

Success under Capitalism in Norway: A Product of Oil or the *Nordic Model*?

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Norway is internationally esteemed for its high quality of life. This high quality of life is overwhelmingly owed to the success of the *Nordic model* of governance. Free market and libertarian literature insist that this style of government is unsustainable and only works in Norway due to the country's strong GDP. This literature also suggests that Norway's GDP is strong due to its abundant oil reserves.

To address this claim, I calculate crude oil production per capita across the Nordic countries, top oil producing countries, and other influential and rising powers. Then, using the Global Happiness Index as an indicator of quality of life, I cross reference crude oil production per capita with each country's Global Happiness ranking. The results clearly indicate Nordic success has nothing to do with oil.

If asked the question, "which single country do you think is the most successful at governance, quality of education, and effective distribution of wealth and opportunity," it is likely that a plurality of citizens in the world today would respond with the name of a Nordic country. They would be right to do so. Compared to the global average, Nordic citizens are happier, wealthier, and better-educated.¹ They hold a higher trust in their governmental institutions than almost anywhere else in the world. Nordic countries have been ranked as some of the freest, with Sweden, Norway, and Finland taking the top three spots in 2019 according to the NGO Freedom House.² Norway boasts of employment rates a full nine per cent higher than the United States, and young Norwegians currently have thirteen per cent more disposable income than their parents' generation—one of the only countries in the world where this is the case.³ The flavour of social support adopted by Nordic countries, known as the Nordic model, has been described as "strikingly successful" by *The Economist* and as the force behind the new American dream by Nobel prize-winning American economist Joseph Stiglitz.⁴ Human security is incomplete without social support like that of the Nordic model—and top global powers have long

been taking careful note. World leaders from Clinton to Gorbachev voiced early support for the Nordic model and attempted to mimic its success by incorporating some of its defining traits into their own governments in a variety of ways.⁵ What, then, can be attributed to the Nordic model's success? What is it doing differently? Finnish author and former *New York Times* writer Anu Partanen provides a unique analysis and comparison in her book *The Nordic Theory of Everything*. Having grown up in Finland before moving to New York City as a young adult, the lens through which she compares Nordic social support to alternatives, like that in the United States, is incredibly useful and pertinent to this analysis. She highlights several key areas of difference.

The first is education. Starting in Finland in the early 2000s, Nordic countries began to reshape their models of education and have since earned international praise for their success. The Programme for International Student Assessment (a study conducted triennially by the OECD) consistently ranks Finnish students among the top in the world.⁶ Perhaps most remarkably, Finnish schools perform consistently well across the country, with a very narrow gap between the highest and lowest performing students. Several methods have led to this success: Students are assigned very little homework; school days are short; students attend schools often situated close to home; private schools are very few in number and must follow the national curriculum; competitive school rankings and standardized testing were eliminated; the qualifications required of teachers were raised; and there was a re-imagining of the physical scope of the classroom to incorporate more time outdoors (known as "forest kindergartens").⁷

The second difference is what Partanen calls "smart government."⁸ Here, she rebuts arguments put forth by free-market proponents, such as the publishers of *The Economist* magazine, who argue that Nordic countries have reached "the limits of big government."⁹ They quote Danish historian Gunnar Viby Mogensen as saying "we can't afford it."¹⁰ Partanen directly responds to

this criticism using the U.S. as a point of comparison. She argues: “Americans tend to assume that the Nordic nations are living beyond their means, but that’s not the case either. Nordic governments are generally much better at balancing their budgets.”¹¹ She points out that in 2014, when the American government had a debt of more than one hundred per cent of its GDP, Nordic countries had accumulated debts ranging from only thirty to seventy per cent of their GDP (Norway had the least, at thirty per cent of its GDP).¹² By disassociating benefits like health care from the employer, *smart government* provides more flexibility and autonomy to the Nordic worker, allowing them to pursue work they enjoy and, consequently, to be more productive while doing so.¹³ She highlights that the incentives to work hard still exist as many of the benefits of social support enjoyed by Nordic citizens are directly tied to the individual’s pay.¹⁴ In other words, the government maintains the incentive to work hard but limits the leverage an employer can have over their employees.¹⁵

The third is effective social support. Partanen characterizes the Nordic states as “well-being” rather than “welfare” states, highlighting how in the U.S., the idea of a “welfare state” has become negatively confounded with the idea of a state crowded with citizens on welfare, who are viewed as “without a job” and are a “burden to society.”¹⁶ Incidentally, the U.S. provides welfare support of this nature to twice the percentage of citizens as do the Nordic countries.¹⁷ Instead, Partanen uses the idea of a “well-being” state to highlight the sorts of policies Nordic countries commit themselves to. These policies place the burden of healthcare, paid parental leave, and education (including post-secondary education) on the government rather than employers.¹⁸ This not only plays a role in reducing stress and making Nordic countries the happiest in the world—it has also alleviated much of the financial responsibility carried by Nordic employers, creating the ideal conditions for small start-ups.¹⁹ Some of the most globally successful services and franchises have Nordic origins. One example is Spotify, founded by a small team in Sweden in 2008 and now valued at over USD\$26 billion.²⁰ Mojang, the start-up behind the famous video game *Minecraft*, was sold to Microsoft in 2014 for USD\$2.5 billion.²¹ Similarly, the Finnish video game start-up Rovio, creator of the *Angry Birds* series, was founded by three students in Helsinki in 2003 and is now valued at over USD\$1 billion.²² The famous Danish toy LEGO became the highest valued toy company in the world in 2012 at USD\$14.6 billion.²³ These successes undoubtedly play a role in explaining the higher employment rate Nordic countries boast in comparison to the U.S. and can be linked to what makes the Nordic countries some of the most “business friendly” countries in the world.²⁴

Nevertheless, a great deal of debate concerns exactly how this model relates to capitalism. Specifically,

there is confusion as to whether this model is simply its own flavour of capitalism and attempts to guarantee a high quality of life through government policy or if the Nordic model more closely reflects democratic socialism and considers itself to be a complete alternative. Authors of the free market magazine *The Economist* argue that it is not exactly democratic socialism, but rather that the “Nordic countries can often seem to be amalgams of left- and right-wing policies.”²⁵ The current Danish Prime Minister Lars Løkke Rasmussen is no fan of the democratic socialist label. During a speech at Harvard University in 2015, he responded to American Senator Bernie Sanders’s repeated claim that Denmark was a democratic socialist state by saying,

I know that some people in the US associate the Nordic model with some sort of socialism [...]. I would like to make one thing clear. Denmark is far from a socialist planned economy. Denmark is a market economy. The Nordic model is an expanded welfare state which provides a high level of security to its citizens, but it is also a successful market economy with much freedom to pursue your dreams and live your life as you wish.

Still, it is highly likely that the Nordic model does adhere to the description of democratic socialism. Despite countering Sanders’s claim that Denmark falls under the description of democratic socialism, Rasmussen appears to interpret this comment as something more closely akin to Marxist socialism, especially when referring to a “planned economy.” As described by the Democratic Socialists of America, democratic socialism is centred around the belief that “the economy and society should be run democratically—to meet public needs, not to make profits for the few.”²⁶ This description appears to be virtually synonymous with the defining characteristics of the Nordic model. By extension, it could be argued that the Nordic model more closely reflects democratic socialism in the Global North than any other system of government. As to why *The Economist* disagreed with this label, it would seem natural that a free market magazine would hesitate to speak in favour of a term that has become confounded with socialism. Regardless, it is beyond the scope of this paper to answer the question of whether the Nordic model is truly synonymous with democratic socialism or not. One point does seem clear after this brief analysis—both democratic socialism and the Nordic model appear to be solutions that curtail the negative effects of “runaway capitalism” rather than stand-alone alternatives to capitalism.

Democratic socialism or not, assessing exactly how the Nordic model achieves its success quickly becomes limited when attempting to address all five Nordic countries at once. A more useful approach is to engage in a case study of one Nordic country in particular. Norway stands out as perhaps the most unique of the Nordic

countries. Unlike its Nordic neighbours, it does employ the use of standardized testing in its schools, it has a much more well-defined constitution, and, aside from Iceland, it is the only Nordic country not in the European Union.²⁷ Norway also has a reputation of not only regulating the stock market but actually controlling its shares—following the success of the post-war nationalization of German business interests, the Norwegian government today prefers to guide through shares, owning more than 37 per cent of Oslo's stock market—something that drastically sets it apart.²⁸

Within free market and libertarian literature, however, the Nordic model attracts many critics. Some claim that the success of the model has little to do with its structure and everything to do with Nordic countries containing an abundance of one of the world's most highly valued resources: oil.²⁹ This literature tends to point to Norway in particular to support its argument. Øystein Thøgersen, professor at the Norwegian School of Economics, argues that Norwegian economic success

has little to do with government policy and much to do with consistent oil discovery.³⁰ Daniel J. Mitchell of the libertarian think tank Foundation for Economic Education also claims that Nordic prosperity can be attributed to its natural resources. He states that “Norway is geographically lucky because all [of its] oil boosts Norwegian GDP. It makes Norwegians relatively prosperous, and it definitely helps partially offset the economic damage of big government.”³¹

To address this claim, I examine crude oil production and the wealth it produces per capita in Nordic countries, and I compare this to other high per capita oil producing countries, using 2017 statistics for global oil production published by the U.S. Energy Information Administration.³² Using their online aggregator, I narrowed the range of the search to focus primarily on crude oil production. In the interest of not repeating these calculations for all countries, I cross-referenced the top 27 per capita oil producers from a list published by the NGO Nation Master in 2007.³³ I also added in sev-

FIGURE 1: Oil Production per Capita Coefficient

<i>Ranking (of 27 countries assessed)</i>	<i>Country</i>	<i>Oil production* (bbl/day, 2017)</i>	<i>Population (2016–17 UN estimates)</i>	<i>Oil production per cap- ita coefficient (bbl/day/ million people)</i>	<i>World Happiness Index ranking</i>
1	Qatar	1,964	2,724,606	720.84	36
2	Kuwait	2,828	4,022,255	703.09	40
3	UAE	3,708	9,121,167	406.53	22
4	Norway	1,969	5,276,968	373.13	1
5	Saudi Arabia	12,081	32,612,846	370.44	38
6	Iraq	4,471	**19,184,543	233.05	118
7	Oman	978	4,559,963	214.48	***n/a
8	Libya	932	**5,298,152	175.91	69
9	Equatorial Guinea	206	1,309,005	157.37	***n/a
10	Canada	4,881	36,708,083	132.97	8
19	Denmark	140	5,760,694	24.30	2
23	Finland	8	5,508,214	1.51	5
26	Sweden	6	10,057,698	0.61	11
27	Iceland	0	343,400	0.00	3

**“Crude Oil, NGPL, and Other Liquids.”

**No 2016–17 estimate was available. The latest census data was used in its place.

***There was no data available at the time of analysis for Oman and Equatorial Guinea.

eral of the world's top oil-producers, rising powers (such as Brazil and India), the remaining Nordic countries, and a few others, resulting in 27 countries for analysis. For each country, I referenced 2016–17 mid-year population estimates published by the Statistics Department of United Nations Department of Economic and Social Affairs.³⁴ Fig. 1 consists of my calculations on oil production per capita in 2017.

This analysis is by no means extensive, and, although it includes most major oil producing countries and others that produce a large amount relative to the size of their population, there may be a margin of error. Nevertheless, three principle observations can be drawn from these calculations: (1) Norway does produce more oil per capita than the U.S.—more than eight times as much; (2) only three countries appear to produce more oil per capita than Norway; and (3) the remaining Nordic countries produce far less oil per capita than the U.S. and Norway. Finland and Sweden produce less than two barrels per day per million, and Iceland produces none at all. While Denmark does produce a fair amount per capita compared to other Nordic countries, it is still only six per cent of what Norway produces.

To further contextualize this data, the argument that increased per capita oil production directly correlates with a country's overall quality of life must be addressed. If it can be assumed that an increased quality of life directly correlates with increased happiness, then introducing data from the *World Happiness Report* becomes a useful approach. Fig. 1 compares the rankings of the top ten per capita oil-producing countries, and the remaining Nordic countries with their citizens's happiness (the happiness ratings used below reflect the 2017 *World Happiness Report*, to keep the period of comparison constant). Oman and Equatorial Guinea were not included in these calculations as there was no data available at the time of analysis.³⁵

This data indicates that Mitchell's claims are dangerously simplistic. The argument that Nordic prosperity can be attributed to oil reserves immediately falters when acknowledging that, aside from Norway, Nordic countries produce little to no oil. As previously mentioned, Iceland ranked as the third happiest country in the world despite producing not a single barrel of oil. Partanen rightfully states that “[a]part from Norway's

oil and gas, there are no pots of gold showering Nordic citizens with unearned wealth.”³⁶

Furthermore, the argument that oil production results in prosperity is itself unlikely. Qatar and Kuwait, for example, each produced nearly twice as much oil per capita as Norway in 2017—yet they fall well below Norway in happiness ratings, placing thirty-sixth and fortieth respectively (out of only 156 countries assessed). It should be acknowledged that the oil per capita argument assumes the profits of a country's oil is reaching its citizens. Advocates of the free market argument, still ignoring the fact that four of the five Nordic countries produce virtually no oil, would likely claim that this is because Norway is more effective at making sure this wealth reaches its citizens in comparison to other oil-rich countries. To make that claim, however, would also be to admit, at least partially, of the success of the Nordic model.

Hilde Bjørnland, a professor of economics at the BI Norwegian Business School in Oslo, concurs. She argues that attention should be directed not to the profit being made from Norway's oil, but rather on how that profit is being managed.³⁷ She points to Norway's sovereign wealth fund, valued at over USD\$1 trillion, making it the largest in the world, and how, nevertheless, taxes in Norway remain high, and minimum wages are negotiated by unions due to Norway's compressed wage structure.³⁸ This is once again an example of how the Nordic model plays a larger role in success in Norway than the simple quantity of resources.

In conclusion, any argument which asserts that the Nordic model has little to no effect on Norway's well-rounded success, from its strong economy to high quality of life and free and functioning institutions, is far too simplified. The Norwegian implementation of the Nordic model, and ultimately the Nordic model itself, have proven successful in curtailng the effects of runaway capitalism. While the profits from oil stored in Norway's sovereign wealth fund may very well give Norway an advantage in the future—especially in periods of economic downturn—to claim that oil, or as pointed out by Partanen, *any* natural resources, is to thank for Nordic prosperity today, is unconvincing.

Notes

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6. Partanen, 112.
7. Partanen, 124, 129, 152, 113.
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9. "Northern Lights," *The Economist*.
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11. Partanen, *The Nordic Theory of Everything*, 243.
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13. Partanen, 244.
14. Partanen, 244.
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