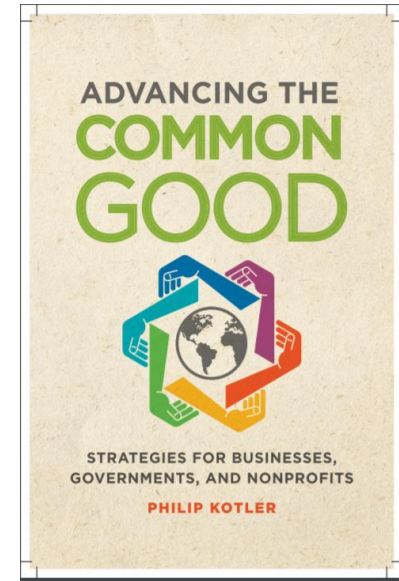
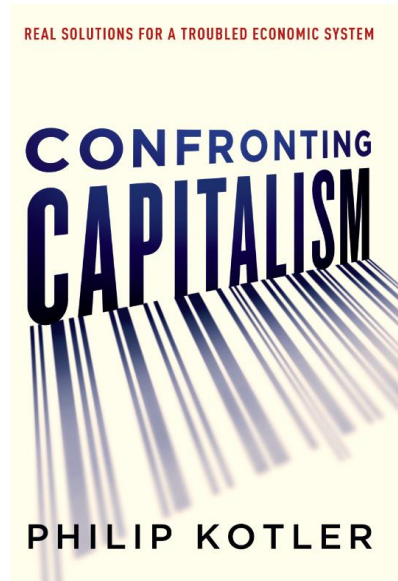
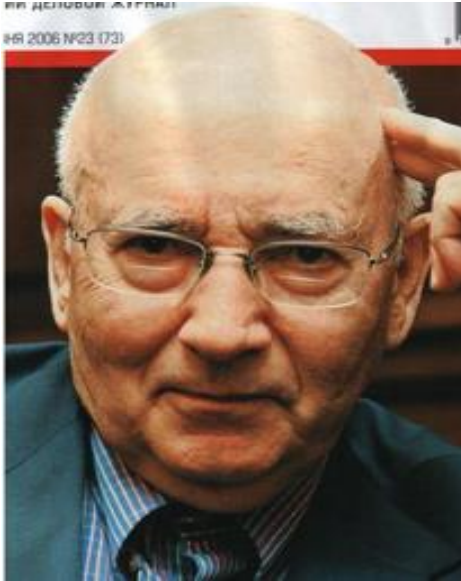


# Is America Ready for Scandinavian Capitalism?



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# Define Capitalism

- **Capitalism.** An economic system in which:
  - the means of production are privately owned and operated for private profit;
  - decisions regarding supply, demand, price, distribution, and investments are made by private actors in the free market;
  - profit belongs to the owners who invest in the business, and wages are paid to workers employed by the businesses.
- **Mixed economy.** Government assists private enterprise, runs some enterprises and imposes many business regulations.
- **Socialism.** The government runs some businesses for public good and not for profit.
- **Communism (State Capitalism).** The state owns and operates most of the key businesses of the country.

# Criticisms of American Capitalism

- Persistence of poverty..
- Many workers earn less than a livable wage
- Growing income gap between the working class and the rich.
- A health care system that is twice as expensive as good systems in other countries that are available and affordable by many citizens.
- Getting a college education means accepting a substantial debt load upon graduation.
- High and rising cost of food and rent facing the working class.
- Racial, ethnic and gender discrimination in businesses and housing.
- The U.S. has more people in prison than in any other country and spends more money on its prisons than on its college students.
- The rich own most of the politicians in both parties.
- The U.S. spends too much of its money on defense, robbing citizens of the resources need to produce a better standard of living for more Americans.

# Bernie Sanders Wants a Better Capitalism

- Medicare for All
- College should be free.
- Wages must rise to a living wage.
- Unions to give workers a voice.
- Free child care and Pre K for all
- Invest more in public education
- Raise taxes on the rich
- Women's rights
- Racial justice
- Etc.

# What is Scandinavian Capitalism?

- Scandinavia is Sweden, Denmark, Norway. If we add Finland and Iceland, the group is Nordic.
- The Scandinavian (or **Nordic**) model comprises the economic and social policies as well as typical cultural practices of these countries.
- The model includes a comprehensive welfare state and multi-level collective bargaining based on the economic foundations of free-market capitalism, with a high percentage of the workforce unionized and a large percentage of the population employed by the public sector (roughly 30% of the work force).
- Scandinavian countries enjoy high living standards and low income disparity.
- Also called *Welfare Capitalism* or *Social Democracy*, not *Socialism*.

# Features of The Scandinavian Model

- **Free college tuition. (Some fees and debt)**
- **Free and better health care for more people**
- **A much longer vacation time**
- **Maternity and paternity benefits**
- **Child care and aged parents care**
- **The Scandinavian idea is to make a good life for most citizens.**
- **These benefits are possible because of an income tax system whose top rate is 70%.**

# Denmark

- Danes earn roughly the same after-tax income as Americans, while working 20 percent less.
- They pay in taxes an extra 19 cents for every dollar earned. But in return they get free health care, free education from pre-school through university, and the opportunity to prosper in a thriving free-market economy with dramatically lower levels of poverty, homelessness, crime, and inequality.
- The average worker is paid better, treated more respectfully, and rewarded with life insurance, pension plans, maternity leave, and six weeks of paid vacation a year.
- All of these benefits only inspire Danes to work harder, with fully 80 percent of men and women aged 16 to 64 engaged in the labor force, a figure far higher than that of the United States.

# College Education in Scandinavia

- Education is tuition-free including at the universities (except some fees)
- Nordic governments gives a monthly allowance to help university students cover their living expenses.
- Scandinavian students are better educated. Their free education reduces social inequality and benefits both individuals and society in the long run.



# Child Benefit Payments

Financial aid in Denmark is based on the age of the child, decreasing as they get older, stopping when they are 17. The payments range from 4,506 kroner (€605) per quarter to 2,808 kroner per quarter (€377).

Benefits are dependent on the income of the recipients and if the parents make more than 765,800 kroner per year (€102,730), the size of the benefits are reduced.

# Ten Happiest Countries (2019)

1. Finland
2. Denmark
3. Norway
4. Iceland
5. Netherlands
6. Switzerland
7. Sweden
8. New Zealand
9. Canada
10. Austria

19. U.S.

30. Spain

36. Italy

Citizens evaluate their own happiness level.

*Happiness Research Report* published annually by the Happiness Research Institute.

Source: Forbes article.

# Ten Most Health-Conscious Countries (2018)

1. Sweden
2. Switzerland
3. Denmark
4. Norway
5. Finland
6. Canada
7. Australia
8. Japan
9. Netherland
10. New Zealand

- Data from the [2018 Best Countries rankings](#), a characterization of 80 countries based on a survey of more than 21,000 people from four regions.
- U.S. is 35<sup>th</sup> on *Bloomberg Healthiest Country Index* (169 countries rated)

# Sweden Income Distribution Preferred

- In 2011, Michael I. Norton (Harvard Business School) and Dan Ariely (Duke University) [published a study](#). The respondents were asked to:
- Estimate the current wealth distribution
- Construct the ideal level.
- Respondents dramatically underestimated the current level of wealth inequality.
- All demographic groups constructed ideal wealth distributions that were far more equitable than the actual distribution.
- Then the researchers gave respondents a choice between three alternatives, broken down into quintiles:
  - A. the current wealth distribution in the U.S.,
  - B. a completely equal wealth distribution,
  - C. a wealth distribution equal to the income distribution of Sweden (but Sweden wasn't named)
- Americans preferred Sweden over the U.S. by 92-8%.
- They also preferred complete equality by 77-23%.
- They preferred Sweden over complete equality—but just barely, 51-49%.
- The overwhelming majority of Americans thinks that Sweden represents a better social order than America.

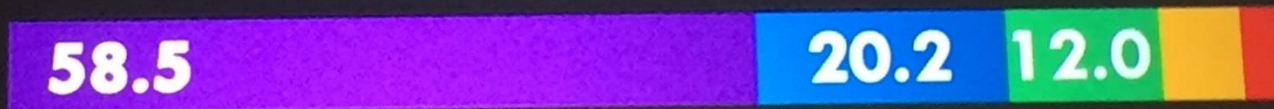
So, are we **aware**? And what do we **want**?

What we have



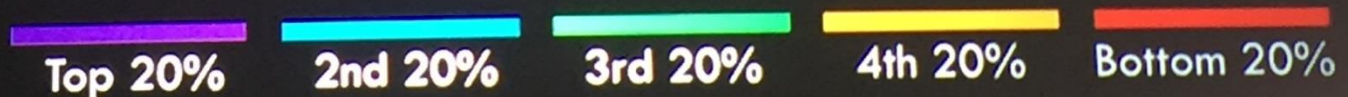
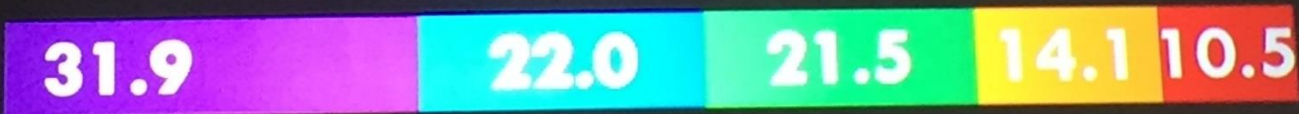
Knowledge Gap ↑↓

What we think



Desirability Gap ↑↓

What we want



Source: Dan Ariely in a talk at the Crossing the Gap Conference.

# Studies of Best and Good Countries

- **The Best Countries study (2016), conducted at the Wharton School of Business, ranks 60 countries according to their present and future economic performance and brand image appeal based on 65 factors.**
- **The Good country study (2016), conducted by Simon Anholt of the U.K., ranks countries according to how much they care about helping the whole world become a better living human community based on 7 factors.**
- **The United States ranked very differently in the two studies, 4th in the Best Countries study and 20th in the Good Country study.**

# Rankings of Best and Good Countries

- 7 of the 10 top countries found in both studies: *Germany, Canada, United Kingdom, Sweden, France, Netherlands, and Denmark.*
- They rank high on economic performance and brand image appeal and also care about other countries and the planet.
- These countries are role models.

# Some Wealthy People Want to Pay More in Taxes

- ***The Giving Pledge.*** Bill Gates and Warren Buffett has already signed up 132 billionaires who have pledged to give away half of their money in the next ten years.
- ***Patriotic Millionaires.*** They are lobbying Congress to raise the federal taxes on the rich and to close tax loopholes. They believe that no millionaire should pay at a lower tax rate than middle-class Americans.
- The best statement on taxes was made by Oliver Wendell Holmes, Jr.,  
“I like to pay taxes. With them, I buy civilization.”



# Some Reasons Why We Should Care

1. Sympathy and compassion.
2. Worry about spread of diseases (AIDS, bird flu, etc.).
3. Poverty breeds radicals and terrorism.
4. Poor countries will renege on loans and hurt investors.
5. Helping the poor to do better will create a trillion dollar market for goods and services.  
C.K. Prahalad, *The Fortune at the Bottom of the Pyramid*.

# Is Growing Income Inequality a Problem

- **“The defining challenge of our time.” Obama**
- **“An economy of exclusion and inequality.” Pope Francis**
- **“Inequality has gotten worse.” Mitt Romney**
- **“I have often advised managers that a 20-to-1 salary ratio is the limit beyond which they cannot go if they don’t want resentment and falling morale to hit their companies.” Peter Drucker**

# What Can Be Done to Stop Growing Income Inequality?

- **Cap the ratio of top executive pay to median worker pay**
- **Raise the minimum wage closer to a living wage**
- **Make the tax system more progressive**
- **Plug the tax loopholes**
- **Raise the tax on capital gains and carried interest from 23.8% to normal tax rate**
- **Establish a higher tax on wealth and estates**
- **Establish a universal basic income program**
- **Establish a tax on luxury goods**
- **Establish a tax on financial transactions**
- **Strengthen the union movement**

# The Counterarguments of the Wealthy

- Increasing taxes on the rich amounts to confiscating their wealth and property which they fairly earned. They will cry out against “redistribution” and “class warfare.”
- But the last twenty years was a period of stark redistribution where wealth went from the poor, working class, and the middle class to the rich. Now it is time to reverse the redistribution.
- The rich will reduce their amount of work or investment and hurt job growth.
- But that’s like saying that Walt Disney or Richard Branson would stop expanding their businesses. Many wealthy people are passionate about their work or causes and profit isn’t the only motive.

# Six Comments

- 1. Capitalism is the economic system used today by most of the world's countries.**
- 2. Capitalism takes on many forms: consider U.S. capitalism, Swedish capitalism, Japanese capitalism, and Chinese capitalism.**
- 3. One can draw a sharp distinction between “free capitalism,” “crony capitalism,” and “regulated capitalism.”**
- 4. The essence of capitalism is: property rights, economic freedom, regulations, and rule of law.**
- 5. Capitalism has been a major contributor to raising the standard of living and innovating new and better products.**
- 6. American Capitalism needs to be improved so that it can deliver more benefits to more Americans.**