

BOOK REVIEW

SCANDINAVIAN UNEXCEPTIONALISM: CULTURE, MARKETS, AND THE FAILURE OF THIRD-WAY SOCIALISM

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The Scandinavian countries, and primary among them Sweden, are commonly referred to as anomalies or inspirations, depending on one's political point of view. The reason is that the countries do not appear to fit the general pattern: they are enormously successful whereas they "shouldn't" be. Indeed, Scandinavians enjoy very high living standards despite having very large, progressive welfare states for which they pay the world's highest taxes.

As a result, a large and growing literature, both propagandist and scholarly, has emerged that tries to identify the reasons for this Scandinavian exceptionalism—especially as pertains to their

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welfare states. I have myself contributed to this literature (e.g., Bylund, 2010) and have previously reviewed others' contributions to it in this journal (Bylund, 2015). But what has been missing is a summary analysis that is accessible to non-scholars. It was therefore a delight to read Nima Sanandaji's *Scandinavian Unexceptionalism: Culture, Markets, and the Failure of Third-Way Socialism*, published by British Institute for Economic Affairs.

Dr. Sanandaji is a political-economy analyst and writer, well known in both Sweden and Europe, and as expected does an excellent job summarizing the state of scholarship. He also uses examples and quotes from articles published in Scandinavian news media to illustrate the narrative. The result is a short and informative but easy to read answer to both how and why the Scandinavian welfare states seem to work so well.

The short book provides the reader with insight into Scandinavian culture, an explanation of the causes of the nations' exceptional rise from poverty, an overview of their recent political-economic history, the distinct structure and evolution of the Scandinavian welfare state, the origins of their egalitarianism and gender equality, and the effect of immigration. I will briefly touch on three of these areas.

First, Sanandaji makes clear that the rosy story of the Scandinavian welfare state, as it is usually told, is at best incomplete. The Scandinavian countries were among the European continent's poorest by the end of the 19th century and were largely unaffected by the industrialization that had started centuries earlier in the United Kingdom. A combination of classical liberal reform and the adoption of industrialized production created a century-long "golden age," as Bergh (2014) denotes the period approximately 1870–1970 in Sweden, of economic growth and rapidly rising standards of living.

This growth was partly also made possible by a distinct Scandinavian culture, with is characterized by the "[h]igh levels of trust, a strong work ethic and social cohesion [that] are the perfect starting point for successful economies" (p. 7). As Sanandaji points out, the market-aligned virtues of Scandinavian culture also explain the limited impact of the welfare state as it was erected and ballooned in the 1930s and beyond. Cultural change takes time, and thus old values lag in the face of political change. So it took time for the Scandinavian virtues to give way to the destructive incentives of the welfare state.

It should also be noted, though Sanandaji fails to make this point clearly, that after the welfare state was established, and during its several decades of expansion, its growth rate tended to be lower than that of the overall economy. The increasing burden was therefore, in relative terms, marginal. That is, until the radical 1960s and 1970s when Scandinavian governments, and the Swedish government in particular, adopted very expansionist welfare policies. (This political shift is analyzed in detail in, e.g., Bergh [2014]).

Sanandaji also presents interesting data with respect to Scandinavian gender equality. His discussion begins with the internationally enviable women's labor market participation rate in Scandinavian countries, and especially Sweden. The background, however, is that Sweden's government had adopted a radical agenda for population control formulated by Gunnar and Alva Myrdal (yes, the same Gunnar Myrdal who shared the 1974 economics prize with Hayek). The gist of this reform was to enforce a shared responsibility between parents and "the community" for children's upbringing. By raising taxes on income while offering government-run daycare services, families were incentivized (if not "forced," economically speaking) to secure two full-time incomes.

Interestingly, while this indeed rapidly increased women's participation in the labor market, Sanandaji notes that "few women in the Nordic nations reach the position of business leaders, and even fewer manage to climb to the very top positions of directors and chief executives" (p. 102). Part of the reason is that jobs that women typically choose, including education and healthcare, are monopolized in the vast public sectors. As a result, women are trapped in careers where employers do not compete for their competence and many leadership positions are political.

This development is indirectly illustrated in a terrifying statistic from Sweden's labor market: "Between 1950 and 2000, the Swedish population grew from seven to almost nine million. But astonishingly the net job creation in the private sector was close to zero" (p. 33).

Finally, Sanandaji addresses the issue of immigration and shows that the Scandinavian nations were exceptionally good at integration, with greater labor participation for immigrants than other Western nations, prior to the radicalization of the welfare state. Thereafter,

due to rigid labor regulations and vast welfare benefits, immigrants were more or less kept out of Scandinavian job markets.

The literature identifies two potential explanations. First, the anti-business and job-protection policies practically exclude anyone with lacking work experience, highly sought-after skills, or those with lacking proficiency in the language or limited network. This keeps immigrants as well as young people unemployed (the very high youth unemployment rates in Scandinavia illustrate this problem). Second, the promises of the universal welfare state tend to attract people who are less interested in working their way to the top and thus have a lacking work ethic.

This explains the recent problems in Scandinavia with respect to immigration, which is essentially an integration and policy problem—not a foreign-people problem.

Overall, Sanandaji's book provides plenty of insights and a coherent explanation for the rise of the Scandinavian nations and their welfare states. Their impressive standard of living is a free-market story, which is rooted in an economically sound culture. This culture also supported the welfare state, until decades of destructive incentives eroded the nations' sound values. The welfare state, after its radicalization, was soon crushed under its own weight, and Scandinavia has since undergone vast free-market reforms that again have contributed to economic growth and prosperity.

Considering the full story, Sanandaji summarizes the example of the Northern European welfare states simply and bluntly: "Scandinavia is entirely unexceptional" (p. 10).

REFERENCES

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