

# The Nordic Model: an Alternative to the Minimal State?

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# After the financial crisis: a return of the postwar model?

TONY  
JUDT

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*Ill fares the land, to hastening ills a prey,  
Where wealth accumulates, and men decay.*  
Oliver Goldsmith, *The Deserted Village*, 1770

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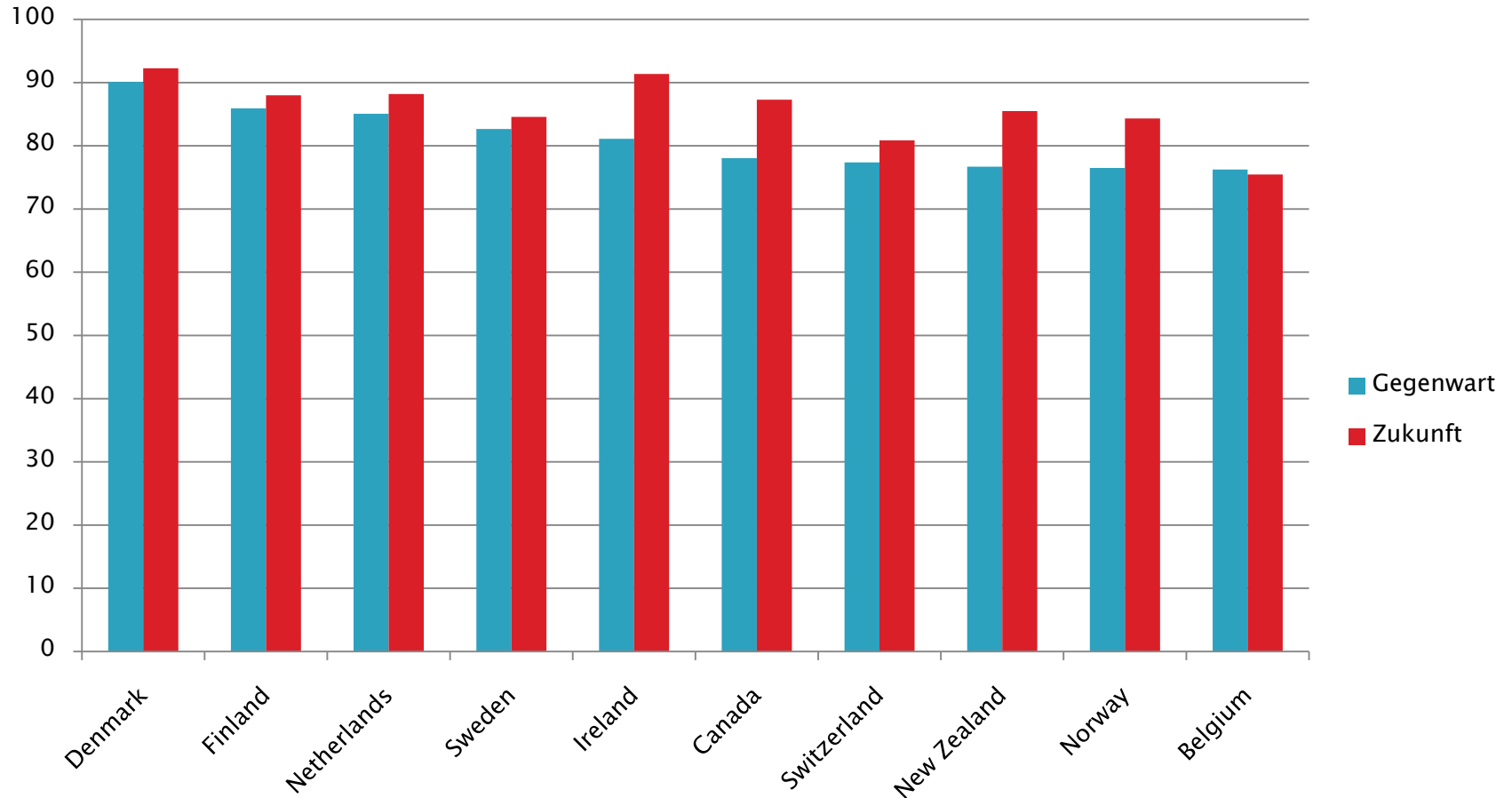
ILL FARES  
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# The most competitive economies

Country/Economy	GCI 2009–2010		GCI 2008–2009
	Rank	Score	Rank*
Switzerland	1	5.60	2
United States	2	5.59	1
Singapore	3	5.55	5
Sweden	4	5.51	4
Denmark	5	5.46	3
Finland	6	5.43	6
Germany	7	5.37	7
Japan	8	5.37	9
Canada	9	5.33	10
Netherlands	10	5.32	8

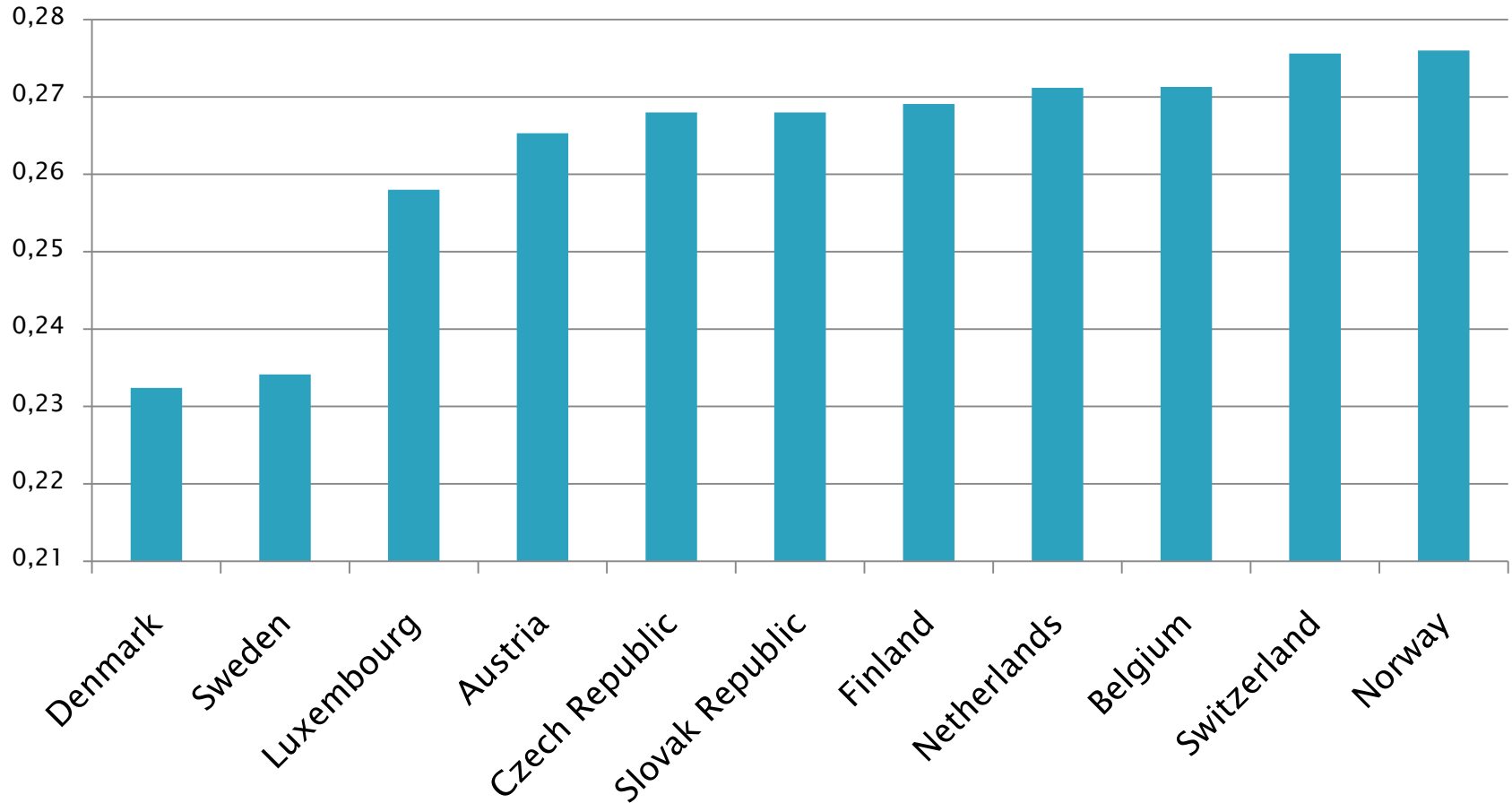
Source: WEF, Global competitiveness report 2010

# The most satisfied citizens



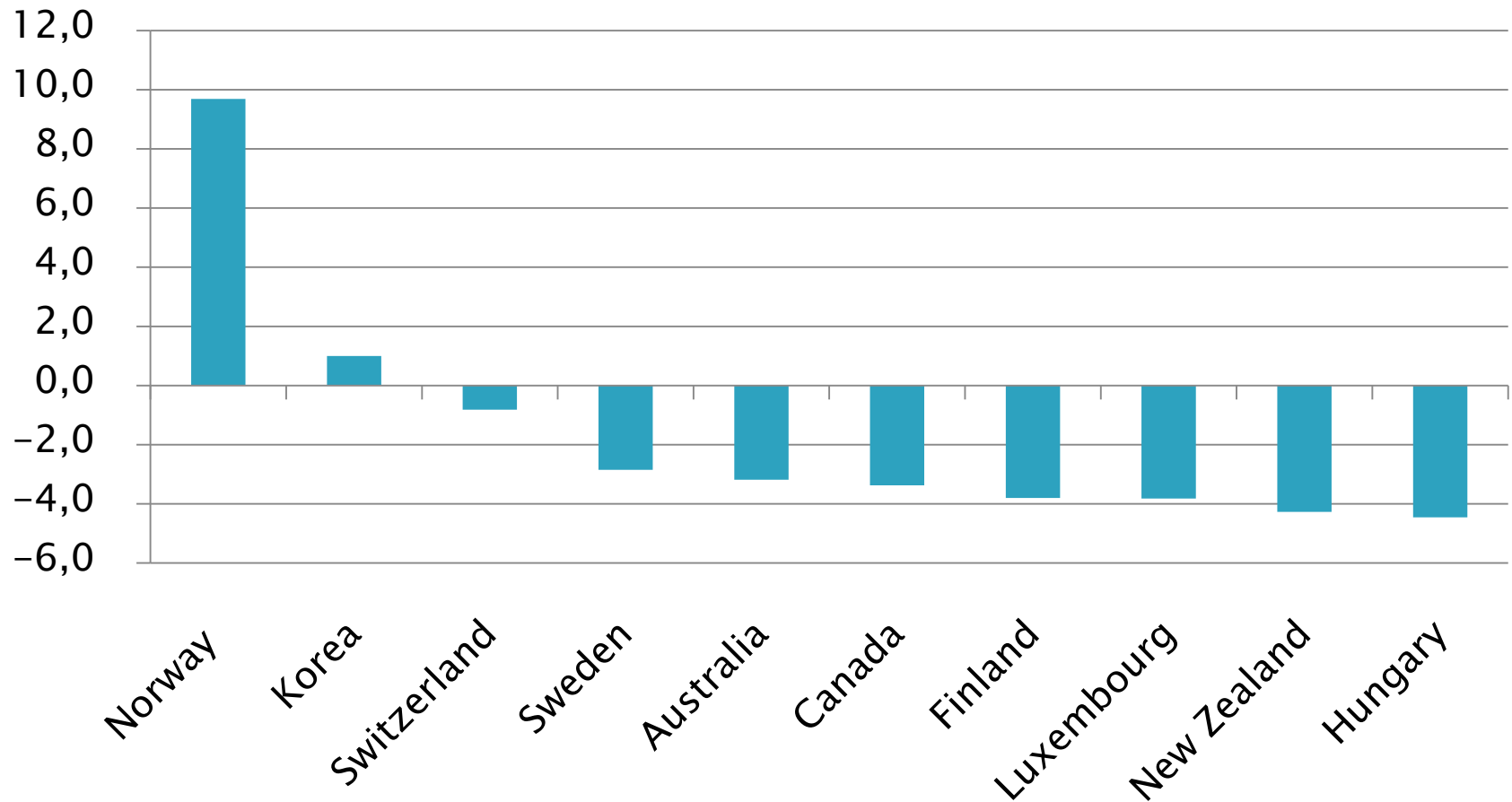
Source: OECD Factbook 2010

# The lowest degree of inequality



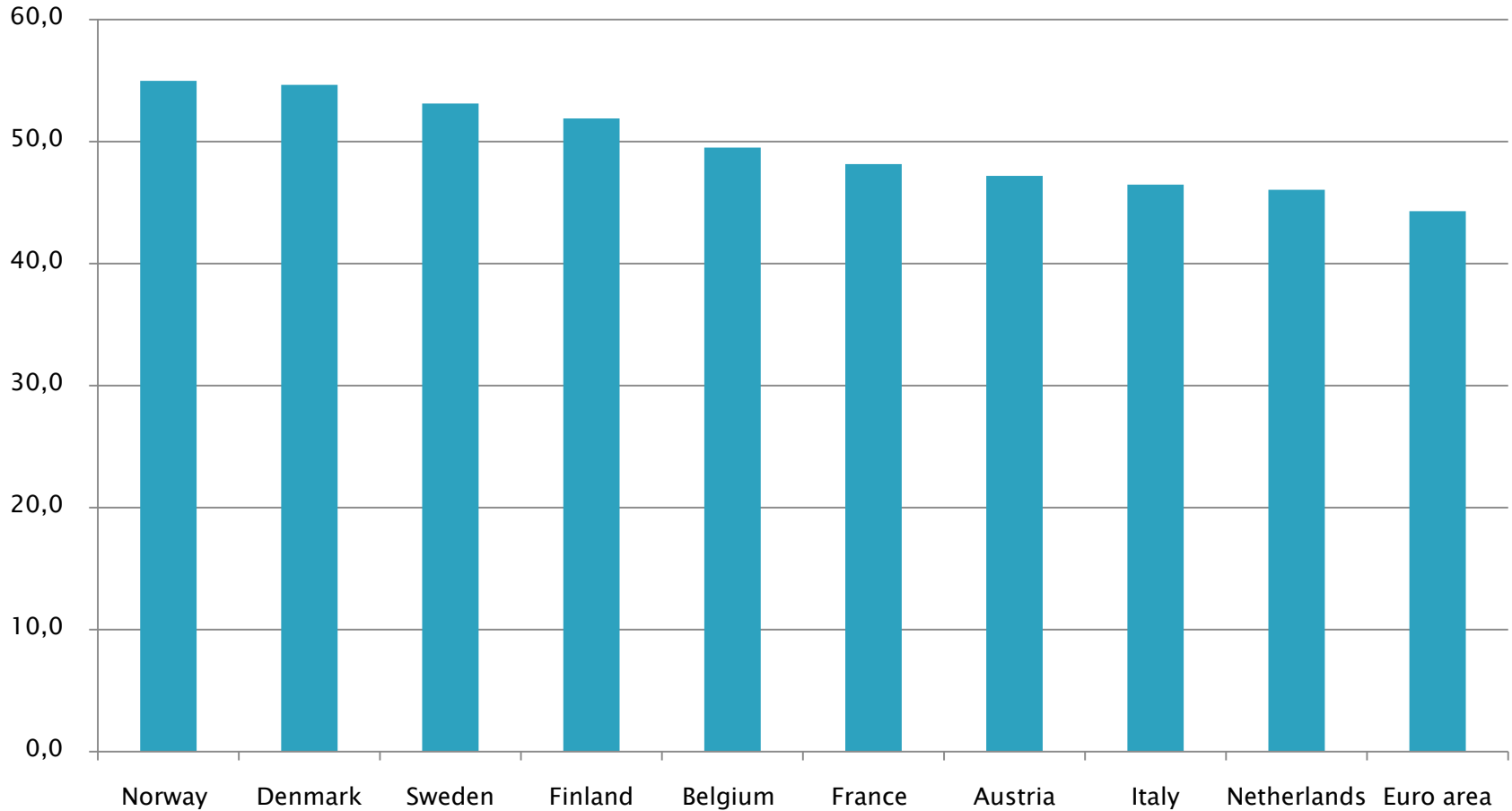
Gini-Coefficient mid-2000s. Source: OECD Factbook

# The most stable public finances



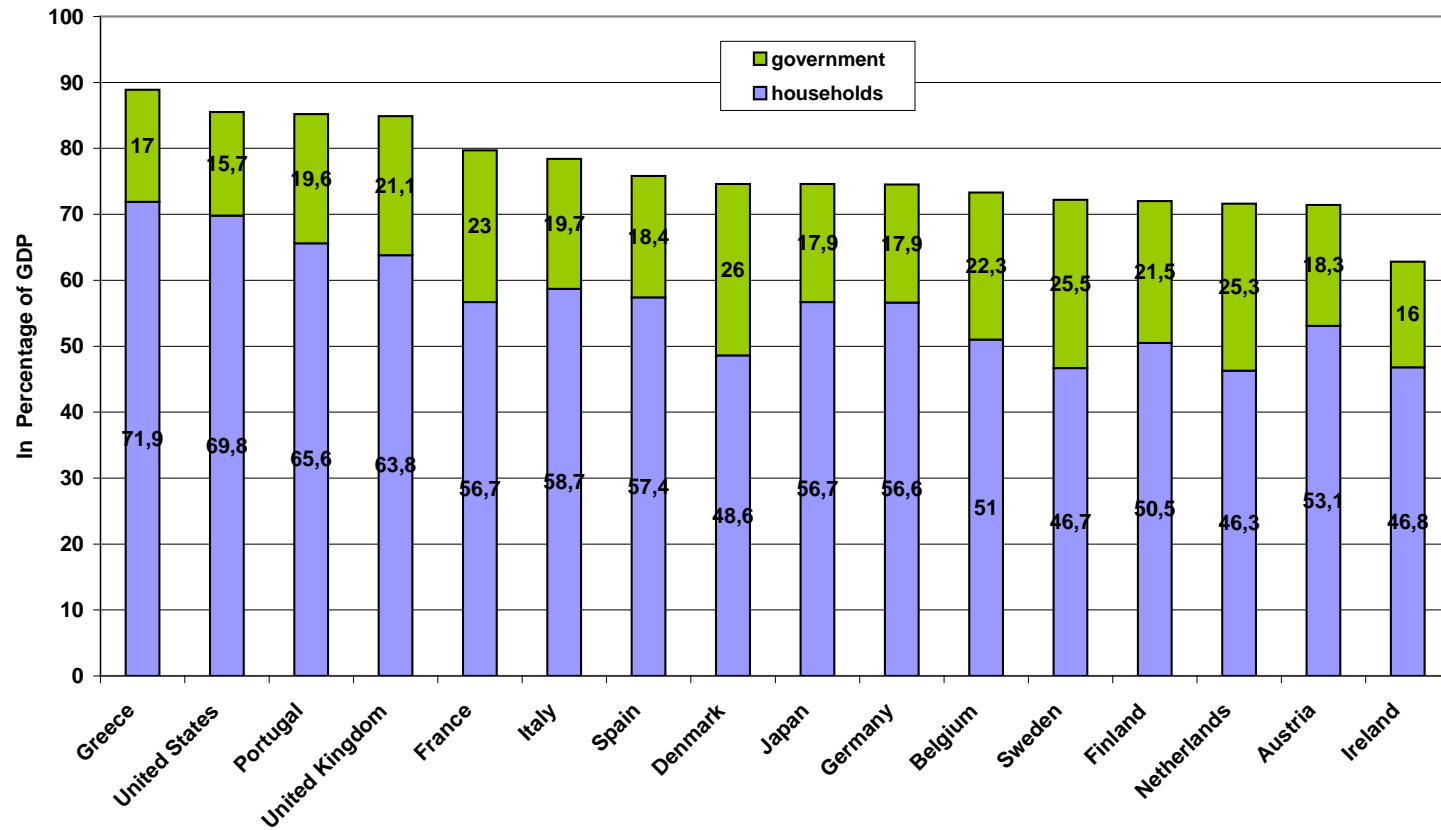
Fiscal balance in % of GDP (2010). Source: OECD

# The highest government revenues (in % of GDP)



# Relatively low private consumption

Share of households and government consumption in GDP





# Why is the Nordic model not more popular?

- ▶ Uninformed political scientists and socialologists proclaiming the „end of the nation state“
- ▶ Ideologically biased economists favoring slim states

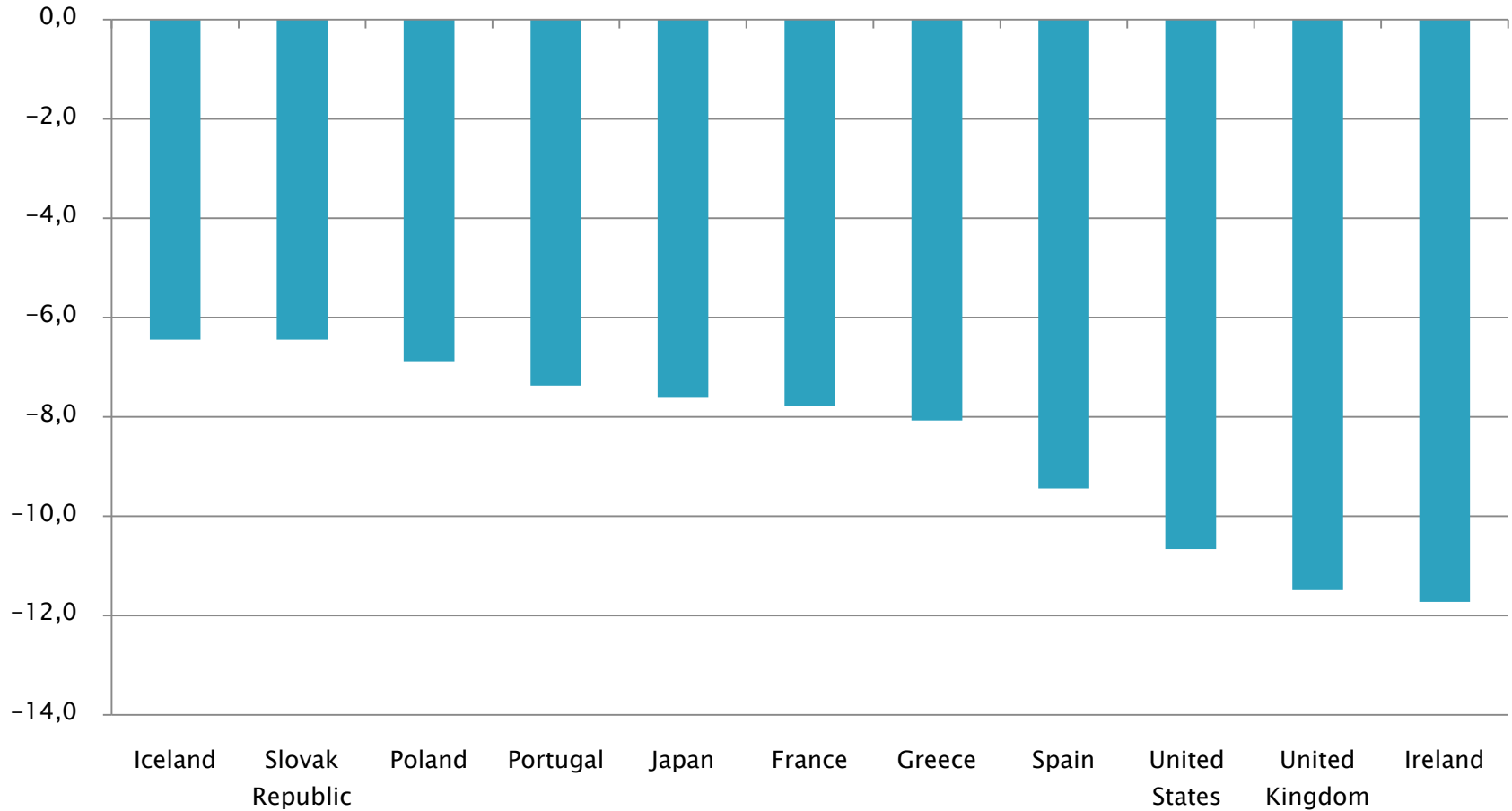
# Blanchard and Cotarelli (2010)

## Ten commandments for fiscal adjustment

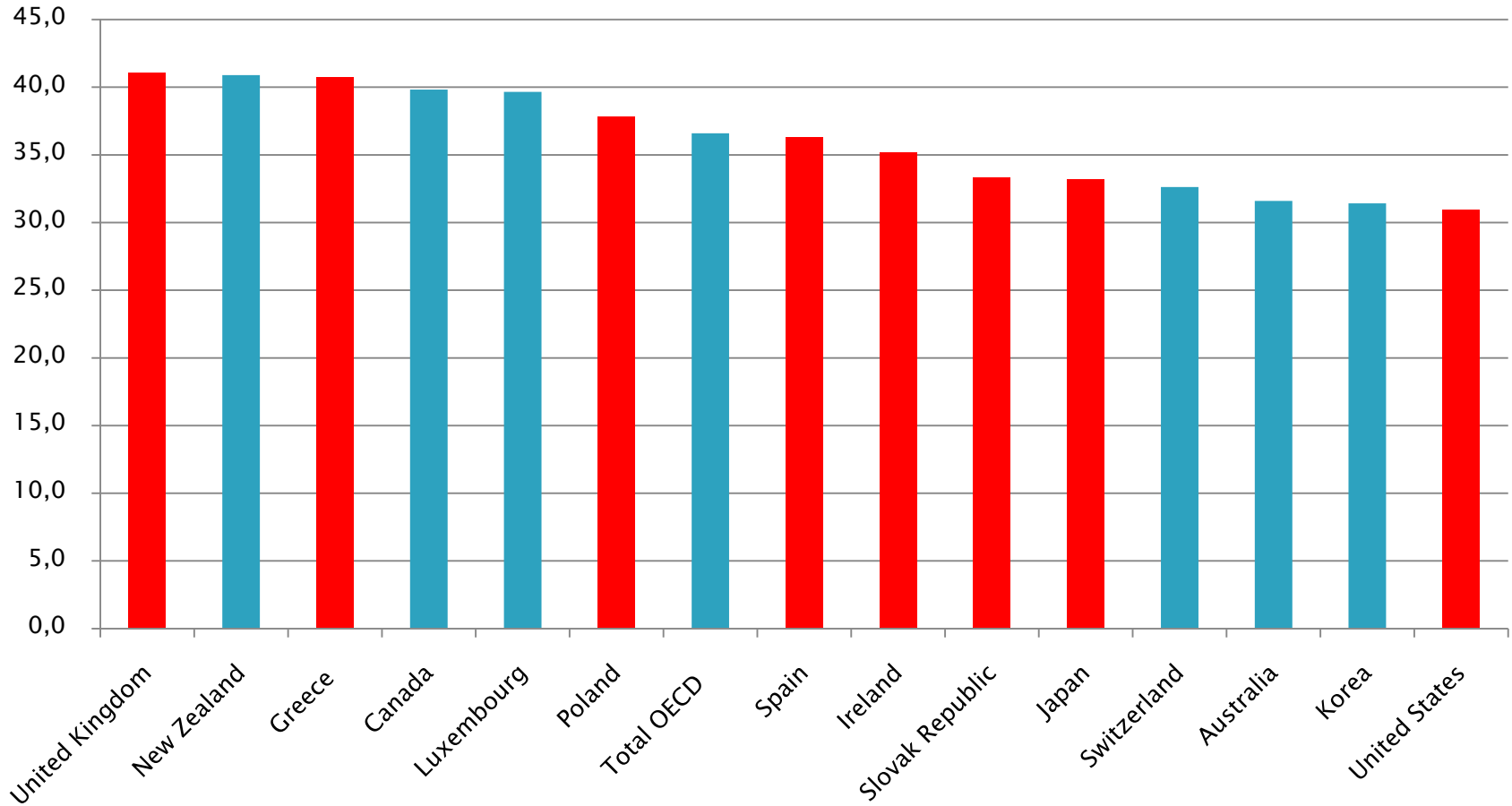
- ▶ **Commandment IV: *You shall focus on fiscal consolidation tools that are conducive to strong potential growth.***
- ▶ This will require a bias towards (current) spending cuts, as spending ratios are high in advanced countries and require highly distortionary tax levels

Source: <http://blog-imfdirect.imf.org/2010/06/24/ten-commandments-for-fiscal-adjustment-in-advanced-economies/>:

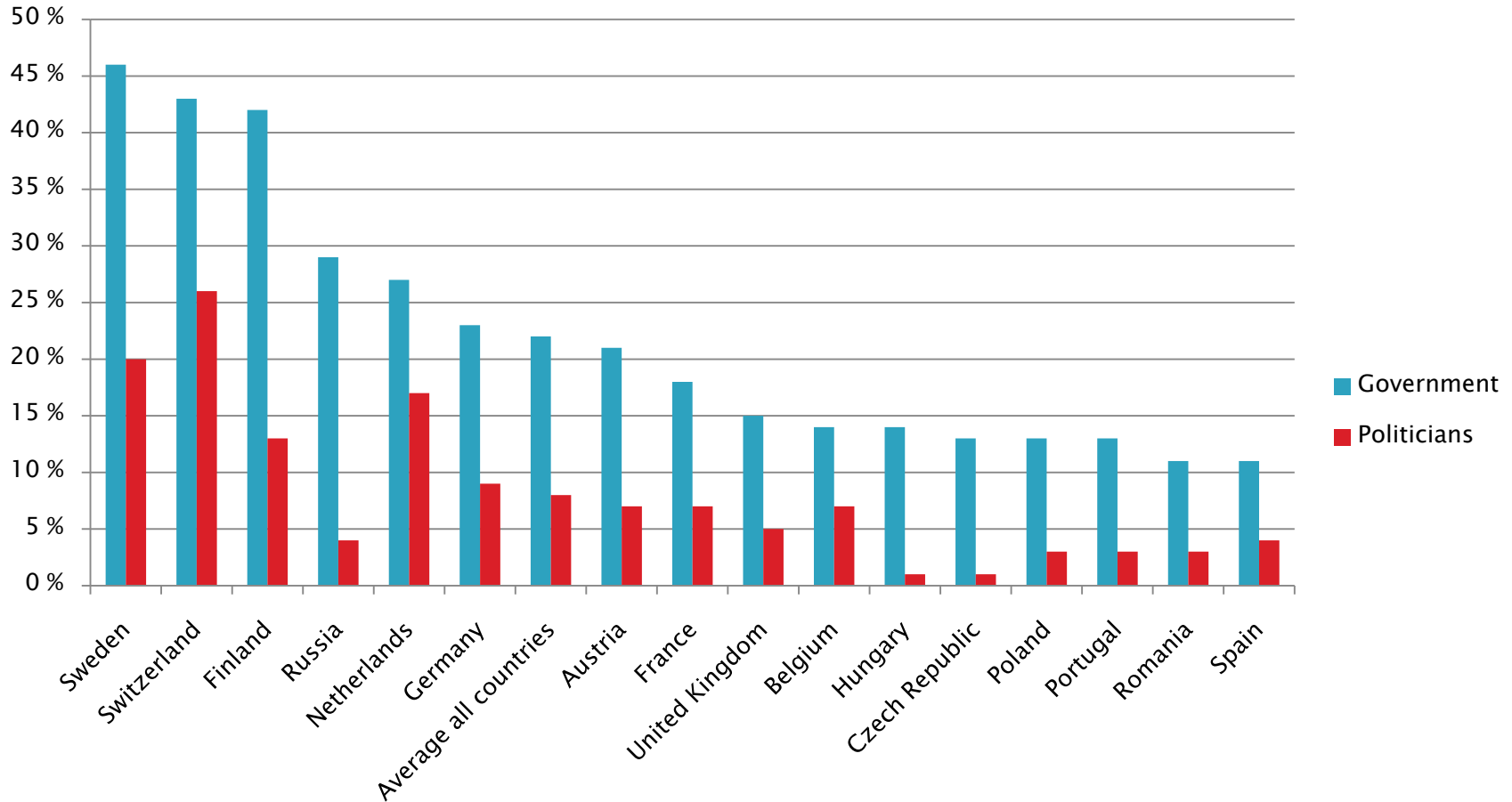
# How to consolidate high deficits?



# Most high deficit countries have low government revenues



# Nordic model requires trust



Percentage of people who have a great deal or quite a lot of trust in government or politicians  
<http://www.rdtrustedbrands.com/trusted-brands/about.shtml>