



UNIVERSITY OF ICELAND

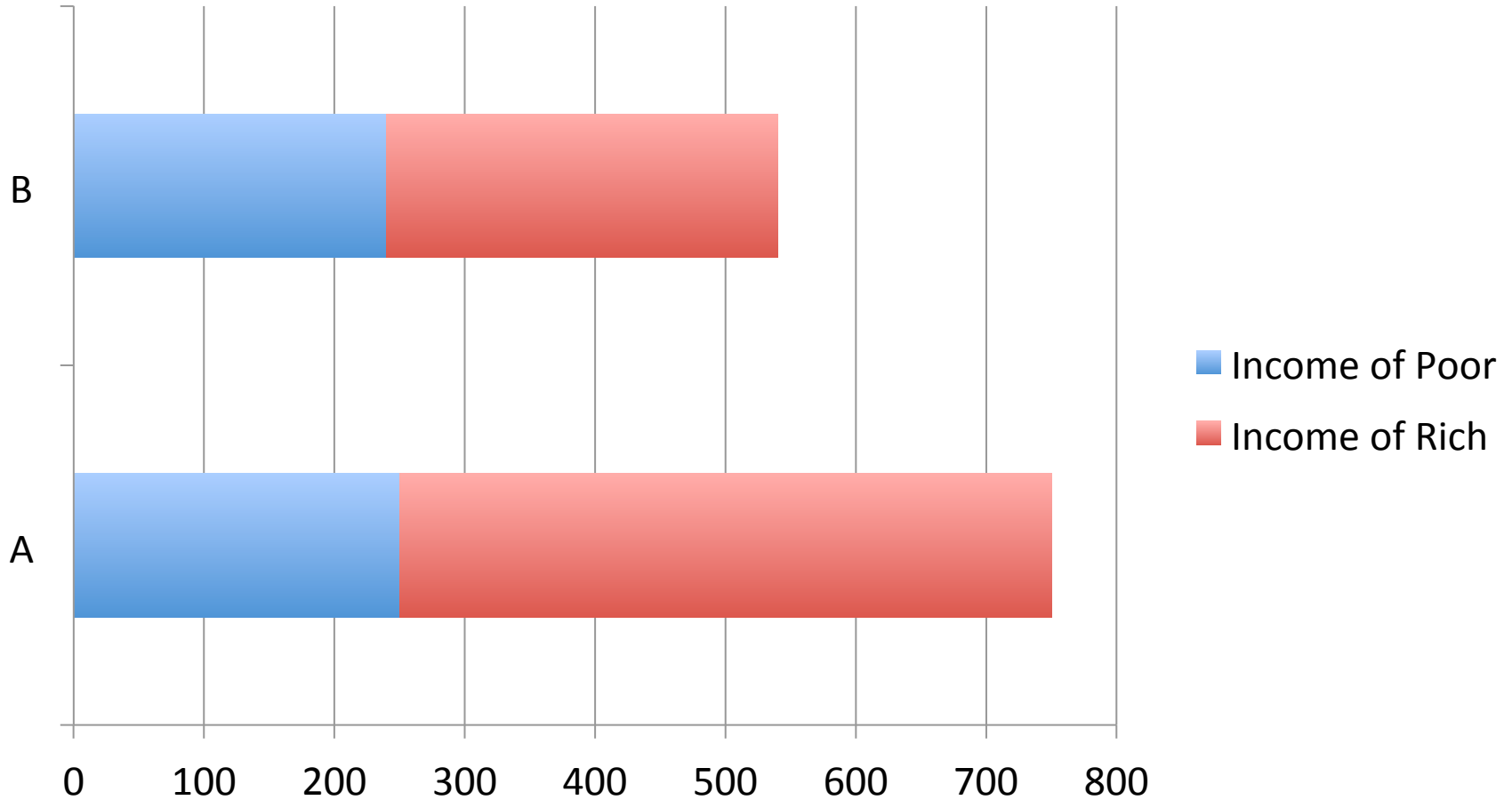
Capitalism and Freedom in Nordic countries and Elsewhere

Professor Hannes H. Gissurarson

The Free Market Road Show

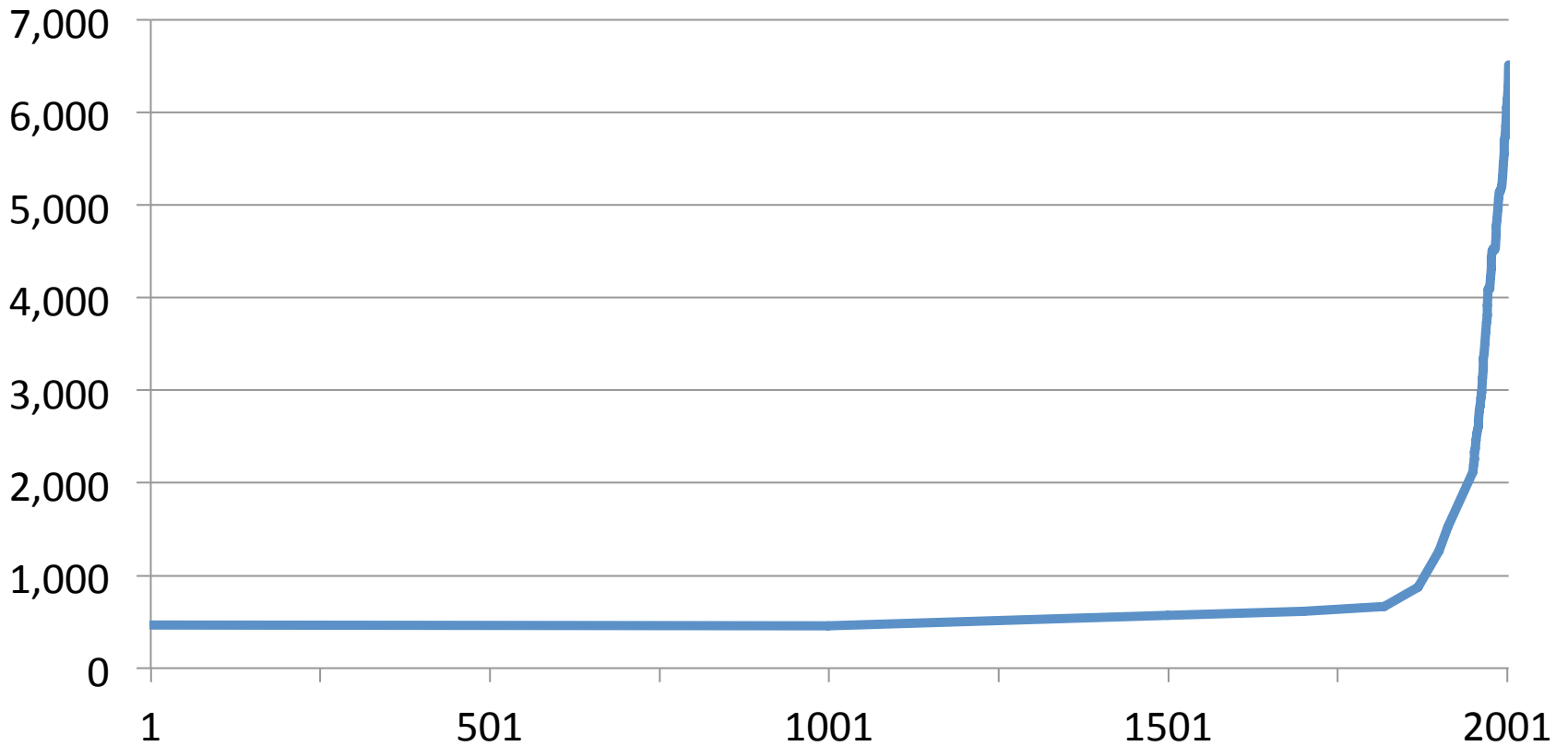
Bloomington, 29 March 2016

Which Country Better, A or B?



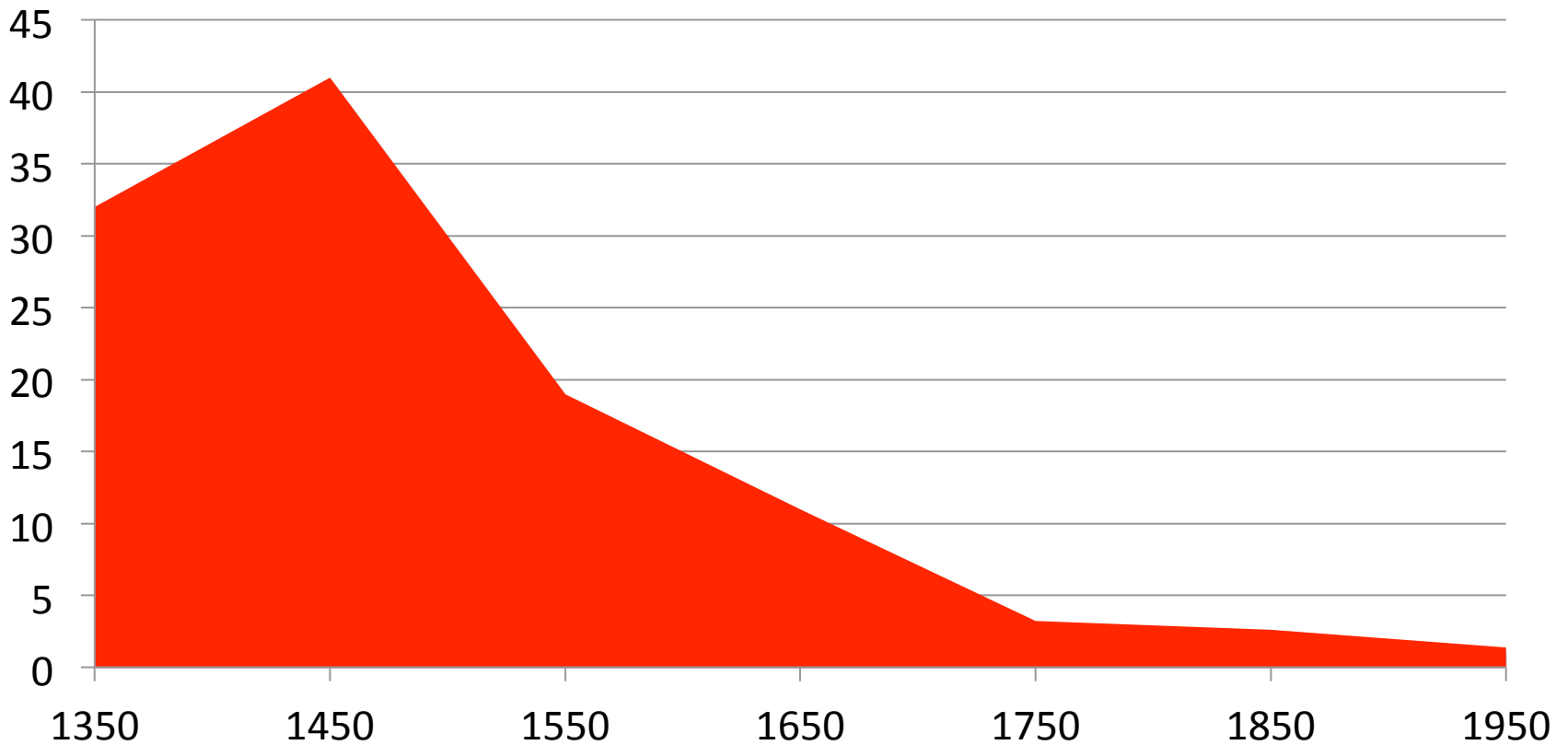
Productive Power of Capitalism

World Average GDP per capita 1–2003 AD in \$1990



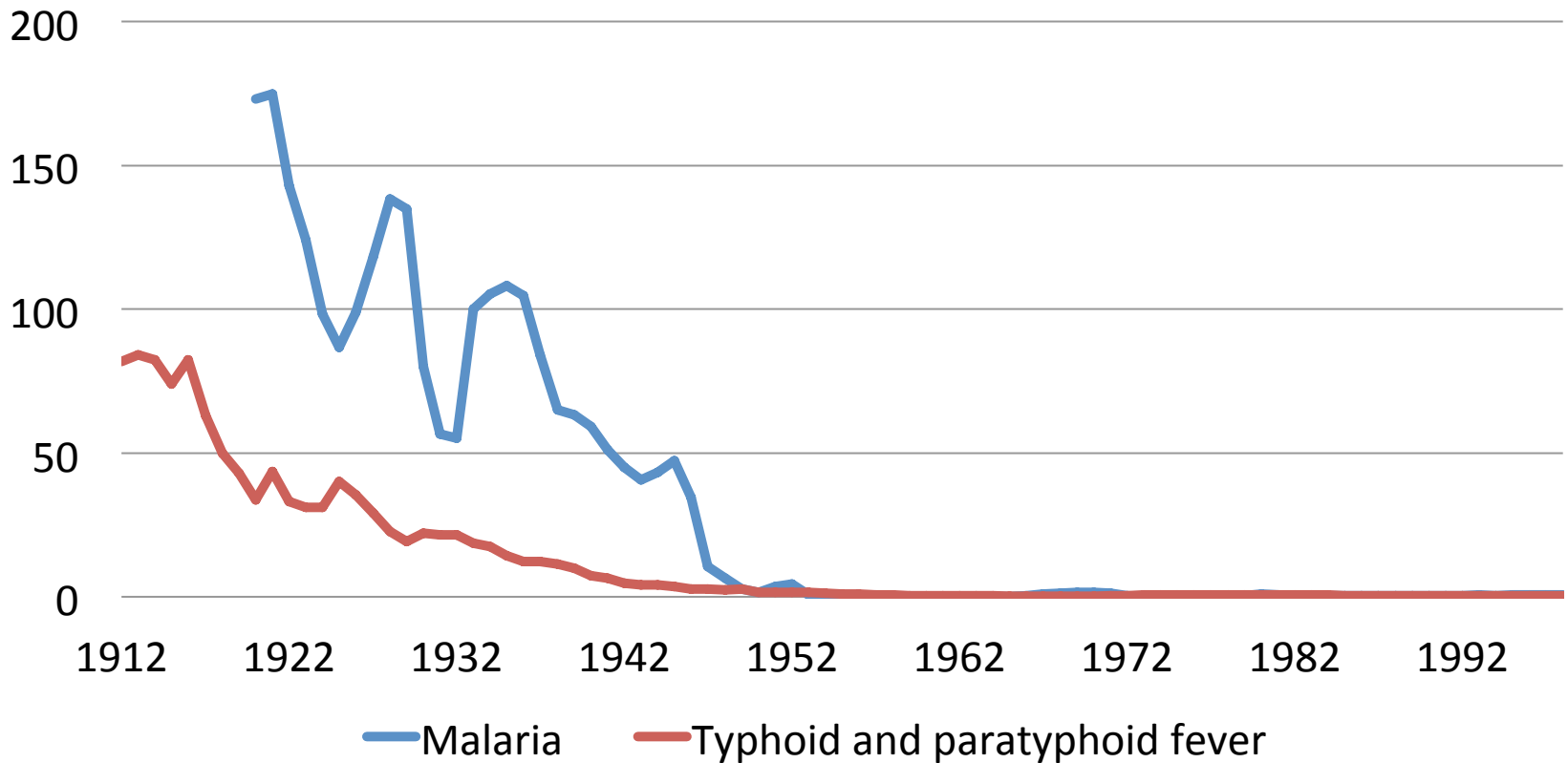
Much Less Violence than in Past

Homicide Rate in Europe per 100,000



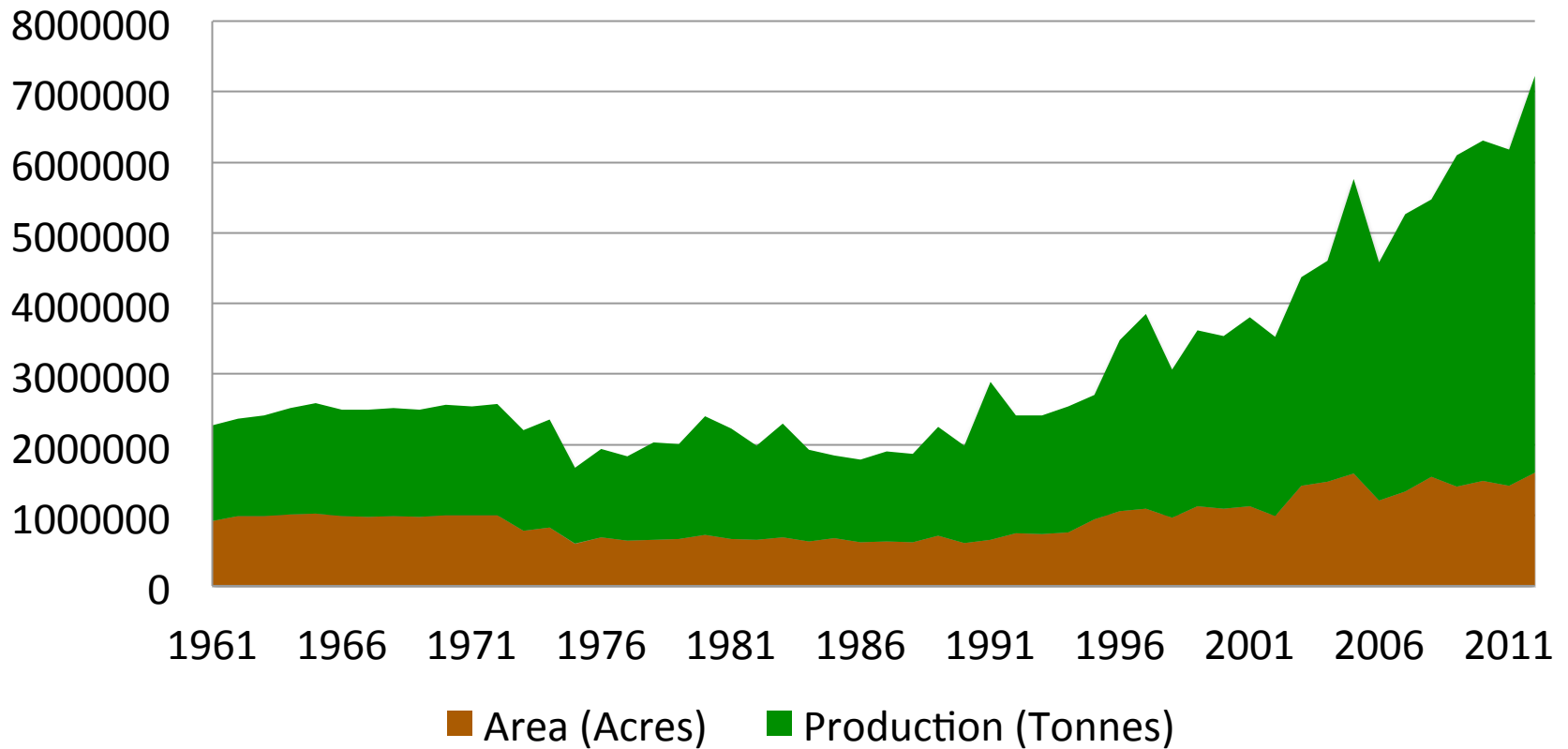
Clean Water: Saving Lives

US Deaths per Million, Water-related Diseases 1912–98



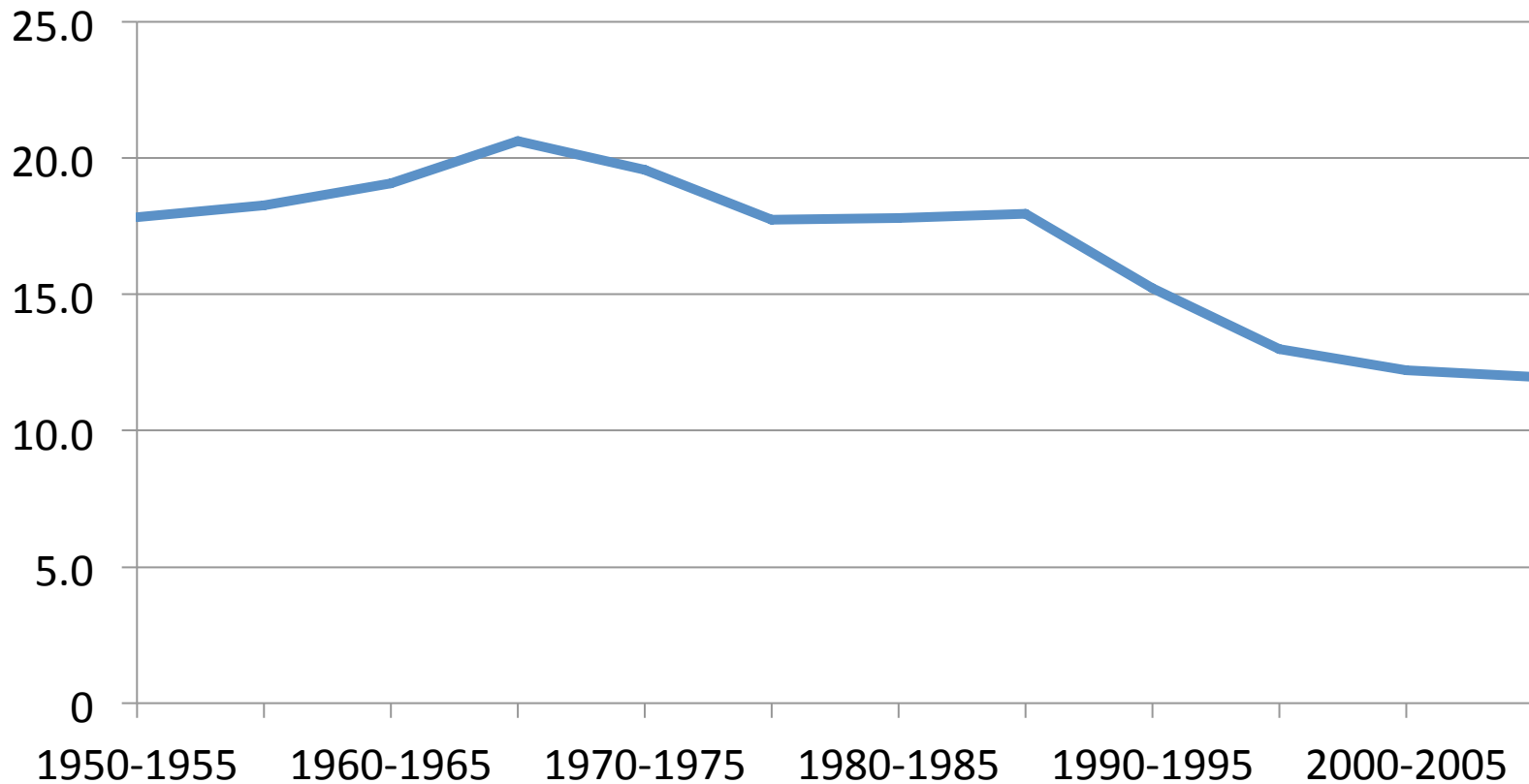
The Green Revolution

World Production of Cereals



Escaping the Malthus Trap

Rate of Natural Increase of Population per 1,000



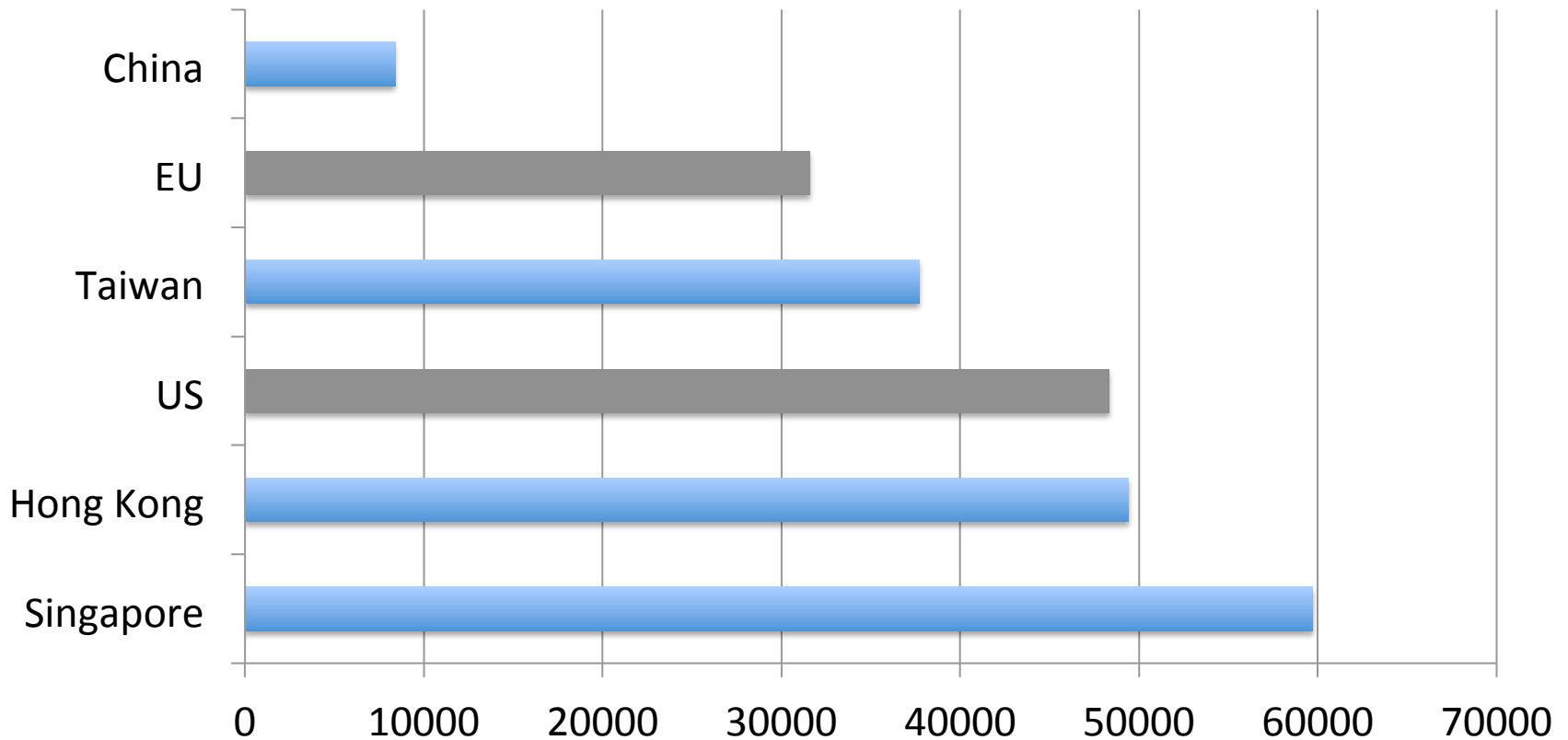
Similar Countries, Different Paths

- Four Chinese economies: mainland China, Hong Kong, Taiwan, Singapore
- Australia and Argentina, similar natural resources, European immigrants
- Singapore and Jamaica, small tropical islands under British rule

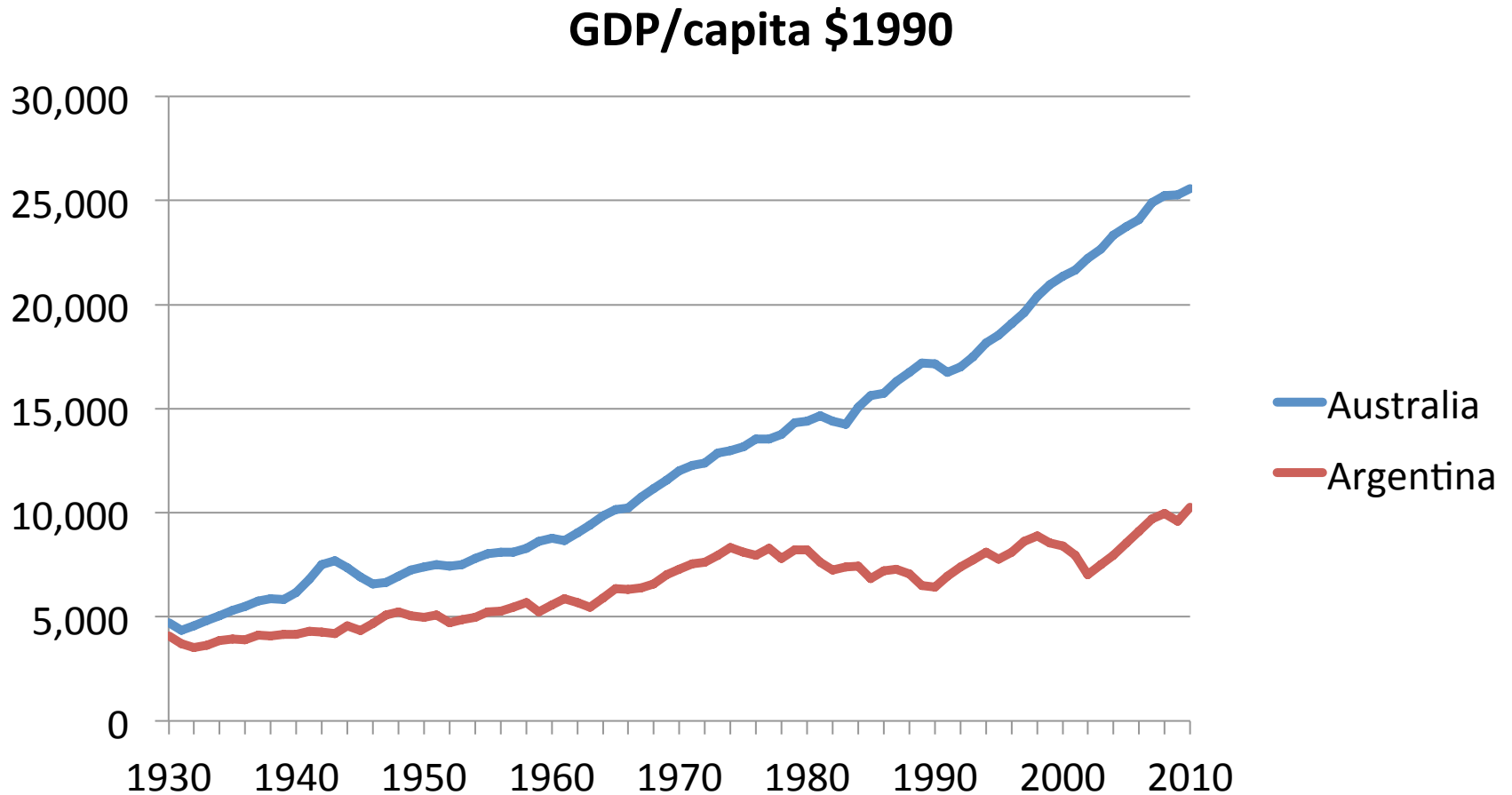


Four Chinese Economies 2011

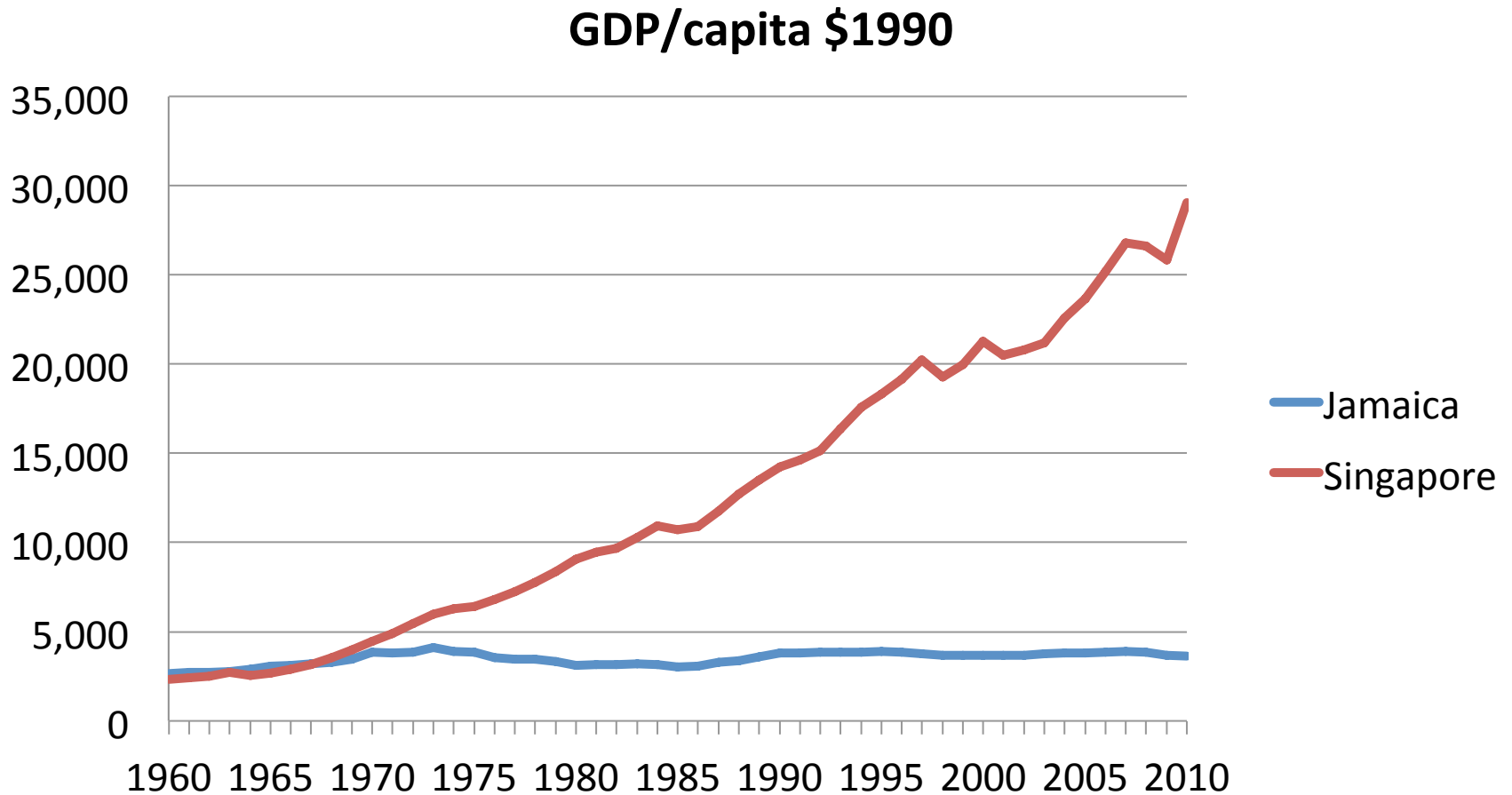
GDP/capita \$



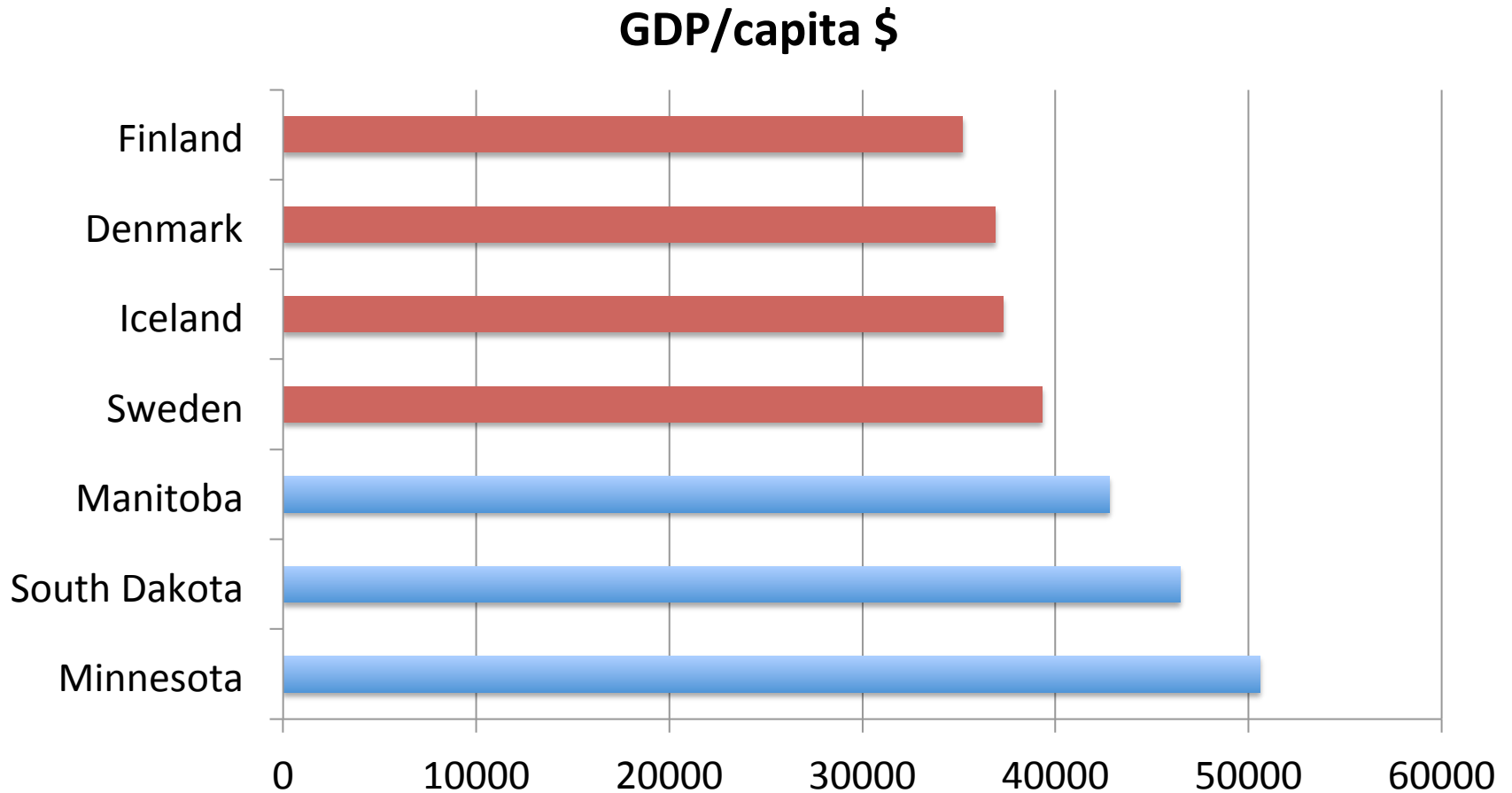
Parting Ways: Australia and Argentina



Parting Ways: Jamaica and Singapore

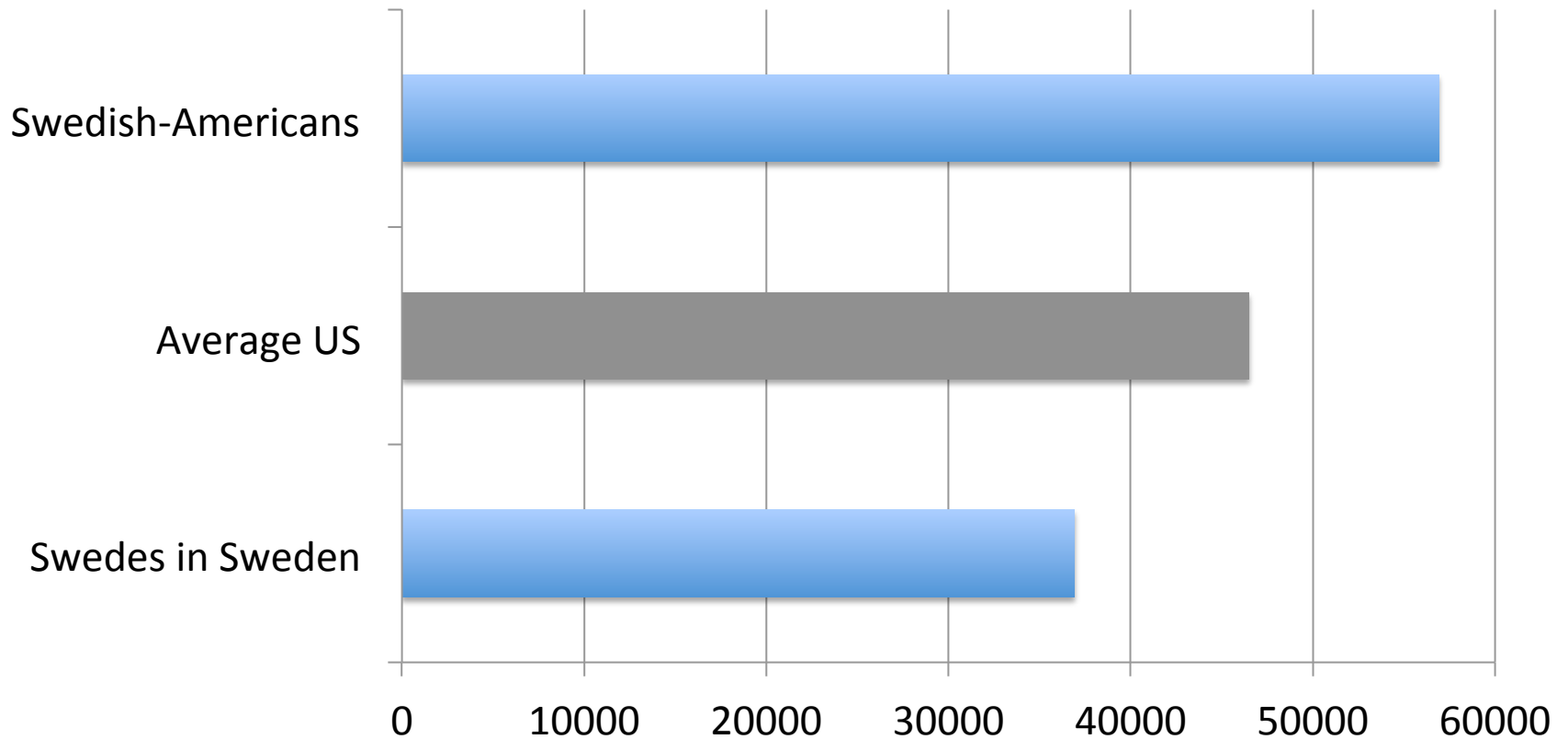


Seven Nordic economies 2010

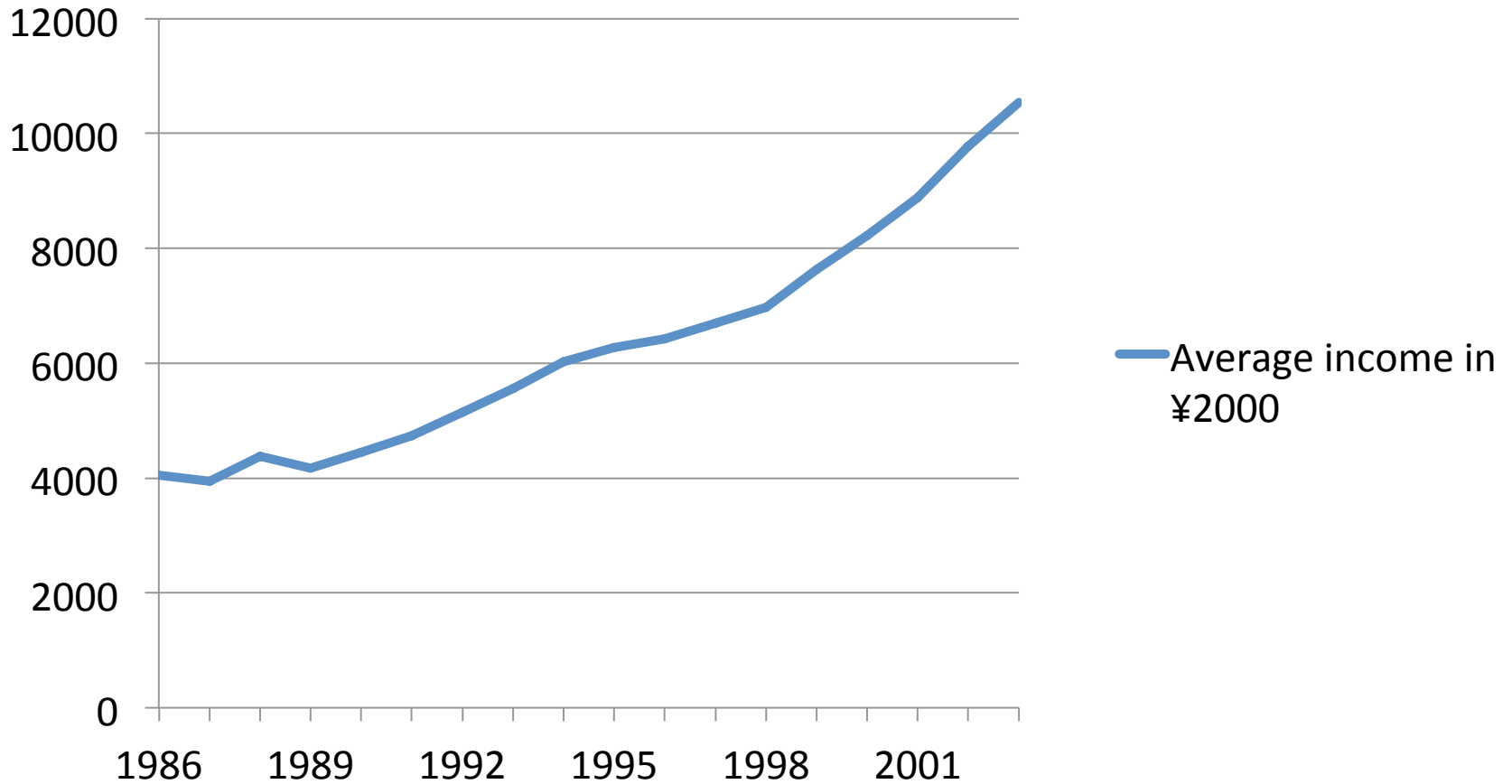


Swedes in Different Economies

GDP/capita 2008 \$



Absolute Income 90% Bottom, China



Do Data Reflect Reality?

- Data on bottom or average income in West show stagnation in equalised \$
- But living conditions of bottom group (and all groups) much better than before
- Takes fewer hours to work for most goods, not only lightbulbs, vacuum cleaners and food, but also books

Why the Super-Rich?

- People with special, non-replicable skills (i.e. earning rent from abilities), innovators, entrepreneurs, entertainers, athletes
- By definition, supply (almost) fixed, while demand flexible
- Suddenly find demand, the market for their services, going from 300 million people to perhaps 3 billion, impact of globalisation

What's Wrong With Inequality?

- Country with an income distribution D_1
- Milton Friedman comes to give a lecture
- 1,000 attend, each paying \$50
- Friedman \$50,000 richer, 1,000 people each \$50 poorer: less equal distribution D_2
- No problem: everybody is happy
- Distribution by choice: from each as she chooses, to each as she is chosen

The Challenge of the Red Queen

Proportion of Gross International Product

