations and insufficient birth rates would be very damaging for the Nordic economies, especially fiscally. As society becomes older they become more dependent on the state and welfare system. If there isn't a sufficient substitute for these through a new working population will create a massive revenue problem in the future.

## Successful?

The answer is yes. The Nordic countries boast extraordinary economies, that are highly advanced and competitive. The Nordic people are extremely well educated, with Finland having the best education system in the world. The population is wealthy- with an average GDP/capita (PPP) of \$57,571- and healthy – all the Nordic countries are in the top ten happiest nations on earth, according to the world happiness report.

The real question is how are these nations successful; there are a few theories.

Some, like George Lakey (author of 'Viking economics'), believe that the reason is equality. The argument is that, due to redistributionist policies, nobody is left behind and there is true opportunity of equality.

Others see the model as successful not primarily due to economic reasons, but because of historical and political ones. Milton Friedman cites the homogeneity of the Nordic countries as the reason for the success, as it allowed them to "get away with a good deal they couldn't otherwise get away with." what is meant by this is that a distinct Scandinavian culture has created a system in which there is minimal tensions (culturally, racially, financially), allowing for success. This links with Mary Hilson's view of consensual democracy – there is a high trust in government, and overall contentment with policy.

Top of the class							
2012 Index rankings							
Overall rank*	Country	Global competitiveness	Ease of doing business	Global Innovation	Corruption perceptions	Human development†	Prosperity
1	Sweden	4	13	2	4	10	3
2	Denmark	12	5	7	1	16	2
3	Finland	3	11	4	1	22	7
4	Norway	15	6	14	7	1	1
5	Switzerland	1	28	1	6	11	9
6	New Zealand	23	3	13	1	5	5
7	Singapore	2	1	3	5	26	19
8	United States	7	4	10	19	4	12
9	Netherlands	5	31	6	9	3	8
10	Canada	14	17	12	9	6	6
11	Hong Kong	9	2	8	14	13	18
12	Australia	20	10	23	7	2	4
13	Britain	8	7	5	17	28	13
14	Germany	6	20	15	13	9	14
15	Ireland	27	15	9	25	7	10

Sources: World Economic Forum; World Bank; INSEAD and World Intellectual Property Organization; Transparency International; UNDP; Legatum

\*Based on equal weighting of indices. †2011 ranking

## What is the Nordic model?

The Nordic model is the shared political, economic, and social model which governs the Scandinavian nations – Denmark, Finland, Iceland, Norway and Sweden.

Nordic success



Swedish Democrats leader Jimmie Akesson