

## [Meanwhile, over here in reality Sweden shows how laissez faire capitalism makes people rich](#) [1]

Written by [Tim Worstall](#) [2] | Tuesday 29 October 2013



As we all know Sweden is burdened with an extraordinary tax burden, one so heavy as to crush all things of beauty within that country. But that's the price that has to be paid for the glories of an icy social democracy of course.

As many fewer know Sweden (along with Denmark) is, underneath that tax burden, actually a rather more economically liberal place than either the UK or the US. That's how they can manage to cope with that staggering tax burden and still have economic growth. But there are still those who think that Sweden gained its current wealth as a result of that tax burden that finances that social democracy. And Johan Norberg has an excellent essay out showing that this last part of the story simply isn't true. Sweden grew to wealth under something very much like laissez-faire. It's only once wealth was achieved that the tax [burden rose](#) [3]:

Sweden had the fastest economic and social development that its people had ever experienced, and one of the fastest the world had ever seen. Between 1850 and 1950 the average Swedish income multiplied eightfold, while population doubled. Infant mortality fell from 15 to 2 per cent, and average life expectancy rose an incredible 28 years. A poor peasant nation had become one of the world's richest countries. Many people abroad think that this was the triumph of the Swedish Social Democratic Party, which somehow found the perfect middle way, managing to tax, spend, and regulate Sweden into a more equitable distribution of wealth without hurting its productive capacity. And so Sweden—a small country of nine million inhabitants in the north of Europe—became a source of inspiration for people around the world who believe in government-led development and distribution.

But there is something wrong with this interpretation. In 1950, when Sweden was known worldwide as the great success story, taxes in Sweden were lower and the public sector smaller than in the rest of Europe and the United States. It was not until then that Swedish politicians started levying taxes and disbursing handouts on a large scale, that is, redistributing the wealth that businesses and workers had already created. Sweden's biggest social and economic successes took place when Sweden had a laissez-faire economy, and widely distributed wealth preceded the welfare state.

This is the story about how that happened. It is a story that must be learned by countries that want to be where Sweden is today, because if they are to accomplish that feat, they must do what Sweden did back then, not what an already-rich Sweden does now.

I thoroughly recommend the entire piece. And do note the most important point: wealth first, then worry (if you so wish) about the equity and the fairness. Get this the wrong way around and you'll never have the wealth to worry about the distribution of.

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[3] <http://www.libertarianism.org/publications/essays/how-laissez-faire-made-sweden-rich>

[4] [http://disqus.com/?ref\\_noscript](http://disqus.com/?ref_noscript)

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