

DISCUSSION & REVIEW QUESTIONS:

- Mr. Crowder begins the video by making a point about “Democratic socialism. It’s not the same as socialism socialism, because it’s democratic. Right? ... [but] Just because we toss something to a vote, doesn’t change what that something is nor does it alter whether that something is inherently good or bad.” What do you think Mr. Crowder means by this? Do you think that socialism is inherently good or bad? Why or why not?
- Mr. Crowder goes on to point out that, “[Venezuela is] ...now on the brink of collapse despite it being one of the most resource rich nations in the entire world. Basic things like eggs, milk, flour, and toilet paper are either too expensive for the average Venezuelan or simply out of stock...” How, specifically, is socialism failing in Venezuela? Do you think that the people suffering in Venezuela consider socialism to be morally and functionally superior to the voluntary exchange of goods and services, i.e. capitalism? Why or why not?
- Later, Mr. Crowder explains that, “The fact is that over time the greatest enemy of socialism is reality. The reality that human nature that will invariably pull certain people toward individualism and success and others toward laziness and collectivism.” What do you think Mr. Crowder means by this? Do you agree with his conclusion? Why or why not? What are some specific examples to support your answer?
- Mr. Crowder goes on to state that, “The tension between the makers and the takers always, always leads to socialism’s inevitable collapse. But I know that I can give you examples of failed socialist economies until I’m blue in the face and you won’t care. Because at least socialism is inherently more morally altruistic than the evil, greedy capitalistic war mongering seen in the west.” Why does the tension between ‘the makers and the takers’ always lead to the collapse of socialism? Do you think that Mr. Crowder’s point, that many people blindly follow socialism as inherently good and ignore the reality of its failures also automatically view capitalism as inherently evil and greedy, is legitimate? Why or why not?
- Towards the end of the video, Mr. Crowder asks, “Greed? What’s more greedy than wanting to take from someone else something that you haven’t earned,” then reiterates his main point that, “...socialism by its very nature can only be predicated on violence... Putting the word democratic in front of your socialism doesn’t make it any inherently more moral nor less violent.” Since capitalism is the voluntary exchange of goods and services and socialism is the (sometimes violently) forced exchange of goods and services, why do you think that some people argue that socialism is a more moral model? Why do you think that progressives argue that democratic socialism is different from and better than plain old generic socialism? Do you agree with them? Why or why not?

EXTEND THE LEARNING:

CASE STUDY: Sweden

INSTRUCTIONS: Read the article “Sweden’s Taxes - The Hidden Costs of The Welfare State,” then answer the questions that follow.

- How much does the average worker in Sweden pay in taxes? How many public authorities does Sweden have? What is the primary argument that people who argue in favor of Sweden’s high taxes make? What are “...two important reasons why the average Swedish worker pays a large portion of her or his income in taxes, without necessarily receiving an equally high level of welfare”? How many districts does Sweden have where the “...majority of the population lives off of various public benefits, and does not work”?
- Why is the claim that Sweden’s high taxes are good because they go towards welfare incorrect? Where does a lot of the money go instead? The author of the article points out that, “This unintended consequence of the welfare state has taken a heavy toll on public services, since an increasing share of tax revenue must be diverted to fund welfare payments, rather than social services.” What other unintended consequences might be happening as a result of the ‘Swedish model’?
- The author of the article states, “The historical comparison with the 1950s and 1960s is worth thinking about. It shows that a high quality of welfare can be achieved with a much lower tax level than we have today. If politicians slim down public bureaucracy and cut wasteful spending, resources can be opened up for increasing welfare and reducing taxes at the same time. If the system rewards work to a greater degree than it does living off the state, fewer will be dependent on the public for their daily living, again opening up tax revenues for better use.” Do you agree with the author’s conclusion? Why or why not?



QUIZ

DEMOCRATIC SOCIALISM IS STILL SOCIALISM

- 1. Which of the following is in Hamas's official charter?**
 - a. The destruction of Iran.
 - b. The eradication of all Jews.
 - c. The desire to unite all people.
 - d. An alliance with Turkey.

- 2. Putting the word "Democratic" in front of socialism makes it _____.**
 - a. More moral
 - b. Less violent.
 - c. More equitable.
 - d. None of the above.

- 3. What is the greatest enemy of socialism?**
 - a. Fascism
 - b. Communism
 - c. Democracy
 - d. Reality

- 4. How high is the new car tax in Denmark?**
 - a. 18%
 - b. 80%
 - c. 180%
 - d. 800%

- 5. Sweden is a successful model for a viable economy in today's global market.**
 - a. True
 - b. False



QUIZ - ANSWER KEY

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<http://www.newgeography.com/content/00814-swedens-taxes-the-hidden-costs-the-welfare-state>

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Sweden's Taxes - The Hidden Costs of The Welfare State



By Nima Sanandaji and Robert Gidehag

Sweden is a nation with extraordinary high tax rates. The average worker not only pays 30 percent of her or his income in visible taxes, but, additionally, close to 30 percent in hidden taxes. The defenders of the punishing tax burden argue that it is needed to maintain Sweden's generous welfare system. While this claim may seem reasonable on its surface, a deeper look suggests that it is based on flawed analysis.

Some level of taxation is, of course, required to fund the public sector. At the same time, a high level of taxation does not necessarily translate into an equally high level of welfare:

Taxes discourage work and encourage tax avoidance. There is strong evidence that Sweden's highest rate of individual and capital taxation actually reduces public revenue. For this reason, some taxes, such as the wealth tax, have recently been reduced. The result is estimated to be a net increase in tax revenues.

When Swedish municipalities receive increased funding from the state, the money is used to expand the local bureaucracy, a government survey has shown, instead of going to educators and health care workers.

Municipalities provide much of the welfare in Sweden. The Swedish Association of Local Authorities and Regions have shown in a study that funding for Swedish municipalities grew dramatically between 1980 and 2005. Despite this, the general public consensus is that the quality of welfare has declined during the same period.

Welfare provisions don't necessarily correspond with taxation levels. A 2005 research paper examines the efficiency of the public sector in 23 industrialized countries. The researchers found that Sweden only reaches a mediocre 12th place when it comes to how much the public sector provides in terms of welfare services. When the level of welfare is related to the level of taxation, Sweden falls to the last position in the index.

There is a high variation in how effectively public money is spent within Sweden. The Swedish Taxpayers Association has, in a number of surveys, shown that identical welfare services such as care of the elderly, can vary in cost quite dramatically across Sweden.

There are two important reasons why the average Swedish worker pays a large portion of her or his income in taxes, without necessarily receiving an equally high level of welfare.

First, much of the money is spent on administrative costs at various levels of government. Although a small nation, Sweden has over a hundred public authorities. Vast sums are spent on political projects which fall outside the frames of general welfare. It is, for instance, not unusual for Swedish municipalities to fund bowling alleys, swimming pools, or camping places.

Second, a large fraction of the population is living on benefits rather than working, due to the combination of high taxes, a rigid labour market and generous welfare benefits. Even before the economic crisis hit, for example, almost one out of five children in Sweden's third largest city, Malmö, were living in a family supported by social security. Sweden has 105 local districts where the majority of the population lives off of various public benefits, and does not work. This unintended consequence of the welfare state has taken a heavy toll on public services, since an increasing share of tax revenue must be diverted to fund welfare payments, rather than social services.

Many are immigrant dense neighborhoods; others are situated in the northern part of Sweden, where many cities with stagnating economies have suddenly experienced a boom in the fraction of the population who cannot work due to disability.

The famous Swedish welfare state is to a large degree a notion of the past. Many feel that its glory days occurred during the late 1950s and early 1960s, when Sweden successfully combined welfare policies with an expanding economy. At that time, however, Swedish taxes were 27 percent of the GDP, compared to 47 percent today. The golden days of Swedish welfare did not coincide with the high tax regime we know today.

How could Sweden fund a prospering welfare system with relatively low taxes in the past? As the researcher Erik Moberg documents in a book for the Ratio Institute, public money was spent much differently back then. The share of public revenues spent on health care and education at the end of the 1950s was greater than it is today.

And, compared to the 1950s, close to three times as much of public revenues are now spent on public bureaucracy. Four times as much is spent on welfare payments and social insurance. As the level of taxation has increased, so has the share of taxes going to public bureaucracy and various government handouts.

The historical comparison with the 1950s and 1960s is worth thinking about. It shows that a high quality of welfare can be achieved with a much lower tax level than we have today. If politicians slim down public

bureaucracy and cut wasteful spending, resources can be opened up for increasing welfare and reducing taxes at the same time. If the system rewards work to a greater degree than it does living off the state, fewer will be dependent on the public for their daily living, again opening up tax revenues for better use.

Sweden has long been a small homogeneous country with a high degree of economic equality. Strong norms related to work and responsibility made it possible to enact an effective welfare system early on. With time, however, welfare dependence has reduced the very norms that formed the foundation of Swedish welfare, and wasteful spending has increased.

Many important social outcomes that the welfare state aims to address, and that Sweden is famous for, such as a low crime rate, have increased in recent decades, concurrent with the expansion of the welfare state. Even income inequality has increased in Sweden compared to, for example, the 1980s, despite similar or higher public expenditure.

Swedish decision makers are doing their best to reduce public spending and lower taxes. The reforms have been highly successful so far. As taxes have decreased from 57 percent of GDP in 1989 to 47 percent of GDP in 2009, the incentives to work have improved, with Swedish growth rates benefiting. The convergence of lower taxes and lower public spending is likely to continue. After all, experience has made it quite apparent for many Swedes that extraordinary high taxes are not the key to qualitative welfare services and a well functioning society.

*Nima Sanandaji is president of think tank Captus and a fellow at the Swedish Taxpayers Association.
Robert Gidehag is president of the Swedish Taxpayers Association.*