



UNIVERSITY OF ICELAND

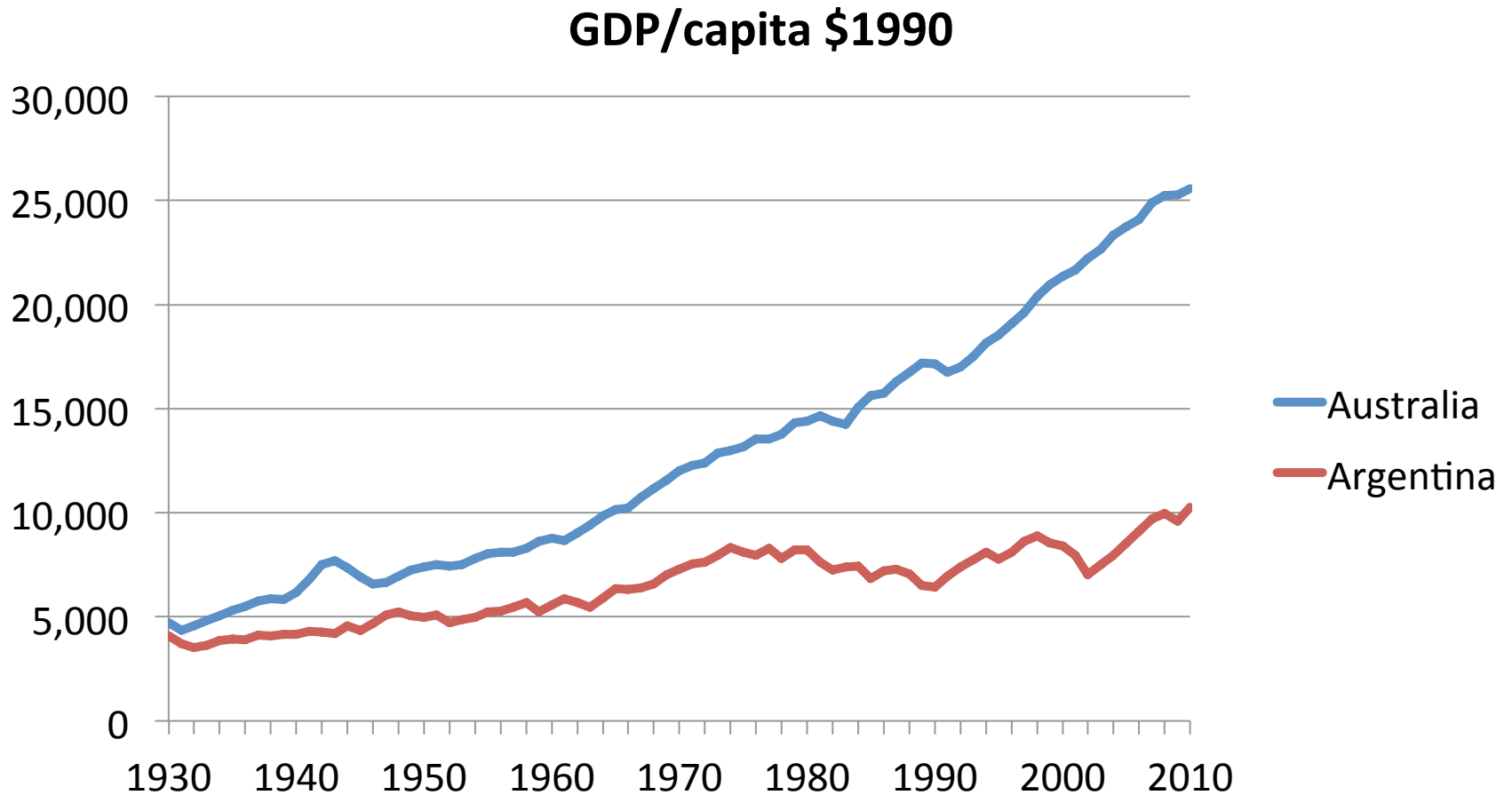
The Nordic Countries: Prosperity Despite Redistribution

Professor Hannes H. Gissurarson

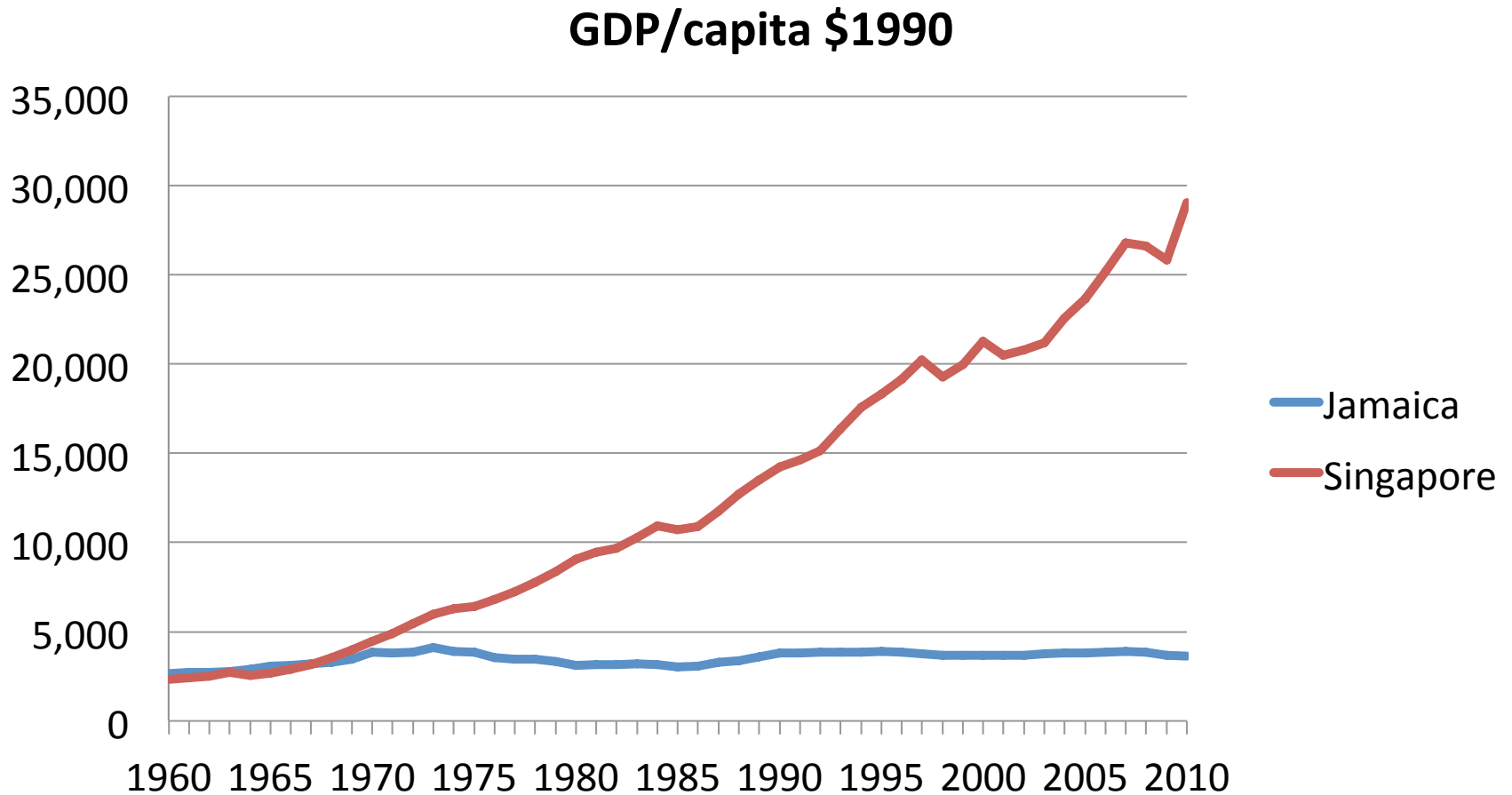
Association of Private Enterprise Education

Maui, 12 April 2017

Familiar case: Australia v. Argentina



Interesting case: Jamaica v. Singapore



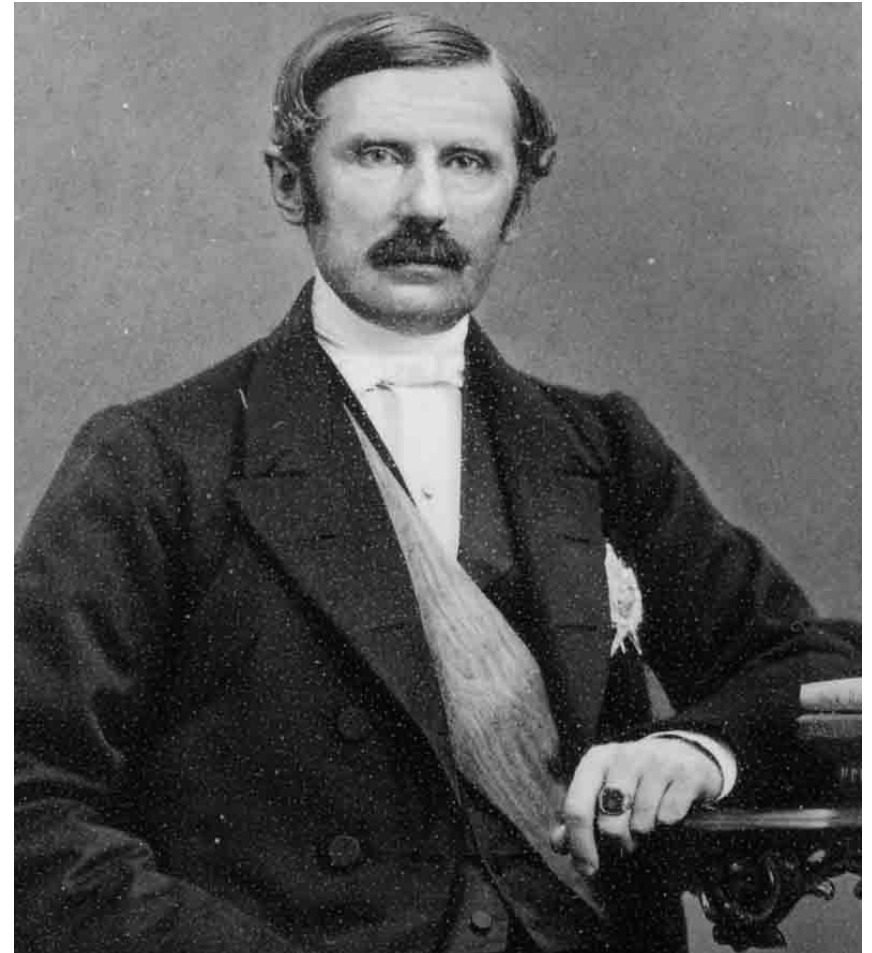
But What About the Nordic Countries?

- The myth: social democracy explains Nordic success on most criteria
- The facts: Nordic countries have strong liberal (in the old sense) traditions, pursue free trade, uphold rule of law and protect property
- Moreover, they have a high level of trust, social cohesion because of homogeneity, transparency, and tradition of hard work, independence, and self-reliance

Strong Swedish Liberal Tradition ...

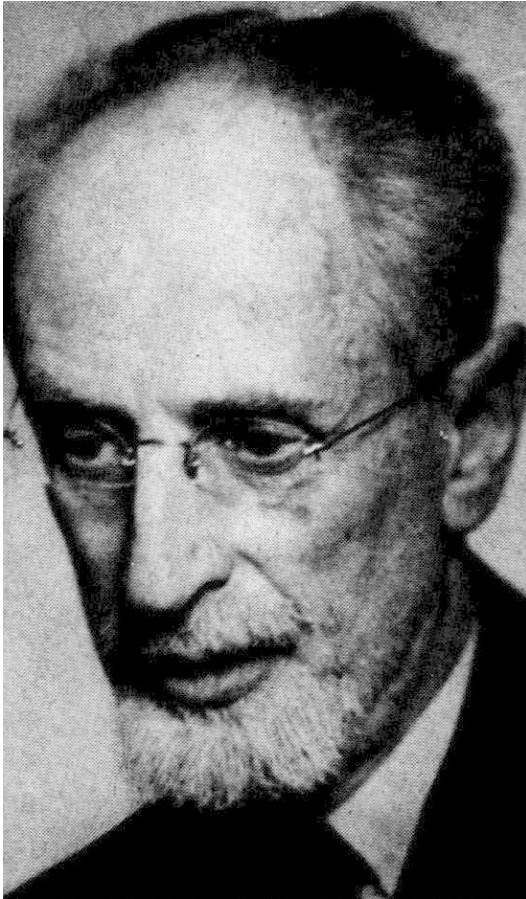


Anders Chydenius

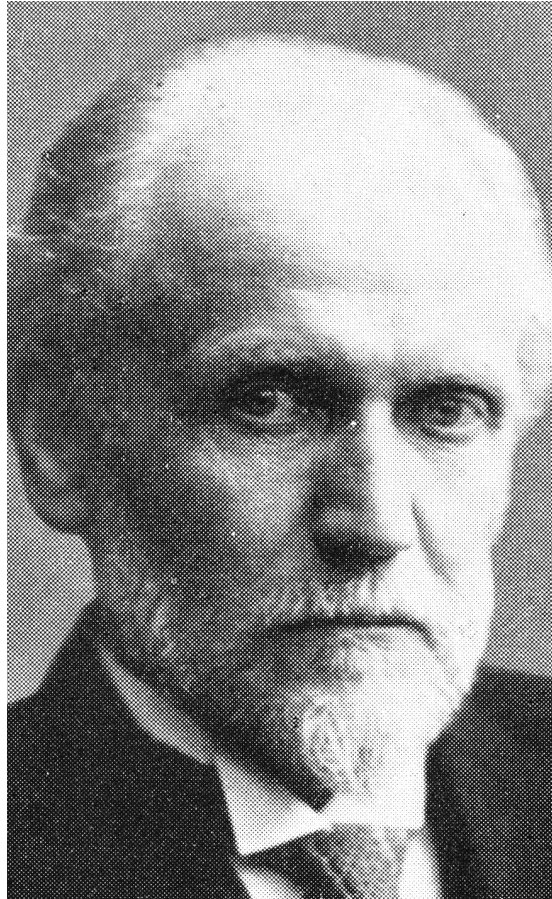


Johan August Gripenstedt

... also in 20th Century



Eli Heckscher



Gustav Cassel



Bertil Ohlin

Also in other three Nordic countries

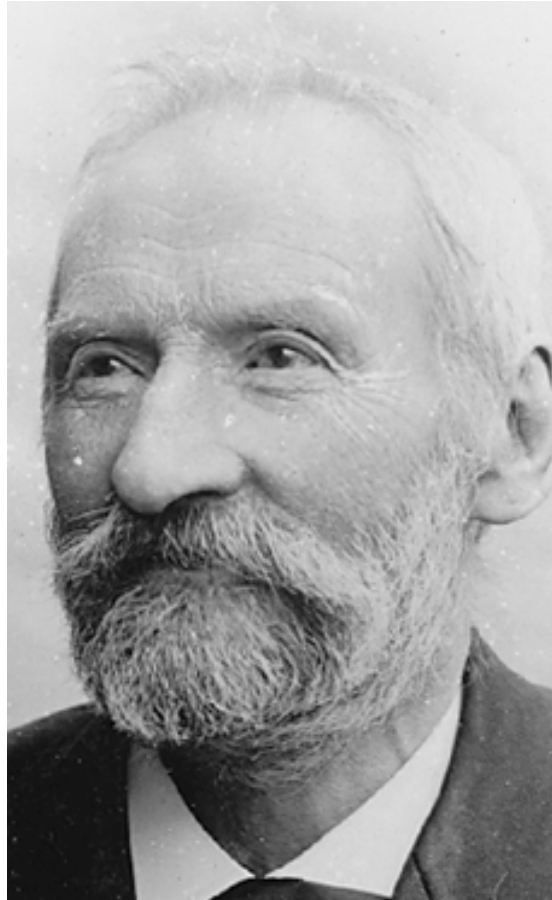


Eidsvoll 17 May 1814 when the Norwegians adopted a very liberal constitution

Even Liberals in Little Iceland ...



Jon Sigurdsson



Arnljotur Olafsson



Jon Thorlaksson

Hayek's Impact in Nordic countries ...



Iceland 5 April 1980

... was 1) in the 1940s to start a serious discussion about central planning, with the result that social democrats abandoned that idea; 2) in the 1980s to inspire a new generation of liberals who sought to extend individual freedom and constrain the power of government

Three Swedish Models

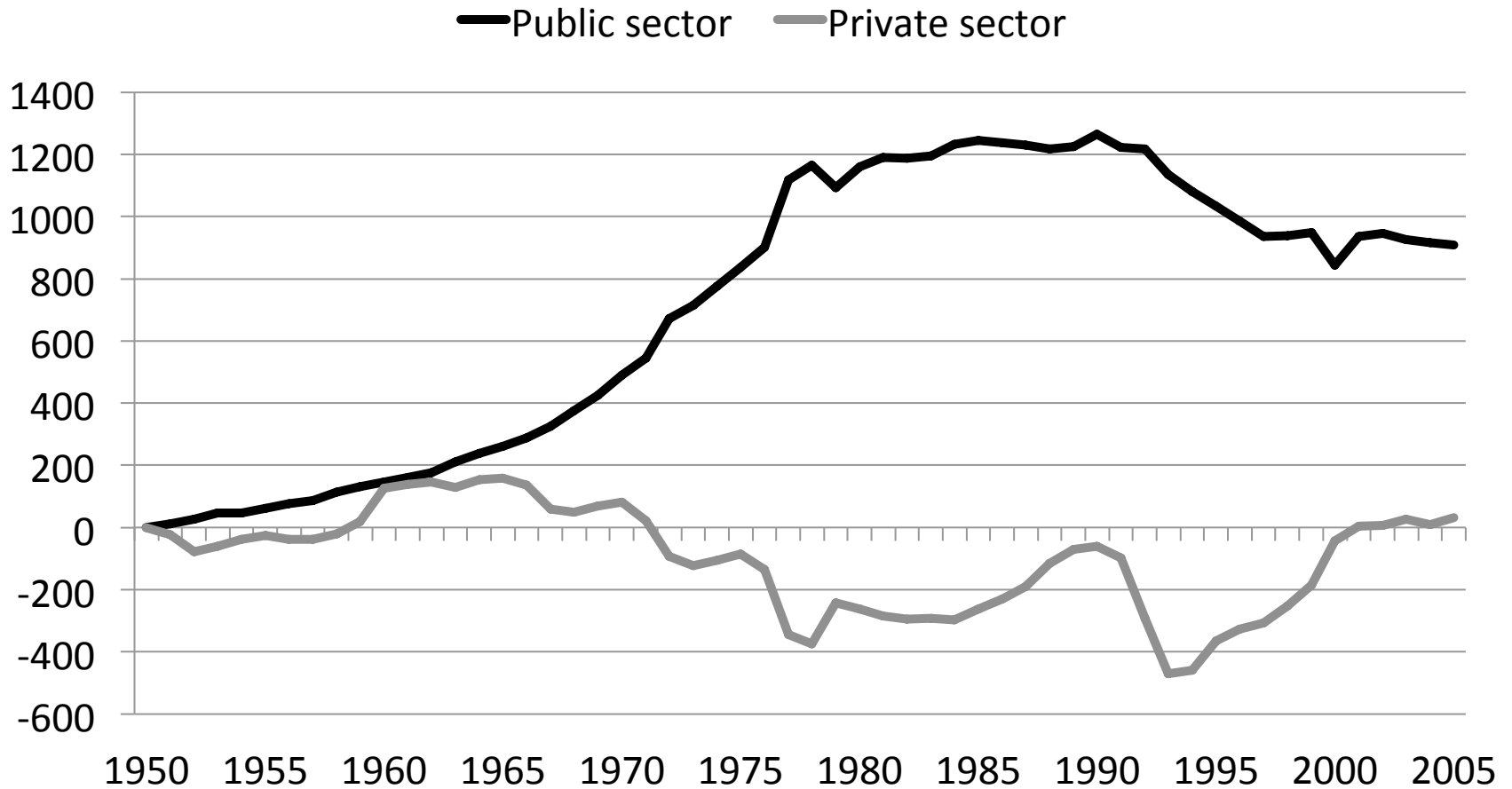
- **Liberal model**, 1850–1970: free trade, low taxes, sound money, abolition of monopolies and privileges; 1870–1936, highest growth rate in world
- **Social democratic model**, 1970–1990: high taxes; relative decline; no job creation in private sector
- **New mixed model**, from 1995: extension of individual choice, lower tax rates and simpler structure, intact safety net

Atlas Shrugged: Sweden 1970–90

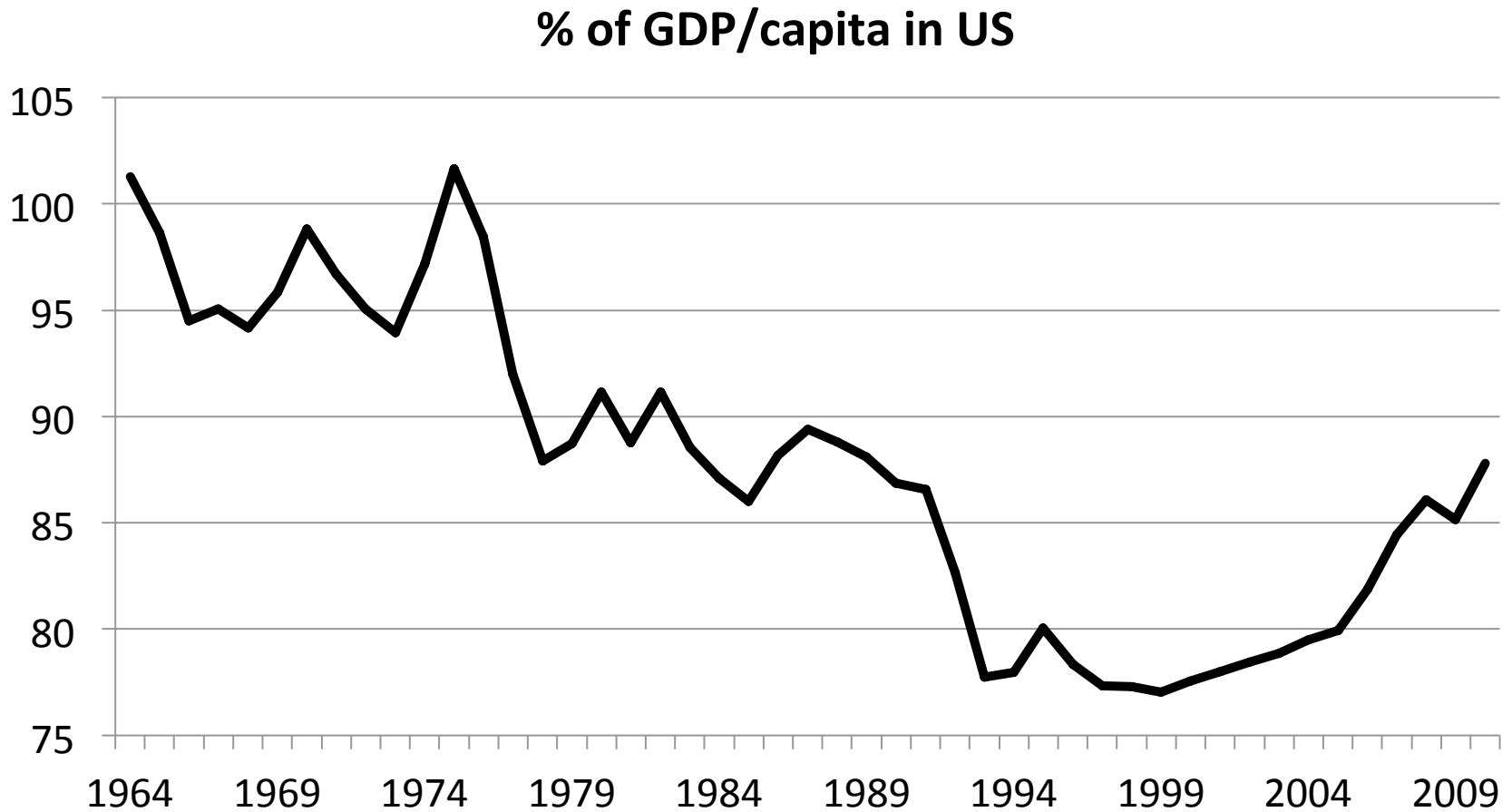
- In 1870–1970 many entrepreneurs, large companies
- 1970–1990, capitalists and entrepreneurs, Kamprad (IKEA), Rausing (Tetrapak), etc., left Sweden
- Entrepreneurship diminished
- Value erosion: worth ethic declined, shirking increased
- Almost like a Randian nightmare



All Job Creation in Public Sector

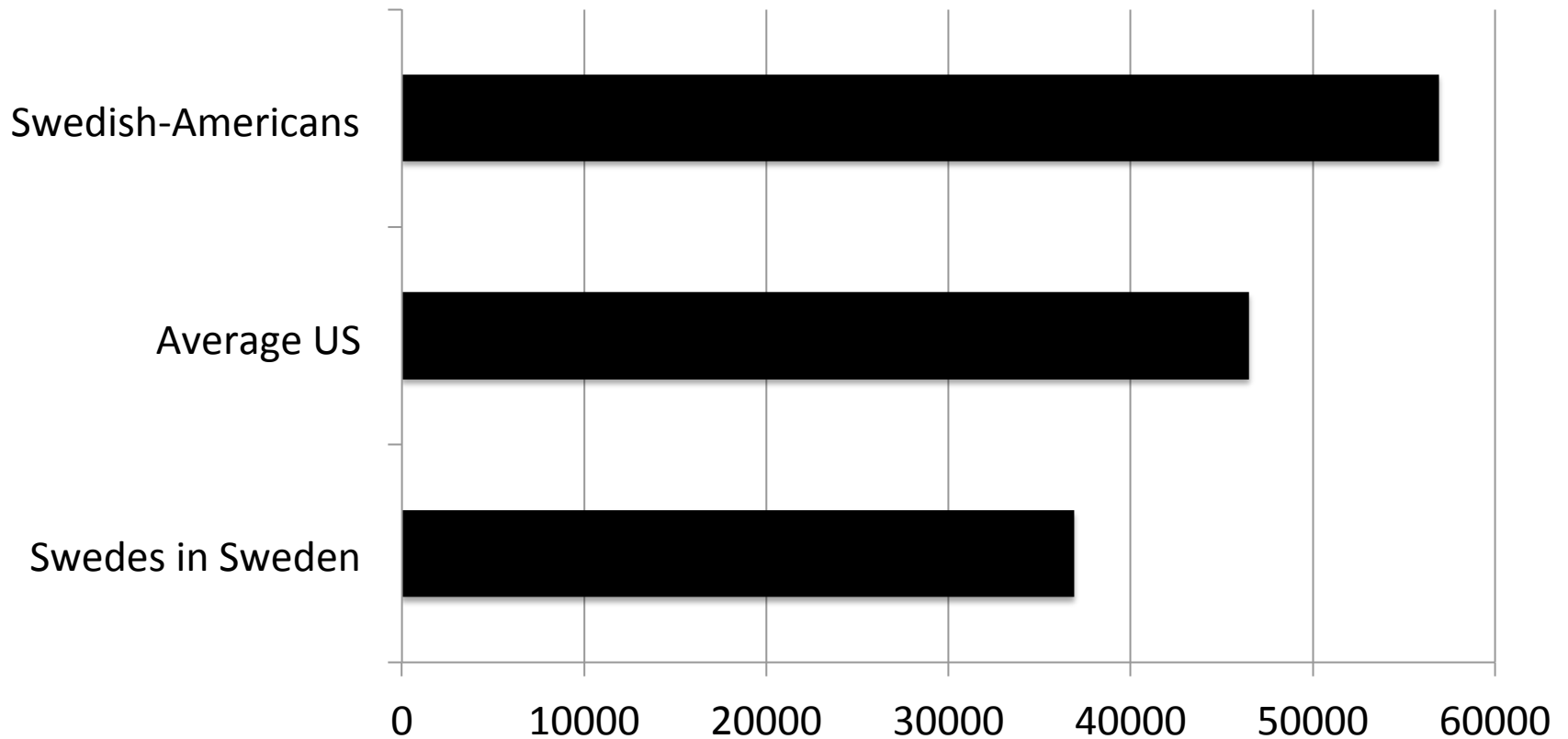


Sweden's Fall and (Partial) Rise

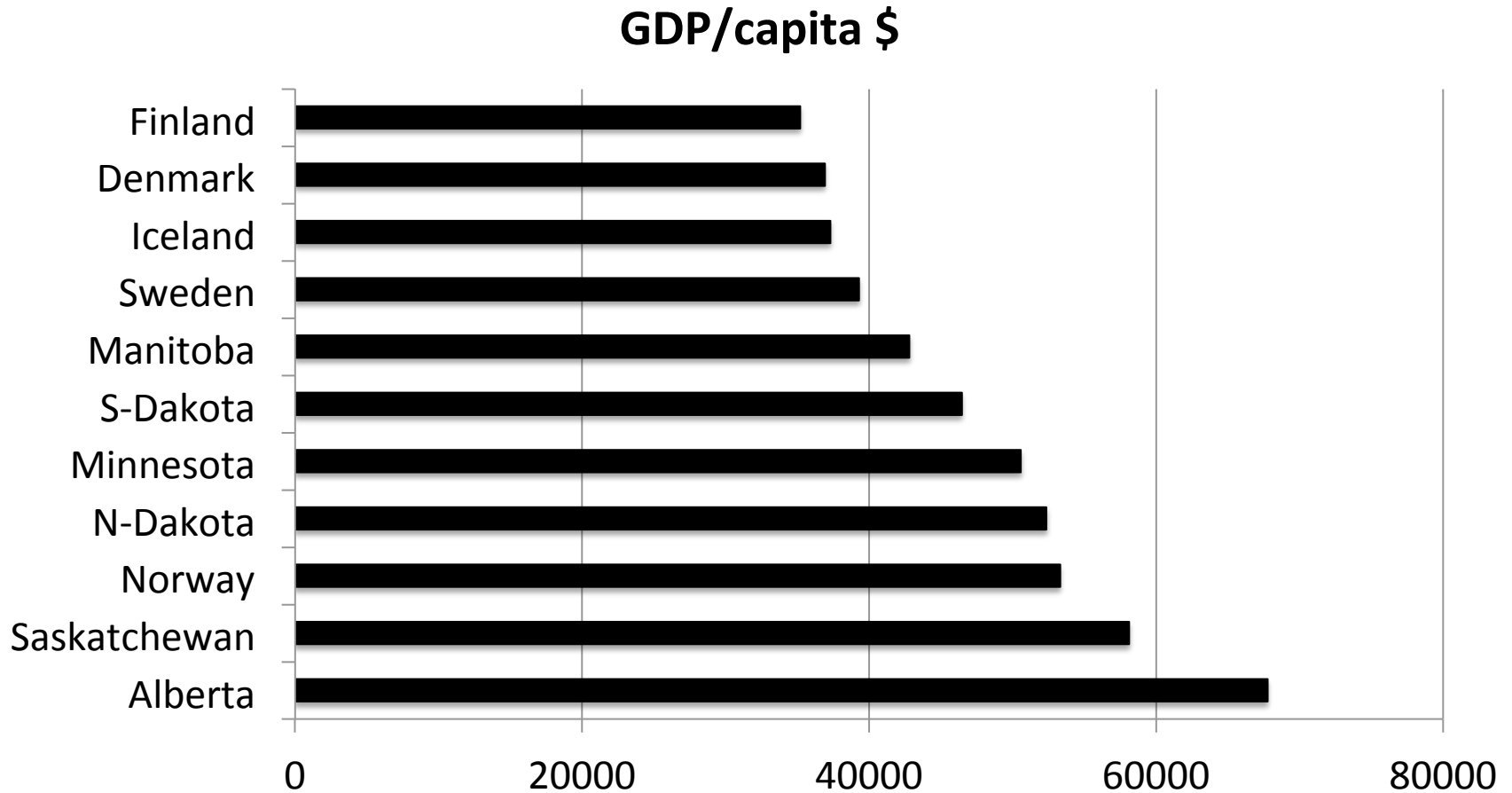


Culture Matters: Swedes

GDP/capita 2008 \$



Comparison of Northern Countries



A Liberal Nordic Revival



Johan Norberg



Peter Kurrild-Klitgaard



Lars Peder Nordbakken

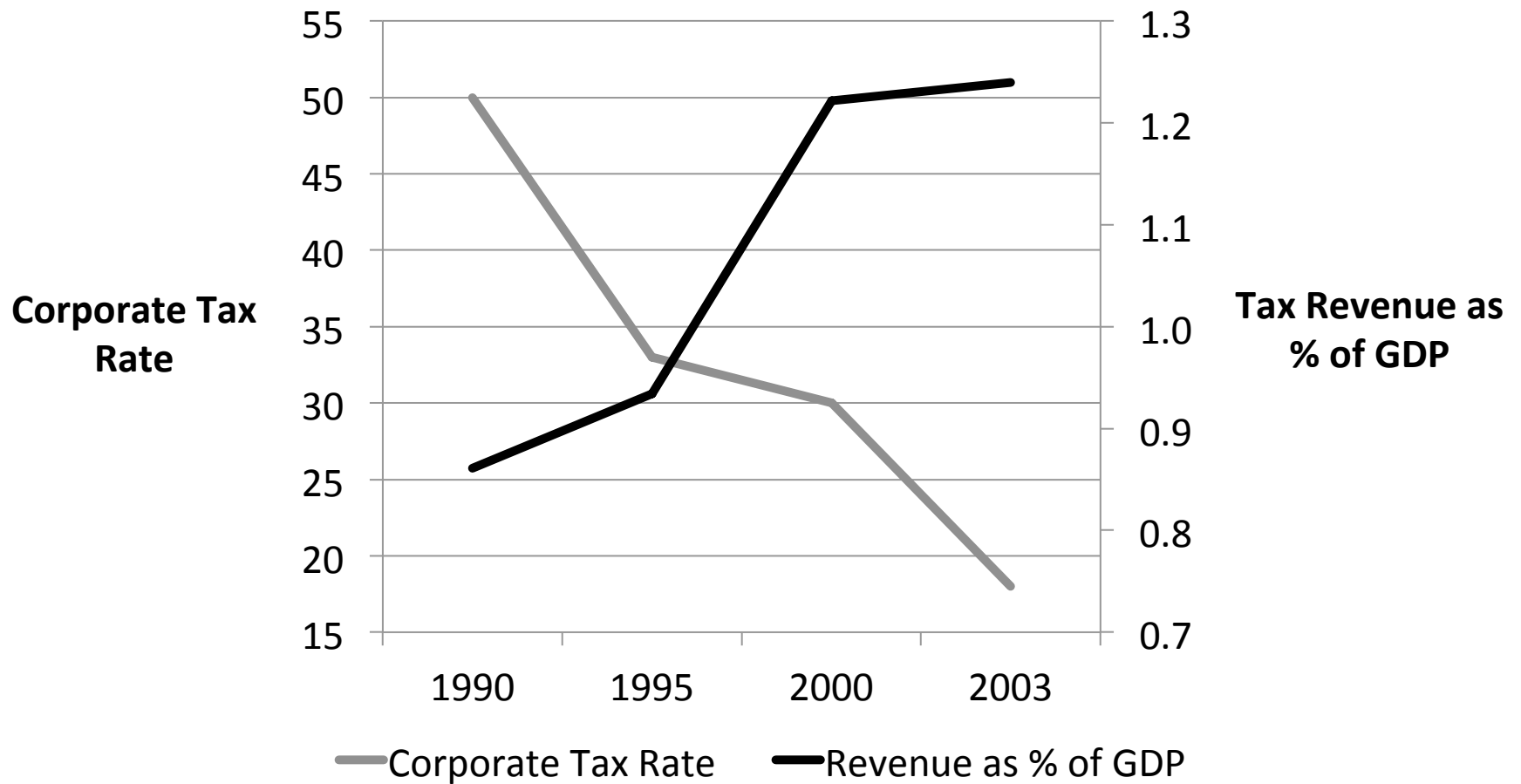
A Few Comments on Little Iceland

- In Iceland, (classical) liberals gained intellectual hegemony in the 1980s, reinforced by collapse of communism in the 1990s
- Comprehensive and successful liberal reforms implemented in 1991–2004 under the leadership of David Oddsson: tax cuts, privatisation, strengthening of pension funds and quota system in fisheries, public administration reform, transparency, free trade and free capital movements with EEA membership

A Glimpse of Iceland



Lower tax rate: Increased revenue



Two Icelandic Innovations

- Icelandic Commonwealth in 930–1262: principle of restitution, crimes compensated; private enforcement of law; choice between ‘protective agencies’ or chieftains
- Quota system in fisheries since 1975 (comprehensive since 1991): fishing firms hold permanent and transferable rights to harvest a given amount of the total allowable catch, creating an incentive to minimise cost

