Chapter 1.

Introduction

The Nordic nations are among the most equal on Earth. A larger number of ordinary people get a share of society’s wealth and opportunities here than almost anywhere else. The result is not only high levels of economic equality, but also better life chances for children from disadvantaged families, more gender equality on the labor market, and reduced class differences in people’s health and well-being.

If you are a fan of equality, there is much to like about the Nordics. During the last couple of US presidential election cycles, Bernie Sanders, while seeking the Democratic Party nomination, several times made statements like this:

“I think we should look to countries like Denmark, like Sweden and Norway, and learn what they have accomplished for their working people.”

Such enthusiasm for the Nordics is widely shared by politicians, journalists, and laypeople. The question we must ask, then, is this: How is it possible that these societies count among both the richest and the most equal in existence? Is there a special recipe?
To answer this question, we first need to establish some basic facts about the Nordic experience. What precisely is the nature of the equality enjoyed by people in the Nordic countries? We may distinguish between three forms of equality that relate to three different spheres of human life: economics, gender, and youth. The Nordics stand out in all three spheres, but they do so in different ways and for different reasons.

A solid understanding of the facts is essential, not least because there are several unfounded claims circulating about the Nordic model of equality. One is that the Nordics are “socialist” or even “communist” economies. This is a big misunderstanding. There is roughly the same proportion of millionaires in Denmark, in Norway, and in Sweden as there is in the US. Although the latter hosts more of the truly super-rich, the Nordics are still home to several billionaires.

Another popular misconception is that the Nordics have a long history of equality and social harmony that may go as far back as the trading culture of the Vikings, as if, metaphorically speaking, there is some unique Nordic gene that makes people more likely to develop a social affinity with each other. As far as we can tell, this is wrong. Obviously, like all other countries, the Nordics have experienced special circumstances that shaped how they got to where they are today. However, the emergence of Nordic equality is more a result of luck than a predetermined historical outcome.

Each of the next three chapters delves into one of the contexts of equality I mentioned earlier: economics, gender, and youth. While inequality exists in other areas of life, these are the areas where the Nordics have particularly high levels of equality. I present some of the key facts about each type of equality along with an introduction to the underlying policies. For instance, in the chapter on economic equality, I outline the role of the welfare state
and wage-setting institutions. After having established what we mean by “equality,” I ask “how the bumblebee can fly,” that is, how the Nordics are able to combine a high degree of equality with affluence. I argue that the key to success is the organization of the labor market and the educational system, which allows companies to stay competitive even though costs are high.

I also explain how the unique character of the Nordic model of equality is self-reinforcing in that, among other things, it creates a strong sense of social affinity across the population. Other noteworthy features of the Nordic countries are the electoral system, a high level of corporatism, and ethnic and religious homogeneity. Throughout the book I try to emphasize the downsides and shortcomings of the Nordic model, but towards the end I take a more thorough look at some of the graver challenges ahead, notably an increasingly top-heavy age demographic and an increasingly diverse population, which is polarizing support for social protection and income redistribution. The fate of the Nordic model of equality is far from certain.

This book concerns the experiences of Denmark, Norway, and Sweden. Strictly speaking, these are the Scandinavian countries, not the Nordic countries. The Nordic region also includes Finland and Iceland — and, depending on the level of detail, the self-governing territories of Greenland, the Faroe Islands, and Åland. However, when it comes to equality, it is in fact the Scandinavian nations that stand out, both in terms of the level of equality they have achieved (although Finland and Iceland are also in the same league) and the reasons behind their achievements. Most people outside the Nordic region probably think I am simply mincing words, but it is important to flag the issue here to avoid misunderstandings.
Chapter 2.

Economic equality

When we talk about equality, we intuitively think about money. Some have a lot, others next to nothing. Obviously, money is not the only aspect of life in which some have more than others. However, in a book about equality, this is nevertheless the natural place to begin. Money makes the world go round, as they say – and at any rate it matters greatly to the other forms of equality discussed in the subsequent chapters.

I want to start by presenting a set of facts about economic equality in the Nordics, comparing this small cluster of nations with the US and Italy. The US is known for its heavy emphasis on free market capitalism and its acceptance of sweeping inequalities. As such, it represents a very different alternative to the Nordic model when it comes to economic equality. Italy, conversely, is an archetypal example of the conservative social model of Southern Europe. As will become evident in the next chapter, this model has traditionally put heavy emphasis on the male breadwinner and the value of the traditional family structure – features which, to varying degrees, are also found in countries such as Germany, France, and Spain (Esping-Andersen 1999; Jensen & van Kersbergen 2017). The American and Italian experiences thus represent dis-
tinct alternative ways of organizing a society, highlighting the unique character of the Nordic countries.

A first look at the data

When measuring economic equality, we typically study equality of income. Most adults earn an income in one way or another. In industrialized societies, a majority of people make their living from a job; they are wage earners. Others have their own business and make an income from their company’s profit. Still others earn their income from stocks, real estate, and other assets that generate a return. Finally, some get their money from pensions, unemployment benefits, or other income maintenance programs. Whatever the source, all of this is income – and not everybody has the same amount of it.

How do we estimate the unevenness in a country’s distribution of income? The Gini coefficient is the best-known measure, and it is frequently used by both governments and journalists to convey an impression of the overall level of inequality in a country. The Gini coefficient calculates how much of a given country’s total income would have to be redistributed to achieve perfect equality. It ranges from 0 to 1, with 0 indicating that all individuals earn exactly the same, and 1 indicating that one individual earns everything. In the real world, the Gini coefficient never approaches either 0 or 1. Even in the most equal societies, including the Nordics, some people earn more than the rest, and even in the most unequal places there are limits to how much a small clique can grab for themselves.

Figure 2.1 shows the Gini coefficient of disposable incomes for Denmark, Norway, Sweden, the US, and Italy. It is calculated for disposable income, that is, how much people have left to spend after taxes have been paid and welfare transfers received. This way the figure captures people’s ability to maintain a given lifestyle. It is plainly
evident that the Gini coefficient is much higher for the US and Italy than for the Nordics. Indeed, the American Gini coefficient is 33 percent higher than the combined average for Denmark, Norway, and Sweden.

Figure 2.1  Gini coefficients of disposable income

The Italian Gini coefficient is situated between the low Nordic levels and the high US level. This reflects the situation across Europe, where countries such as France, Spain, and Germany also exhibit Gini coefficients significantly above the Nordic level. As I will explain later, this is a function of these countries’ organization of their labor markets, which tends to create a large difference between labor market insiders (with well-paid, secure jobs) and labor market outsiders (with low-paid, insecure jobs – if they have jobs at all).

Gini coefficients are valuable for summarizing the overall level of equality in a country, but the measure suffers from at least two shortcomings. First, it is abstract. We have no intuitive understanding of what a given Gini coefficient implies. Yes, the Nordics are more equal than
the US and China, but how big are the differences really? Second, it gives a single score for an entire country, but it tells us nothing about which parts of the society are causing the inequality: Is it the rich pulling away from everybody else, or is it the distance between the middle class and the poor that is increasing? For these reasons, it makes sense to supplement the Gini coefficient with so-called income ratios.¹

Imagine lining up all the individuals in a country, starting with the poorest person and ending with the richest. Now divide the line of people into one hundred parts, each consisting of one percent of the people in the line. We can now calculate the average income for each of these hundred parts, called percentiles. Starting from the bottom, the first percentile might make $5,000 per year. At the other end of the line, the 99th percentile might make $100,000 per year. Now, it becomes possible to calculate the ratio between the incomes of these two percentiles. In this imaginary example, the ratio is 100,000/5,000 = 20, meaning that the people in the 99th percentile earn 20 times more than those in the first percentile.

Comparing the very rich to the very poor does not tell us all that much about the everyday experience of ordinary people and the societies they live in. It is therefore customary to calculate ratios based on the income of the 10th, 50th, and 90th percentiles. The 10th percentile captures the income of the poor-but-not-destitute (examples might be night-shift cleaners or short-contract farm-workers); the 50th percentile captures the income of the middle class (such as teachers and nurses); and the 90th percentile captures the income of the upper middle class (such as medical doctors and engineers). By looking at the two ratios between these percentiles, we can study the distance between the lowest-ranked wage earners and the middle class, and between the middle class and the upper middle class.

¹ For a broader introduction to measurements of equality, see Jensen & van Kersbergen (2017)
Figure 2.2 shows the two ratios for disposable incomes in Denmark, Norway, Sweden, the US, and Italy. We can see that people in the 90th percentile in the Nordics make a little more than 1.5 times more than people in the 50th percentile; in contrast, Americans in the 90th percentile make 2.3 times more than their compatriots in the 50th percentile. Similarly, people in the Nordic countries who find themselves in the 50th percentile earn around 1.8 times more than people in the 10th percentile; in the US, the 50th percentile makes 2.7 times more than the 10th percentile. The upshot is that the distance from the bottom to the middle class is 32 percent larger in the US than in the Nordic countries, and the distance from the middle class to the upper middle class is another 28 percent larger. Italy – much like other Continental European countries such as Germany and France – once again falls in between these extremes.
To sum up, the Nordic countries are not only relatively equal in the general sense as measured by the Gini coefficient; they are simultaneously characterized by a short distance from the middle class to the upper class, and from the middle class to the bottom. This is not trivial. One could easily imagine a scenario where the middle class is relatively close to the well-off, but where a huge gulf separates these groups from a society’s poor citizens. It is important to stress that this does not imply that the Nordics have obtained – or are aiming for – complete equality. Far from it. Yet it does mean that the Nordic countries share their affluence in a way that is largely unseen anywhere else in the world. What are the social mechanics behind this?

The model of the universal welfare state

Apart from their levels of equality, the Nordics may be best known for their welfare states. It is conventional to label these as universal. This means that the guiding principle, though not always the reality on the ground, is that all citizens and people with legal residence have an automatic and unconditional right to public benefits if they happen to need them – benefits that are of equal quality for all claimants and are paid for via general taxes (Esping-Andersen 1990). There are three elements to this definition.

First, such rights are automatic and unconditional. If you are jobless, sick, or old, you are entitled to benefits that (at least partly) compensate you for your income loss. The unemployed receive social assistance, the disabled receive disability pensions, and so on. If relevant, you similarly have access to treatments and services to help you: free education for the young, free hospitals for the sick and injured, care homes for the old and frail. All of this is granted as a matter of citizenship rights, meaning that be-