

Bernie Sanders and the rise of American social democracy



January 10, 2018

If you were to summarize Bernie Sanders' campaign for president, you might say that he wanted to make the United States more like Denmark. He constantly referenced that particular Nordic country, and Scandinavia in general, as a political lodestar. More recently, he rolled out a new Medicare-for-all proposal — a maximalist, extremely generous proposal to provide all Americans with health care.

Despite Sanders' self-identification as a "democratic socialist," all this is classic social democracy — a political tradition with a long and deep history in Europe, but not much in the United States. But over the past few years, Sanders has moved squarely to the front rank of American politics — and, it seems, mostly *because* of his political ideas.

Has social democracy finally gotten its moment in the United States?

Let me start with a bit of history. Social democracy developed out of a turn-of-the-century split from traditional Marxists, who had long thought a

political revolution would be necessary to replace capitalism. Social democrats, by contrast, thought the same egalitarian objectives could be evolved over time through parliamentary democracy and without suddenly overturning bourgeois institutions of private property. (These definitions tend to fray at the edges, but that's a fair gloss.)

The most successful social democracies are the Nordic countries, which built up the world's most generous welfare states during the mid-20th century. Immediately after the Second World War, most of these countries were quite poor and so did not have the huge industrial proletariat that is the traditional

foundation of left-wing politics. Therefore, the social democrats relied on an alliance between workers and farmers, which gave them enough of a political base to make their parties by far the most dominant in Scandinavia's parliaments for decades. Effectively, the Nordics became developed, rich countries while simultaneously building out a big welfare state, instead of the revolutionary process envisioned by Marx.

As compared to traditional socialism, where direct control of economic production is generally the goal, social democrats typically focus on harnessing capitalist wealth for the benefit of all. From a left-wing egalitarian perspective, the most basic problem with orthodox capitalism is that it only distributes income to labor and to owners of capital. If you can't work and own nothing, you get no income. Indeed, in its early days, capitalism developed by forcing peasants off the land and into cities, where they would have to work in factories (for penurious wages) or starve.

Therefore, social democrats created a series of reforms both to direct income to non-workers and to distribute labor income reasonably equally. The basic approach is threefold: First, maintain a high level of productivity growth; second, spread market incomes as evenly as possible throughout the labor market; third, raise taxes to the highest practicable level, and use the proceeds to blow out the most generous system of social benefits you possibly can.

The first item here might be somewhat surprising — in an American context, left-wing types tend not to focus much on economic growth (mostly because America is already so rich). But it makes perfect sense in the social democratic framework: The more production you have, the greater the resources you can tap for social benefits. More wealth means more welfare.

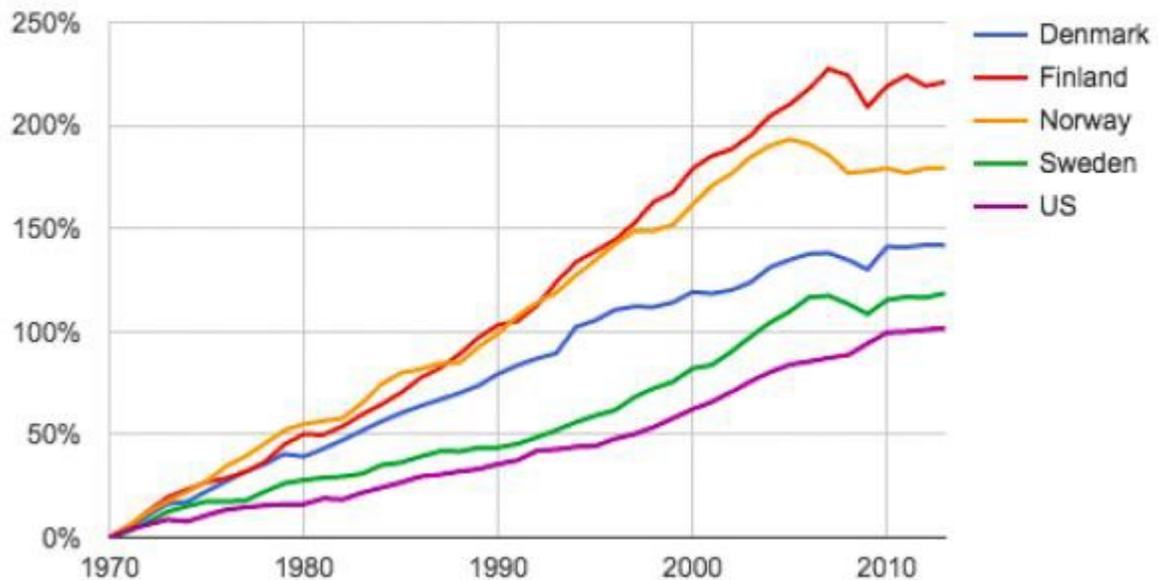
Even many of the social benefits created under such a system are meant, at least in part, to keep people working in high-productivity jobs. Paid family and sick leave, and subsidized child care, makes it easier for parents — especially women — to reconcile employment with having children (as well as helping maintain the population). Free public school and university maintains a supply of skilled labor. Universal free health care is good for many reasons, but it also helps keeps people healthy and working.

As [Peter Gowan and Mio Tastas Viktorsson explain](#), even policies to keep wages up can also increase productivity, because it ensures "that unproductive firms would not be able to stay afloat by underpaying their workers." Finally, active labor market policies (essentially retraining and job placement programs) help slot workers into new jobs when old ones are lost. That way anyone thrown out of work by advancing productivity is caught by the state and does not fall into poverty.

Another important benefit that social democrats often choose is "less work." If there is an advance in productivity, you can have more production for the same amount of work, or you can have the *same* amount of production for less work. Social democrats typically choose a mixture of these two — advancing production while also giving workers more leisure time.

All this means a constant focus not just on maniacally ratcheting up GDP, but on advancing labor productivity, which the Nordics take very, very seriously. Total production can be increased by working more hours, or simply adding population, so the way to examine this is by looking at GDP per hour worked. Not only have Nordic social democracies maintained solid advances in productivity, they have blown the United States out of the water on this metric over the past 40 years:

Cumulative Percent Change in GDP Per Hour Worked (1970-2013)



(Courtesy Demos)

That brings me to labor.

Social democracies, of course, have [tremendously strong unions](#). In the Nordics, union density ranges from 69 percent in Finland to 52 percent in Norway — as compared to 11 percent in the United States. Unions press for "wage solidarity," meaning wages are quite compressed across the income distribution. Instead of high-skilled workers collecting gigantic salaries while low-skilled ones get by on minimum wage, salaries are wrenched together by collective bargaining agreements (though of course they are not perfectly equal).

The rest of social democracy is the familiar package of benefits directed at classes of people who cannot work, or have difficulty doing so: children, students, the disabled, the unemployed, retired people, and so on, which gets poverty down into single digits. Under social democracy, ideally every single

person gets a decent portion of economic production. Workers get a decent wage across the board, and non-workers get a state-provided benefit.

Hardcore socialists often scoff at the Nordic model as accepting too many capitalist compromises, but it's worth emphasizing that the society created by full-bore social democracy is *profoundly* different from traditional capitalism. Anu Partenen, who immigrated to the United States from Finland, [argues convincingly](#) that the lived experience of freedom is vastly greater in the Nordics than in America. With the hand of the state there to catch someone whenever they hit a spell of bad luck, the suffocating anxiety and terror that suffuses so much of American life is completely absent. Nobody is so poor they have to [sell their blood plasma to avoid starvation](#). Nobody who gets ill has to [desperately fundraise](#) to stave off bankruptcy or death. Nobody worries about [repaying their gigantic pile of student loans](#). Nobody who gets fired panics that it will mean destitution or losing their health insurance.

And as we have seen, there is no trade-off between this social model and a cutting-edge economy. On the contrary, the Nordics have made up much of the productivity ground from America's large head start after the Second World War. Denmark is now slightly ahead, and [the gap may only grow](#). Indeed, [today the Nordics have](#) greater levels of new "triadic" patents (or patents filed in both America, the EU, and Japan) than America, comparable or better levels of business R&D spending, and greater levels of venture capital.

So could Bernie Sanders actually turn America into a social democracy?

It's not obvious how America might follow in the exact footsteps of the Nordics. These are very small countries, without the huge minority populations and associated fractures among the working class that America

has. With its pitifully weak union density, the U.S. would need a historically unprecedented surge in labor organizing to reach even the lowest Nordic level of unionization. And without unions, following the Nordic model directly looks nearly impossible.

Nevertheless, America has certain advantages as well, [starting with size](#). Very small states that want to sharply increase taxation have to worry about capital flight, tax evasion, and emigration if they raise their taxes too high. Tiny internal markets mean that to set up a business of any size, entrepreneurs in small states have to export a lot, exposing them to the vagaries of world trade. The fall of a single major company can devastate a small country's economy — as the [decline of Nokia has hurt Finland](#).

But the United States is huge — 12 times bigger than all the Nordics put together. As such, it relies much less on exports, much more on its large internal market, and is much less vulnerable to the fate of a single company. Maintaining access to that market also makes it much harder for businesses to flee high taxation. America also controls several keystone global economic institutions. The U.S. dollar is the world's reserve currency. U.S. debt is the bedrock asset of global capitalism. New York is the center of global finance. All this gives America *tremendous* potential economic leverage that the Nordics lack. It ought to be able harness its wealth *even more* extensively than the Nordics without causing economic disruption.

Politically, there are certain bright spots as well. The same large minority population gives America an experience with diversity that most European states lack (the election of Donald Trump notwithstanding). There also is a long history of quasi-social democratic policy put through in momentary

glugs, from Social Security in the 1930s to Medicare and Medicaid in the 1960s.

Perhaps the brightest of all is Bernie Sanders' [frankly staggering popularity](#). Advocating for huge new social insurance programs was long thought to be anathema among hyper-capitalist Americans, but Sanders' forthright advocacy of huge tax increases and Medicare for all has made him the most popular national politician working today. Much of that is no doubt due to how the 2008 financial crisis, and the ensuing lousy recovery, deeply discredited orthodox capitalism, especially among the young.

But it's a mark of how entrenched neoliberalism is among the political elite that he remains the only nationally prominent social democrat; despite the few Senate Democrats who have signed on to his Medicare-for-all bill, none of them have fully embraced the Nordic model. However, it's probably a safe bet that many of the up-and-coming generation of politicians will follow in Sanders' footsteps, if for no other reason than they'll want to tap into his popularity.

Every country has its own history, and America's is sharply different from the Nordics. But national institutions are also not set in stone. The fact is that universal welfare programs would be akin to paradise on Earth for most Americans — as anyone who has tried to explain the incomprehensible generosity of Nordic benefits to a skeptical American unfamiliar with them.

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Ultimately, there is no way to know for sure whether Sanders and company can succeed until after another few years of trying. But if I had to guess, I'd say his ideas are going to catch on much faster than the political establishment is prepared for.

However, there are people who would call even Sanders a sellout. Could America go even farther? Full-blown socialism will be addressed in the final article in this series.

This is the third article in a four-part series on the future of the American left. You can read the first article [here](#) and the second one [here](#).