Should America try to be like Scandinavia?

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By Global Public Square

Here at GPS we often report how the United States has fallen behind in a number of global rankings. For example, The Economist has just published what it calls the "Where to be born" index: a list of countries which provide the best opportunities and the highest quality of life. In 1988, America was #1; now it is joint 16th. Three of the top five countries today are in Scandinavia: Norway, Sweden, and Denmark.

Or look at the World Economic Forum's Global Competitiveness Index. The U.S. has fallen to #7 in the latest rankings. Finland and Sweden are in the top five.

Or look at corruption. The United States ranks 19th in Transparency International's new index. Denmark and Finland are rated the cleanest countries.

Now you can spot two trends. On the one hand, America has been losing its edge. But I'm also struck by the rise of Scandinavia, a region that includes Denmark, Norway, Sweden, and if you broaden that definition, Finland and Iceland. Each of these countries seem to dominate global ranking lists. Why? What is their secret sauce?

Well, Scandinavia is actually much more free market-oriented than most people realize. Capital is allocated by the market, the government doesn't own companies, regulation is usually light, corruption is non-existent. Companies can hire and fire easily, labor moves around. But these countries do tax a lot and spend a lot – on education, childcare, health and other things.

Now, a recent MIT paper suggests there are limits to this model. It's called "Can't we all be more like Scandinavians?" In brief, it points out how the Scandinavian welfare system provides a number of benefits: more vacations, better healthcare, more equality. But when it comes to innovation, the U.S. still wins. For example, if you look at patents filed per million residents, the study shows the U.S. has moved far ahead of Scandinavian countries.

Here's why this is important. Unlike say, a healthcare system (which only benefits people of one particular country), innovation has global impacts. New American inventions spread around the world. According to the paper's authors, Scandinavian countries "free-
"ride" on U.S. research and development. But if the U.S. became Scandinavian, it would spend less on innovation, which might reduce global growth rates (and thus, discredit the Scandinavian model).

The paper has been criticized for using patents as the marker for innovation. But even so, this is an important discussion. And it ties in to many of the questions our leaders are grappling with. Does the state need to make societies more equal? Does that come at a cost?

There is much to admire about Scandinavia: on education, on healthcare, on energy. But that doesn't mean we need to become Scandinavian. We are more individualistic, free-wheeling, ready to take risks. Americans don't need to stop being American. But why not look at how these countries in Scandinavia make investments in healthcare and early education and how all of these things create greater equality of opportunity. That is after all what helps people succeed, no matter where they come from or how poor they are.

The truth is, Scandinavian countries are fulfilling a huge part of the American dream better than America these days. Thankfully, we're still an innovation powerhouse, and we need to spend more on R&D rather than cutting those budgets. And perhaps we need to target some of that innovative thinking towards restoring the American Dream of equal opportunity. That would be a truly American solution to an American problem.

Post by: CNN's Jason Miks

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