

**Don't confuse social democracy with democratic socialism
and stop calling Nordic countries socialist**

By **Michael E. Arth**

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There is some serious confusion, even among people who should know better, about what socialism is. As the debate about the future of our country heats up in the 2020 campaign, it's important to get our terminology straight or we will continue talking past one another. Under socialism, with minor exceptions, the government owns the means of production, distribution, and exchange. If socialism could exist alongside a politically democratic system of government, it could be called "democratic socialism." But we have no good examples because once you have socialism, it tends to become authoritarian. Former socialist states like the USSR and China became capitalist because socialism did not deliver the goods. China still claims to be socialist and communist even though it has become an authoritarian capitalist state. North Korea, Cuba and Venezuela are still socialist in both name and practice, which is why they are poor and undemocratic.

The Nordic countries of Denmark, Norway, Sweden, Finland, and Iceland are neither socialist nor democratic socialist as many Americans think. *They are social democracies, and all social democracies are capitalist.* Nordic capitalism is similar to the US in its respect for rule of law, private property, and the ability of the market to deliver goods and services. But they differ from the US in the efficacy of their social policies. Public benefits include modern and well-maintained infrastructure, child care, universal health care, higher education, welfare, worker's compensation, and internet service that is half the cost and twice as fast as the US. Also, because unions are strong they are able to determine minimum wages and benefits without a minimum wage law.

Both Bernie Sanders and Alexandria Ocasio-Cortez have mistakenly called themselves socialists or democratic socialists, when they are really social democrats. The distinction is important. In

2015 Sanders said, “I don’t believe government should own the means of production, but I do believe that the middle class and the working families who produce the wealth of America deserve a fair deal. Democratic socialism means that we must create an economy that works for all, not just the very wealthy.”

Similarly, in a recent interview Ocasio-Cortez said she was both a democratic socialist and a capitalist, which means that, like Sanders, she is actually a social democrat. To add to the confusion, an October 2018 White House report mischaracterized Nordic capitalism as “Nordic socialism.” The socialism label thus provided a convenient red herring for President Trump in his 2019 State of the Union address when he said, “...we are alarmed by new calls to adopt socialism in our country. America was founded on liberty and independence - not government coercion, domination, and control. We are born free, and we will stay free. Tonight, we renew our resolve that America will never be a socialist country.”

The US is not living up to its ideals, and neither socialism nor plutocratic capitalism will get us there. Social democracies, which also include some non-Nordic countries, are consistently ranked as the happiest and most democratic places on Earth. The world’s ten happiest countries are Finland, Norway, Denmark, Iceland, Switzerland, Netherlands, Canada, New Zealand and Sweden. The most democratic countries are Norway, Iceland, Sweden, New Zealand, Denmark, Ireland, Canada, Finland, Australia, and Switzerland. Sweden, a country that imports garbage for recycling, is the highest ranked country in the 2019 Climate Change Performance Index. But the US is next to last in a list of 56 countries. The US is also ranked 18th in happiness, 25th in democracy, and 31st in life expectancy.

A joke going around has it that the American dream is alive and well in Norway. But it’s no joke. Norwegians have more democracy, freedom, liberty, social mobility, equality, longevity, environmental awareness, and happiness than Americans. Ordinary Norwegians are also a lot richer. In addition to its high standard of living and traditional pension fund, Norway has a sovereign wealth fund for its citizens worth over \$1 trillion. The fund was initially established with the public’s share of revenue derived from leasing oil and gas resources to private oil companies. This works out to \$195,000 per citizen. Scaling this up by population would give

Americans a public wealth fund of \$64 trillion dollars—the equivalent of paying off the entire national debt of \$22 trillion with \$42 trillion left over. To put this in perspective, the annual GDP of the US is \$20 trillion.

Social democracies are exemplified by a law-abiding citizenry and restorative judicial systems. In 2016, Norway incarcerated 63 out of every 100,000 citizens, with a 20% recidivism rate, in prisons that are clean, safe, and dignified. By stark contrast, the US has the world's highest incarceration rate, jailing 655 people out of every 100,000 with an 82% recidivism rate. Norway's prison system, with an incarceration rate that is less than 1/10th that of ours, is founded on rehabilitation instead of retribution, but their social policies vastly reduce the chance that someone will enter the judicial system to begin with.

The cost to Nordic taxpayers is often exaggerated by conservatives in the US. The fact is, Nordic countries pay for all of their public spending with half of their GDP, compared to 38% in the US. This is done with taxes that fall primarily on the middle class. We could do better on this point, with a progressive tax structure where the rich would contribute more, so that 99% of us would end up better off than they are now. But even the rich would benefit from living in a kinder, more equitable country as evidenced by the Patriotic Millionaires—a group of American millionaires who think it's only fair they pay their share.

In 1980, the top US individual tax rate was 70%. Bernie Sanders, Ocasio-Cortez and I have advocated more or less reinstating this level. Keep in mind that, from 1951 to 1963, the top marginal rate was 91-92%, and the U.S. economy grew at an average annual clip of 4.4%. Compare this to 2003-2018 when the economy only grew by 2.36% per annum on average during a period of increasing tax benefits for the rich. A 70% top rate is conservative if we consider the optimal marginal income tax rate could potentially be as high as 83%, with inheritance also treated like ordinary income. Of course, the highest rate would only apply to the super rich, and only to that portion of their annual income over—say \$1 million. Ocasio-Cortez proposes that the top rate only be applied above \$10 million, but this would not raise enough revenue to sufficiently address inequality. Taxes could be applied as follows at the federal level,

inclusive of a Universal Basic Income (UBI) paid to every citizen of \$12,000 per year, with no personal deductions:

UBI of \$12,000 = 0%

\$15,001 - \$30,000 = 10%

\$30,001 - \$50,000 = 20%

\$50,001 - \$75,000 = 30%

\$75,001 - \$250,000 = 40%

\$250,001 - \$500,000 = 50%

\$500,001 - \$1,000,000 = 60%

\$1,000,001 or more = 70%

In 2014, the top 1% of Americans received twice as much income as the bottom 50%. The bottom half averaged \$16,000 per adult, while the top 1% averaged 81 times more, or \$1.3 million per adult. This indicates our taxes could be much more progressive, putting the burden on the rich to address inequality. In order to reduce the effect of dynastic wealth, estate taxes could also be taxed like ordinary income. Corporate taxes and a wealth tax could be standardized on the global level thus preventing the race to the bottom by countries seeking to attract capital. Even a small (progressive) global wealth tax would allow us to keep track of the wealth in order to have a better picture of the world's economies.

My version of the Green New Deal would guarantee a square deal for all corners of society in order to turn America into a social democracy. This would involve reforming our dysfunctional pay-to-play, winner-take-all electoral system. We would also have to end the War on Drugs and minimum sentencing as part of prison reform. Though equitable taxation we could have Medicare for All, public education through college, and maintenance of our natural and built environment. An adequate Universal Basic Income, as President Nixon once proposed, paid to every citizen would end bureaucratic, means-tested welfare, eliminate homelessness, and provide job insecurity related to increasing automation and other factors. It would also ensure income for people who now work in the home or take care of others without pay. We have the answers and we have the means. There is no longer any excuse not to be the best that we can be.

The Math

How to save capitalism and make America the world's best social democracy

(Numbers in billions)

\$1K monthly Universal Basic Income to every adult citizen.....	3,000.
Medicare for All (for expansion to include all).....	1,100.
Universal post-secondary education.....	500.

Total Cost = \$4,600.

How to Pay for it

Progressive tax, including inheritance and wealth tax.....	2,890.5
VAT of 20%, (less average 5% sales tax already collected).....	(1,120.0 x .75) = 840. 0
Financial Transactions Tax.....	50.0

New Taxes = \$3,780.5

Direct Savings

Ending Means-Tested Welfare, Food Stamps, Disability.....	600.
Ending Drug Prohibition, prison reform, law enforcement savings.....	100.
Military Budget reduction.....	52.
Social Security savings from deducting UBI.....	67.5

Direct Savings = \$ 819.5

Total of New Taxes and Direct Savings - \$4,600.

Out of Pocket Savings

Health Care Savings from Medicare for All over existing private system.....	1320.
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The social cost of inequality is unknown and unquantifiable, but enormous.