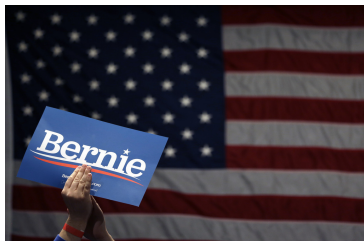


## Opinion

**The Seattle Times****Dear Bernie Sanders: Sweden's democratic socialism depends on robust capitalism**

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A supporter of Democratic presidential candidate Sen. Bernie Sanders holds up a sign as Sanders speaks during a campaign rally Monday, March 9, 2020, in... (AP Photo / Jeff Roberson)

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By **Victor Menaldo**

*Special to The Times*

After a quick succession of once-promising Democratic candidates departed the race, we are down to a two-man race: Joe Biden, who vows to restore the pre-Trump, Obama era political, economic and social order, versus Bernie Sanders, who advocates revolution. The smart money is now with Biden. With a solid showing on Super Tuesday and a string of high-profile endorsements in the process, Biden enjoyed a strong tail wind going into Tuesday's primaries. Besides Washington, that included Michigan, which has a demographic profile that aligns with his strengths.

Yet this race is far from over. The 2020 Democratic primary has proved to be one of the most fluid in ages, and Biden is far from a lock. He has not had to debate Sanders one-on-one yet. He is prone to gaffes and circumstantial speech. Plus, Sanders has every incentive to highlight aspects of Biden's almost 50-year record that today's Democratic voters may not like, including controversial votes on trade, bankruptcy and wars.

It therefore behooves Biden to scrutinize Sanders in return: You claim you want a revolution, but of what sort and toward what end? One of the answers that Sanders

provides is “democratic socialism.” What does that mean in 2020? A closer look at Sweden, the poster child of that political economic system, helps provide the answer.

Contrary to what Sanders and his supporters might believe, Sweden is one of the most capitalist countries on Earth. It boasts strong property rights and allows big profits for several internationally competitive firms. In fact, Sweden has the most billionaires per capita, far outpacing China and the United States. This is because it allows goods and services to be allocated via prices. The state does not own firms or banks and, in fact, did not bail out banks during the early 1990s banking crisis, or Saab motors when it went bankrupt. The same cannot be said about the United States after the 2008 financial crisis.

Moreover, unlike the United States, Sweden does not put restrictions on the foreign acquisition of companies and allowed China to buy both Saab and Volvo. Indeed, Sweden is completely open to international trade and foreign direct investment.

These policies allow Sweden to boast top companies such as Ikea, Ericsson and Spotify. It allows it to have lots of entrepreneurship — again, more than the United States — and provide plentiful venture capital to finance it.

Also, and a dirty little secret: Sweden's tax system is more regressive than ours. It finances its very generous welfare state on the back of a Value Added Tax, which is a consumption tax that hits the middle class and poor more than the rich. It also lacks a minimum wage and basically eliminated wealth taxes more than a decade ago after it discovered it could not enforce them and feared they were distorting too many investment decisions. On some measures, pretax and transfer income and wealth inequality has grown faster than in the United States over the last couple of decades (although the overall level is higher in the USA and the growth rate differentials depend on the definition and measure used).

There's no question that this is not the case on post-tax and transfer inequality, however, given how progressive its government spending is. It boasts aggressive social insurance and redistribution based on social spending and direct transfers such as old-age pensions, family allowances, health insurance and housing subsidies.

This has allowed Sweden to achieve a high standard of living but also relatively equal distribution of assets and income. It has virtually eliminated poverty and has a large middle class. Also, Sweden boasts high upward mobility — much higher than the

United States — due to high spending on education across all levels and strong social safety net.

In terms of upward mobility, Sweden's intergenerational correlation of education and earned incomes is exceedingly low.

In other words, social democracy has delivered results. But this has been married to very strong markets and businesses that are internationally competitive, and an economy open to trade, investment, technology and immigrants. This means mature and functional markets for labor, capital and technology.

Sanders cherry-picks the social spending side of the coin and some of its results (really impressive upward mobility being one), but not the vibrant market that creates the income that is redistributed, nor the relatively regressive tax system that finances the social safety net and public goods and policies that sustain technological frontier rates of innovation, and a highly educated and skilled population.

Even if Sanders flames out, this race owes us real facts about democratic socialism, and a real debate based on logic and evidence. Sanders has galvanized a huge wave of young people around the potential promises of this political economic system. But Americans of all stripes are not yet informed about the way in which countries such as Sweden have achieved greater prosperity and equality of opportunity and outcome.

**Victor Menaldo** is a University of Washington political science professor and author of "Authoritarianism and the Elite Origins of Democracy." The views expressed in this Op-Ed are those of the author and not the positions of the UW.

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