

## New Challenges to the Nordic Welfare Model

by Bruce Bawer

Not much usually happens here in Norway, but something rather interesting has been taking place of late.

Until just the other day, this affluent and pleasantly civilized California-sized country of 4.5 million was—perhaps even more unqualifiedly than its Nordic sister states—ground zero for what people here call social democracy and what some outsiders have long decried as “nanny state” social engineering. You don’t have to be a radical libertarian to feel that those outsiders have something of a point. Norway has many truly wonderful qualities, but to a resident foreigner this tidy, well-ordered, and surprisingly provincial nation can also feel at times like, well, a kindergarten. Certainly the natives have long taken for granted a degree of state control over everyday life that this lifetime New Yorker (who’s lived in Oslo for two years) at times finds a tad oppressive and claustrophobic. The Norwegians, however, have tended to embrace state control with the equanimity of children who sleep soundly knowing that their parents are just outside the bedroom door.

Nearly everything here that doesn’t belong to the government, it sometimes seems, is either taxed to death—which explains the common Norwegian practices of buying cars in Denmark and of making day trips to Sweden to stock up on beef and chicken—or lavishly subsidized by the government. And you come across unforeseen restrictions at every turn: if you need aspirin, you’re obliged to wait in line for it at a government-owned pharmacy (supermarkets aren’t allowed to carry such dangerous substances), and you’re forbidden to buy more than 40 tablets at a time (which, with tax, will set you back six bucks). If you

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José Piñera, architect of Chile’s Social Security privatization and co-chair of Cato’s Project on Social Security Privatization, never goes anywhere without his retirement account passbook. Here he displays it at the Cato conference, “Privatizing Social Security: Beyond the Theory,” on February 6–7. See pages 3 and 6.

have a baby, you might want to check out the government’s official list of acceptable names.

You almost expect to see a sign at Oslo’s Gardermoen Airport reading “Welcome to Norway—A Law for Every Occasion.”

All this is done in the name of *felleskap*, which can be translated variously as “fellowship,” “community,” and “community spirit.” Norway has an established church, but the real national religion here is *felleskap*—which to Norwegians means not individual volunteerism (perish the thought!) but rather an acceptance of the idea that the government knows what’s best for you in every area of your daily life and, accordingly, has not only a right but an obligation to do everything it can to try to direct the choices you make, through prohibitions, restrictions, grants, tariffs, or what have you.

Norwegians’ traditional partiality toward state control is reflected in everything from their official Writers Union and rock-bot-

*Continued on page 12*

### In This Issue



Stenholm at Social Security panel, p. 3

Crane on compassionate conservatism	2
New action on Social Security	3
Marron, Feldstein, and more on Social Security	6
The case against McCain-Feingold	8
Free traders in Congress?	8
Is big oil subsidized?	8
Free markets in space	10
Madison’s lasting legacy	11
Cato launches Milton Friedman Prize	15

## “Norwegians have tended to embrace state control with the equanimity of children who sleep soundly knowing that their parents are just outside the bedroom door.”

**NORWAY** *Continued from page 1*

tom private-school enrollment (the lowest in the Western world) to their government-run liquor stores, or “wine monopolies” (no kidding), where a slender 700-ml bottle of bottom-shelf gin goes for \$30. This is a country whose capital is Europe’s most expensive and whose government, supposedly in order to foster diversity of opinion, provides subsidies that enable that capital (pop. 500,000) to have more than a half dozen major daily newspapers—all of which (surprise!) staunchly endorse the social-democratic status quo. Though Norway is the world’s number-two oil producer, sky-high taxes keep gas prices above those in the European Union (to which Norway doesn’t belong). As for that vaunted democratic value known as individual choice, forget about it: in this cold, cautious, convention-bound land at the upper edge of Europe, “individualism” has long been a dirty word, synonymous with selfishness, greed, a lack of collective feeling, a rejection of the call to solidarity.

The mentality that has characterized Norwegians during the social-democratic era was neatly summed up in an article that appeared in October in the daily newspaper *Dagbladet*. In that article, sociologist Trond Blindheim and political scientist Thorn Øivind Jensen recalled that, as members of “the first generation of Norwegians born into the welfare state” (i.e., between 1950 and 1973), they were made to feel even as children that they were “involved in a great project.” Parents, teachers, and everyone else in authority made it clear to them that “if we wanted life to go well for us, we must be a group and remain true to the common values.”

### The Times They Are A-Changin’

Yet those times are gone—or, at least, going. More and more young Norwegians challenge social-democratic conformity in a way their parents would never have dared. Plans are under way for the privatization of pharmacies and movie theaters—a development that not long ago would have been unthinkable. And last September 5 the nation was rocked by the astonishing news that a plurality of voters, according to a Gallup

poll, preferred the Progress Party (which is routinely described in the Norwegian press as radical right) to the long-dominant Labor Party, *felleskap*’s ideological home. Since then a series of messy scandals and internecine conflicts has helped drive the Progress Party’s poll numbers down and put the Labor Party back on top. At the same time there has been a rise in support for the Conservative Party (which, though considered the country’s “other” right-wing party, is in fact a classical-liberal group whose positions, viewed in the Norwegian context, can seem quite libertarian).

It’s hard to avoid the conclusion that this nanny state (which has seven or eight major political parties) may be in for a dramatic transformation—if not in this year’s parliamentary elections, then not too very far down the road. As one commentator observed in *Dagsavisen* soon after last September’s Gallup results, the newfound strength of nonsocialist parties here amounts to nothing less than an “earthquake on the political landscape”—a suggestion that Norway’s more than half-century-old “social contract between the rulers and the ruled is approaching dissolution.”

And what kind of contract would take its place? That depends. Under the Progress Party, admittedly, the picture wouldn’t be entirely pretty. Most notoriously, the party has come out for tough immigration reforms—yet, given the expediency, irresponsibility, and naiveté that have marked the past generation of Norwegian immigration policy, it’s an open question whether the Progress Party’s suggested changes are more morally offensive than the status quo. In any case, this isn’t exactly Pat Buchanan we’re talking about. After all, the party supports Norway’s new same-sex partnership law.

Yes, Norway does have Religious Right types—but you’re more likely to find them, interestingly enough, in the Socialist Left Party (whose advocacy of open borders has won it wide support among fundamentalist Moslem immigrants) and, especially, in the Christian People’s Party (which, unlike the Progress Party, officially opposes the partnership law). But because the Christian People’s Party has its roots in Norway’s established church, and because it’s every

bit as enthusiastic about the state’s systematic intrusion into private life as is the Labor Party, establishment opinion has consistently regarded it not as dangerously and offensively intolerant but as acceptably and respectably centrist. (Nor, in a country where a staggering number of summer wardrobes include Che Guevara T-shirts, is the Socialist Left Party at all stigmatized.)

No, what makes the Progress Party “right wing,” by Norwegian standards, is that it challenges the social-democratic excesses of the present system. It calls for a lowering of the prohibitive taxes on such commodities as meat, cigarettes, alcohol, and gasoline and for a reduction or elimination of many government subsidies, such as the \$1 million a year that goes to newspapers directed at Norway’s 40,000 Sami, or Lapps. The party’s privatization plans, meanwhile, would make Norway’s economic system somewhat less statist and more like those of the rest of Western Europe.

### The Establishment Fires Back

Moderate though these proposals may sound, however, Norwegians’ sudden enthusiasm for them caused panic last fall among this country’s ordinarily staid political and intellectual establishment. “How reactionary and self-centered can we get?” asked a writer in *Dagsavisen*. “Economic growth has made us bigger egotists,” an environmental activist griped to *Aftenposten*, Norway’s newspaper of record. “The common vision of Norwegians today,” complained a writer in *VG*, the nation’s biggest-selling daily, “is cheaper liquor and meat, not solidarity.” And *Dagbladet*, in a breathtaking display of advocacy journalism, served up a photo spread of several dozen famous and not-so-famous Norwegians, all of whom explained why they wouldn’t vote for the Progress Party. The explanation given by one of them, a rock singer named Øystein Greni, provided the headline: “Because I love people.”

This is, indeed, the Norwegian establishment’s line on the Progress Party: that it is anti-people. As columnist Anders Hager sneered in *Dagsavisen*, Norwegians once proudly boasted that “we are all social democrats” but have now become “modern individualists.” The modern individu-

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alist, Hager explained, is not a new figure: even Aristotle and Plato were familiar with the type who “doesn’t relate himself to the masses, the *fellesskap* or the state” but instead “is preoccupied with the single individual, that is to say, himself.” Ancient Greeks, according to Hager, had a name for “those who stood outside the polis, paid tax reluctantly, and didn’t want the polis to have any authority.” The word: “idiot.”

Hager’s bringing together of ancient Greek philosophy and the modern Scandinavian welfare state isn’t quite as much of a stretch as it may at first seem. On the contrary, one can sometimes get the impression here that the normative Norwegian concept of the ideal state was in fact shaped by Plato’s enthusiastic vision, in the *Republic*, of an authoritarian tyranny from which individual self-determination and private-property rights have been entirely purged.

And yet it is the Progress Party’s charismatic leader Carl I. Hagen whom the press has branded as an extremist. Editorials and columns have compared him with Austria’s Jörg Haider and suggested the danger of EU sanctions if his party gains power. Admittedly, there is something off-putting about Hagen, whose robust, combative manner is not only an extreme departure from the colorless managerial types who tend to run Norway but also—unsettlingly—brings to mind the likes of Richard Daley (père), Huey Long, and other populist demagogues of yesteryear. (Indeed, with his broad frame, florid, grinning countenance, and full head of white hair, Hagen would be perfectly cast as a somewhat younger Boris Yeltsin.) And his power struggles with other Progress Party higher-ups—a couple of whom have recently been, in effect, purged from the party ranks—do not exactly belie his strongman image. Yet, even when Hagen’s most vocal adversaries take on his program point by point, they seem unable to come up with anything more offensive than, say, his school voucher proposal.

The most vituperative attacks on the Progress Party came in January, after the murder in Oslo of a dark-skinned teenage boy by a neo-Nazi youth. A Labor Party politician blamed Hagen’s party for creating an atmosphere of racial hatred that led to the murder. In fact, if any party has

to answer for the tensions between natives and immigrants, it is the Labor Party, which over the last three decades or so has overseen an immense but ill-conceived immigration program. The routine official claim is that immigration has made the Oslo area richly and positively “multicultural”; in reality the city is split between natives and a tightly knit, essentially unassimilated immigrant community dominated by Moslems from Pakistan, Morocco, and elsewhere—many of them fundamentalists. The sometimes staggeringly generous government handouts to those immigrants serve largely, on the one hand, to reinforce the sense of entitlement felt by some of the immigrants, not to mention (sad to say) their impression that Norwegians are a naive bunch, a soft touch, almost pathetically eager to be fleeced; and, on the other hand, to exacerbate the resentment that some natives feel toward “southern” immigrants generally, even though many of the latter are hard working, law-abiding, and eager to assimilate.

In terms of both values and temperament, you could hardly find two more different groups on the planet. Yet no truly serious effort has ever been undertaken to help accustom immigrants to Norwegian ways, or to help natives understand their new neighbors. The government, one gathers, simply assumed from the start that everybody would get along—that Norwegians were somehow immune to the racial rancor that, when manifested in the United States, used to cause Scandinavians to look down on Americans with shock, disgust, and an overweening sense of moral superiority. (As one middle-aged Norwegian told me, “We were brought up to think that the only good American was Martin Luther King Jr.”)

Can it be that, deep down, Norwegian leaders just weren’t able to imagine Moslems from places like Pakistan becoming part of Norway’s cozy *fellesskap* and could envision them only as a respected but eternally unassimilated minority? (Can you say “separate but equal”?) Certainly, that would explain why Norwegians are taught from an early age to view the notion that “anyone can become an American” as coercive—and why even the grandchildren of immi-

grants, kids who were born in Norway and speak the language fluently, are universally called not “second-generation Norwegians” but “third-generation immigrants.” Labor Party leaders seem honestly not to understand why some of those kids don’t like this.

Among the few voices in the mainstream Norwegian media to dissent from the social-democratic chorus have been those of Blindheim and Jensen, who in their October *Dagbladet* article dared to suggest that the falling away of young Norwegians from Labor Party traditions is (gasp!) “no tragedy.” They argue, rather, that “it ought to be seen as progress that people have become more self-assured and demanding, more resourceful and active in forming their own reality.” Members of today’s generation “don’t have a prefabricated ideological manuscript that prescribes whom they will be, how they will live, and what they will think. . . . Young people look at the political elite in the Labor Party holding hands and singing revolutionary songs from the 1930s and feel that they’re pathetic.” Defying the establishment consensus, Blindheim and Jensen applaud the fact that these young people “cross social boundaries easily, and grant themselves much greater scope for identity formation than earlier generations.”

### Thinking for Themselves

Which is not to say that handing the government over to Hagen and company would be advisable. Blindheim and Jensen, noting that Norway’s future belongs to those who find the quickest and best new alternatives to the old ways, conclude their article by saying that “things won’t go well as long as it’s the Progress Party that understands this best.” Indeed, as the Progress Party’s internal strife continues to mount, it seems increasingly clear that Norway’s solutions lie elsewhere. It is cheering, then, to observe the recent upswing in the polls of the Conservative Party, which is market oriented, socially tolerant (its highly popular Oslo leader, Per Kristian Foss, is openly gay), and considerably more acceptable to Norway’s political establishment than Hagen & Co.

Setting aside for the moment the mer-

*Continued on page 14*

**SOCIAL SECURITY** *Continued from page 3*



Investment analyst William Shipman examines the transition to a privately funded system.

needs to design a low-cost system based on priorities and that time must be allowed for the implementation of the new system.

Other speakers at the conference included PaineWebber chairman Donald Marrens; Rep. Charles Stenholm (D-Tex.); Michael Barone of *U.S. News & World Report*; Thomas Saving of the Social Security Board of Trustees; Shane Chalke of

AnnuityNet.Com; Milton Ezrati of Lord Abbett; and Cato's Michael Tanner, José Piñera, and William Shipman.

The conference, organized by Tanner, director of Cato's Project on Social Security Privatization, and Andrew A. Biggs, Social Security analyst at Cato, can be viewed with RealPlayer on Cato's main Web site, [www.cato.org](http://www.cato.org), or on Cato's Social Security Web site, [www.socialsecurity.org](http://www.socialsecurity.org). ■

Joel Rosenberg, Cato's Casey Lartigue, and Cato adviser Deroy Murdock talk at Social Security conference.



son that it's not complete is that it does not explain what happens if we do not change the system.

The unfunded liability for the Old Age and Survivors Insurance portion of Social Security is roughly \$9 trillion by one measurement. That's the cost of doing nothing. And that's the cost we must compare to the costs of transitioning to an alternative market-based system.

Under an alternative system of personal retirement accounts, individuals will accumulate enough wealth so that when they retire the government will not have to pay them anything. Now, individuals may or may not choose to take part. For a 21 year old this is a lay-up decision: That individual will take the deal of a market-based structure. For a 65 year old it may also be a lay-up decision, in that he would not take the market-based structure because he doesn't have enough time left to save and invest.

There must be an age someplace between 21 and 65 at which what people would receive from Social Security would equal what they would receive from a market-based structure. Let's just assume that age is 40. Then all rational individuals over the age of 40 will stay with Social Security, and all rational individuals younger than 40 will go into a market-based structure. We now have parameterized the nut that must be cracked.

We know the size and ages of the group that will remain in the current system, and we know that no one else can join. Once everyone in the group has died, the government's Social Security obligations will go to zero. Let's assume that we issue debt to pay benefits for just this group. The debt will increase during the transition period, but over time, as the group ages and dies, the benefits paid will begin to fall. Eventually, the debt is paid off through the remaining payroll taxes of the ever-expanding younger cohort. At that point there is no employer or employee tax. Individuals who save and invest will be able to support themselves in retirement. I would say that, under any reasonable set of assumptions, it will always be less expensive to move toward a market-based system than it will be to stay with a pay-as-you-go system. ■

**NORWAY** *Continued from page 13*

its or demerits of any particular party, however, what's striking about the furor surrounding Norwegians' increasing openness to new (for them) political ideas is that establishment critics haven't merely taken their countrymen to task for their opinions. No, they've scolded them for daring to think they have a right to have opinions. Brought up on the mantra that "we are all social democrats" and the doctrine that the state knows best, how dare Norwegians start thinking for themselves?

Yet this is apparently just what some younger Norwegians have at long last begun to do. More fluent in English than their parents and having traveled more widely outside their own country, they feel less bound than previous generations to Norway's distinctive social and political traditions and more a part of the world beyond the fjords. They've seen firsthand the workings of societies and economies other than theirs, and they like much of what they have seen. Many have figured out that the opposite of individual rights isn't community spirit but

government control, and they've had enough of that, thank you. If the recent poll results tell us anything, in short, it's that, in defiance of a lifetime of careful training, many young Norwegians have grown tired of marching in leftist lockstep and wish to claim their individual voices as citizens of a democracy. And that, in itself, isn't bad news at all. ■

**FORUM** *Continued from page 7*

retirement accounts funded with about 6 percent of the same earnings base—or by a mixed system with the current 12 percent payroll tax and 2 percent savings in personal retirement accounts.

**William Shipman:** The language surrounding the transition cost issue—that moving to a market-based system will force some people to pay twice, both for their own retirement benefits and for those of people who are currently retired—is rather seductive for a couple of reasons. One, it's true. But more important, it's not complete. The rea-