

Opinions

# Democrats point to Nordic nations as models of socialism. Here's how they actually work.

By Charles Lane

Socialism — pro or con — is the hot issue in Democratic circles as the party's candidates for president prepare to debate this week.

To the obvious objection that socialism failed catastrophically in Venezuela and the Soviet Union, Democratic democratic socialists have a ready response: Our model is the thriving nations of northern Europe.

"I think that countries like Denmark and Sweden do very well," Sen. Bernie Sanders (I-Vt.) told an Iowa audience in April. "My policies most closely resemble what we see in the U.K., in Norway, in Finland, in Sweden," Rep. Alexandria Ocasio-Cortez (D-N.Y.) told CBS's "60 Minutes" in January.

Undoubtedly, the Nordic nations, with their high incomes, low inequality, free politics and strong rule of law, represent success stories. What this has to do with socialism, though, is another question.

And the answer, according to a [highly clarifying new report](#) from analysts at JPMorgan Chase, is "not much."

Drawing on data from the World Bank, the Organization of Economic Cooperation and Development and other reputable sources, the report shows that five nations — Sweden, Denmark, Finland, Norway and the Netherlands — protect property rights somewhat more aggressively than the United States, on average; exercise less control over private enterprise; permit greater concentration in the banking sector; and distribute a smaller share of their total income to workers.

"Copy the Nordic model if you like, but understand that it entails a *lot* of capitalism and pro-business policies, a lot of taxation on middle class spending and wages, minimal reliance on corporate taxation and plenty of co-pays and deductibles in its healthcare system," the report notes.

Sanders and other left-leaning Democrats promise to pay for tuition-free college and Medicare-for-all with higher taxes on the top 1 percent of earners. Most Nordic countries, by contrast, have zero estate tax. They fund generous programs with the help of value-added taxes that heavily affect middle-class consumers.

In Sweden, for example, consumption, social security and payroll taxes total 27 percent of gross domestic product, as compared with 10.6 percent in the United States, according to the JPMorgan Chase report. The Nordic countries tried direct wealth taxes such as the one that figures prominently in the plans of Sen. Elizabeth Warren (D-Mass.); [all but Norway abandoned them](#) because of widespread implementation problems.

The Nordic countries' use of co-pays and deductibles in health care may be especially eye-opening to anyone considering Sanders's [Medicare-for-all plan](#), which the presidential candidate pitches as an effort to bring the United States into line with European standards.

His plan offers an all-encompassing, government-funded zero-co-pay, zero-deductible suite of benefits, from dental checkups to major surgery — which no Nordic nation provides.

The Netherlands' health insurance system centers on an Obamacare-like mandate to buy a private plan; individuals face an annual deductible of \$465 (as of 2016), according to the Boston-based Commonwealth Fund.

Dutch consumers' out-of-pocket spending on health care represented 11 percent of total health expenditures in 2016, according to [the Peterson-Kaiser Health System Tracker](#) — the same percentage as in the United States. In Sweden, meanwhile, out-of-pocket spending accounted for *15 percent* of health expenditures. Who knew?

These countries are generous; but they are not stupid. They understand there is no such thing as “free” health care, and that requiring patients to have at least some skin in the game, in the form of cost-sharing, helps contain costs.

“We have to join the rest of the industrialized world and guarantee health care to all, including the undocumented,” [Sanders said](#) last month at a presidential forum hosted by immigrant-rights groups in California.

Actually, none of the Nordic countries enroll undocumented immigrants in their national health plans on equal terms with citizens and legal residents. Generally speaking, the countries provide acute care to undocumented adults, and full care to children, on an ad hoc basis. This is [not unlike the United States](#), which provides billions of dollars' worth of health care to undocumented people through various channels, public and private. In Denmark, private charity covers [those who are undocumented](#).

These nations of northern Europe are far from perfect, as the recent fall of [Finland's government](#) over its proposed reforms to that country's financially troubled health system shows.

If they have established anything, it's not socialism, or even the dominance of a benevolent state, but responsible governance. They have achieved a clear division of labor, between government (which arguably has a comparative advantage in health insurance and education) and the private sector (which is better at producing and distributing most other goods and services).

What the Nordic countries don't do is pretend that society can have a strong and efficient social safety net without a big, mandatory financial contribution from the middle class. Nor do they deal punitively with the private sector, upon whose productivity the entire system ultimately depends.

American socialists' enthusiasm for the northern European systems may be sincere. We shall see whether it can withstand full and accurate information about how those systems actually work.

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