



A SPECIAL MEETING

# THE MONT PELERIN SOCIETY

# 1980 | 2020

JANUARY 15–17, 2020

FROM THE PAST TO THE FUTURE: IDEAS AND ACTIONS FOR A FREE SOCIETY

CHAPTER NINETEEN

ECONOMIC SYSTEMS BETWEEN SOCIALISM AND LIBERALISM  
AND THE NEW THREATS OF NEO-INTERVENTIONISM  
LARS PEDER NORDBAKKEN

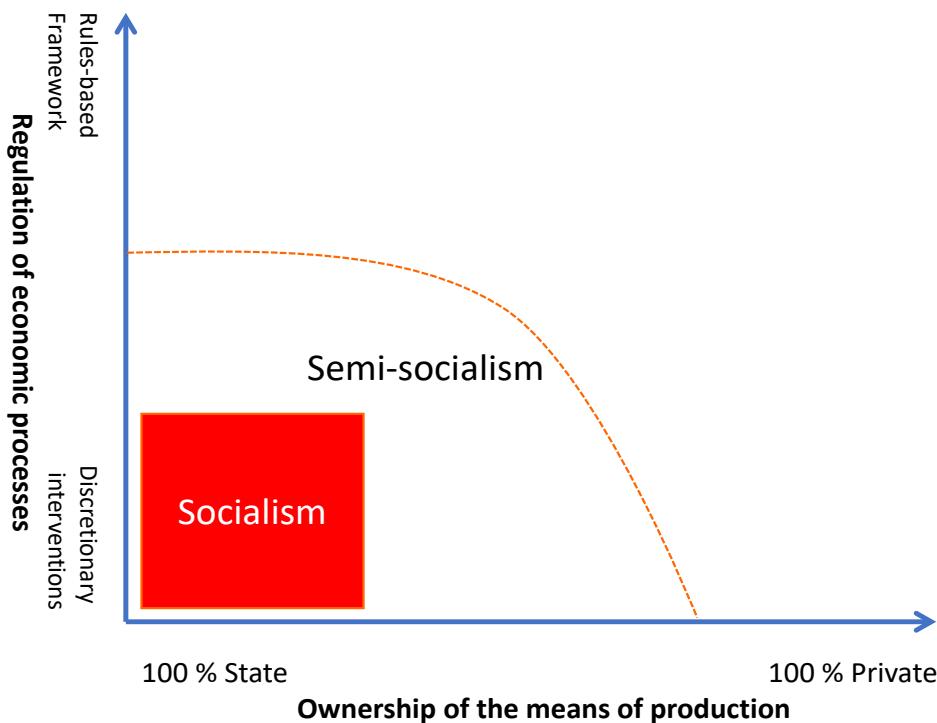


# Economic systems between socialism and liberalism and the new threats of neo-interventionism

Lars Peder Nordbakken

Civita

# The economic concept of socialism

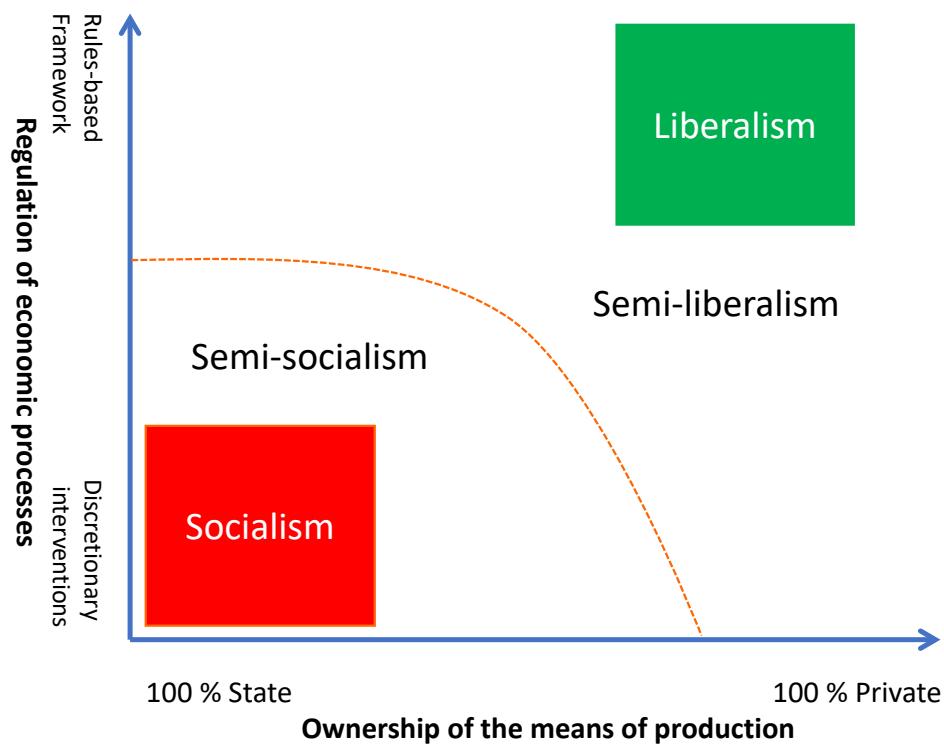


«The concept of socialism is a controversial one. Disputes have, and presumably always will, rage as to what shall be understood by socialism and as to how the socialist society shall be organized. There are, however, two main criteria for socialism which are generally accepted in scientific discussions: **that the State owns the means of production, and the State controls industrial life.**»

Trygve J. B. Hoff

*Economic Calculation in the Socialist Society*, 1949 (1938)

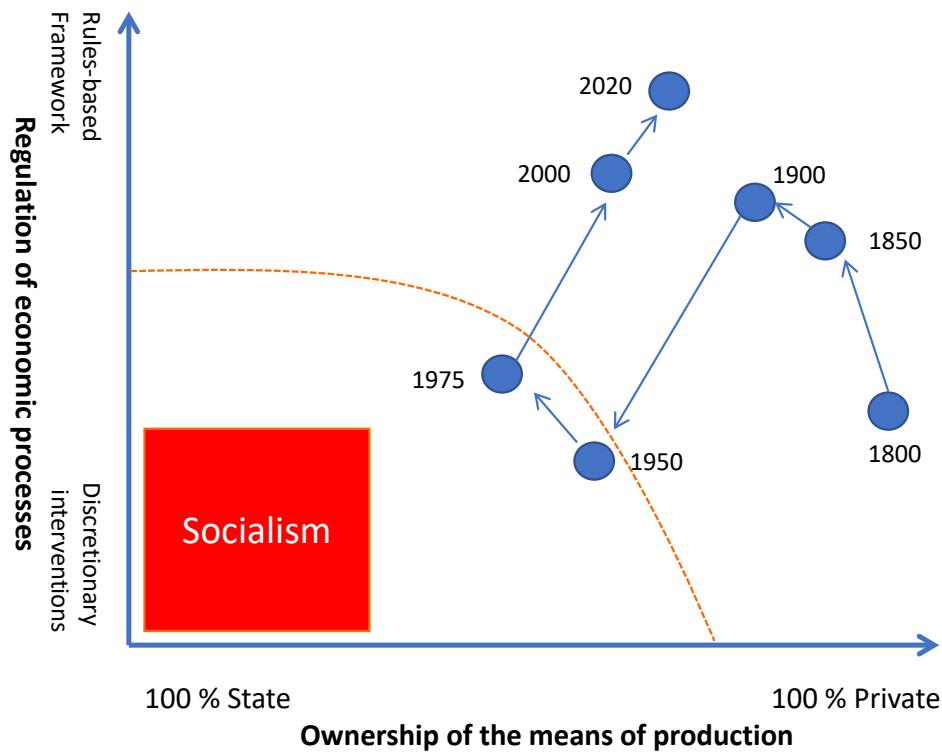
# Economic systems between socialism and liberalism



## Other major differentiating dimensions of economic systems:

- Decision making: decentralized vs. centralized
- Coordination: competitive market processes vs. non-competitive administrative processes
- Incentives: market- and rules-based vs. commands and directives
- Taxes: tax level and degree of tax neutrality
- International openness: free trade vs. autarchy

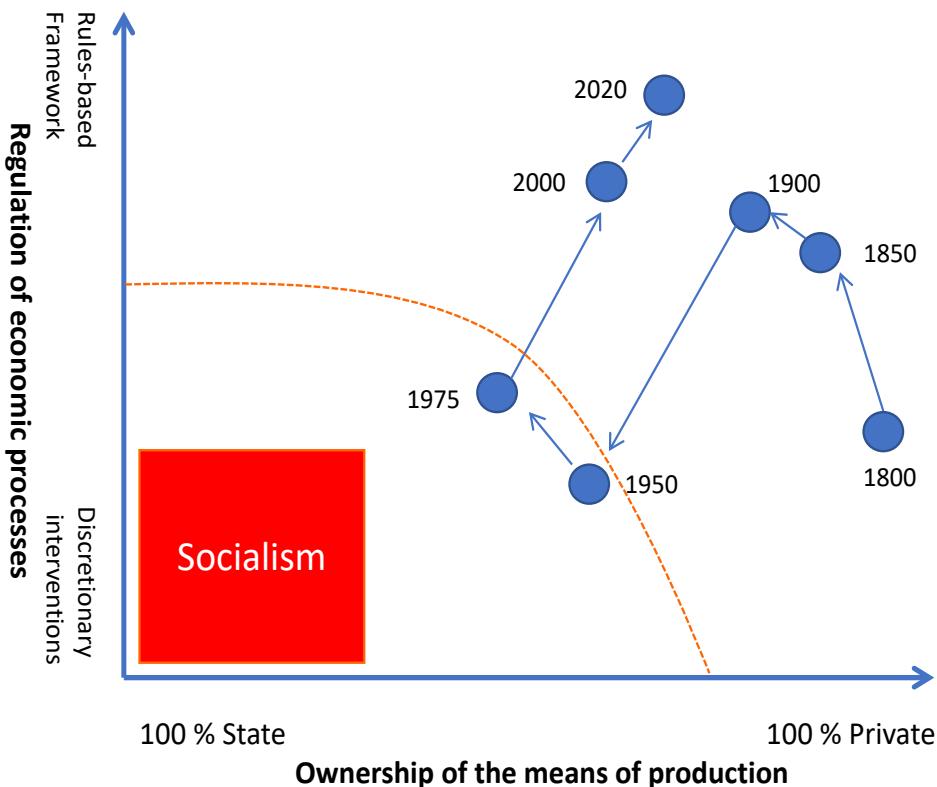
# Norway's drift into and escape from economic socialism



## Seven different Norwegian Models:

- 1800-1850: Pre-industrial mercantilism
- 1850-1914: Liberal modernisation and industrial revolution
- 1914-1940: Instability, social and labour reforms, protectionism
- 1940-1953: Heavy handed state-led interventions and collectivist planning
- 1953-1970: Mixed welfare state economy
- 1970-1981: hyper-keynesianism, expanded welfare state and ambitious interventionism and industrial policy
- 1981-2020: Gradual and significant ordoliberal reforms and welfare state adjustments

# Norway's silent ordoliberal revolution since the 1980's

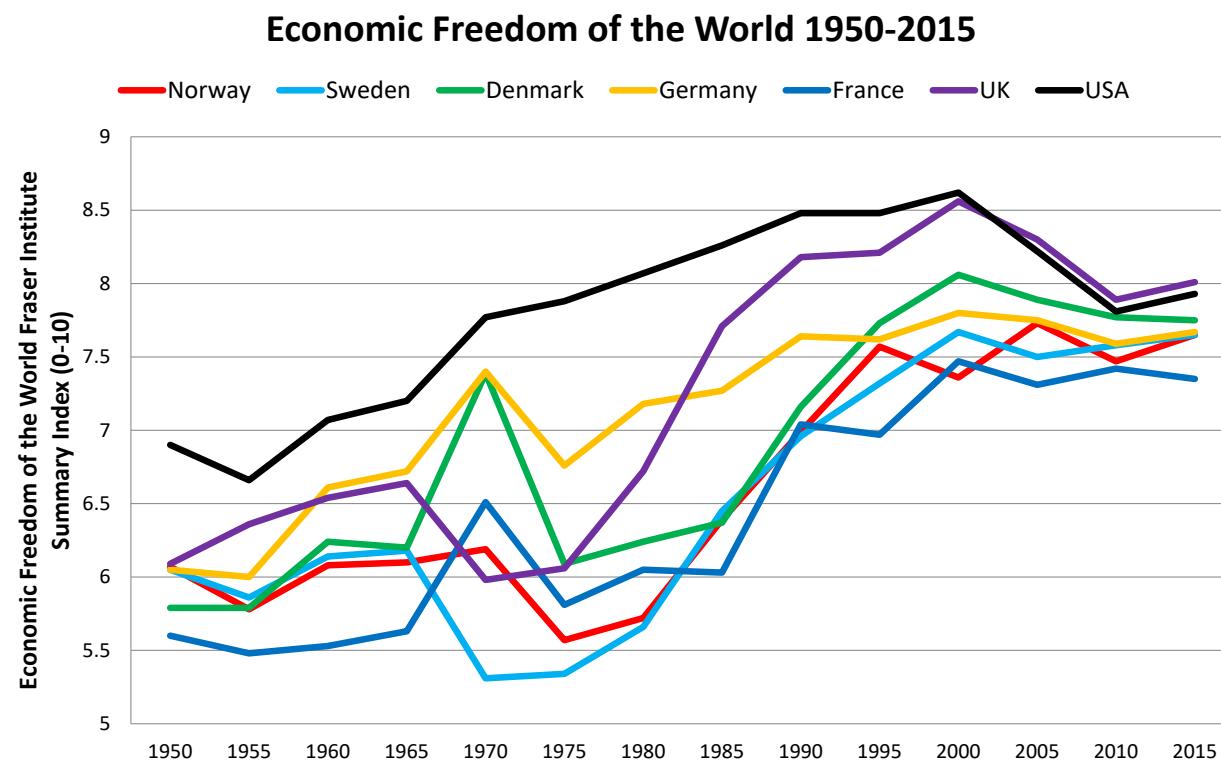


## Areas of significant ordoliberal reforms:

- Monetary policy: Independent central bank, floating exchange rates and a rules-based monetary mandate
- Fiscal policy: Reductions in tax rates, more neutral taxes, widened tax base and a fiscal rule.
- Liberalized banking and finance sector
- International market opening, EEA-member
- Reformed competition and anti-trust regime (EU conforming)
- Opening new sectors to competition: broadcasting, telecom, internet, electricity, transport, education, welfare services
- Privatizations and new market conforming governance of remaining state owned enterprises
- Deregulation of the housing market
- Labour market reforms: new collective bargaining rules, more «flexicurity», pension reforms

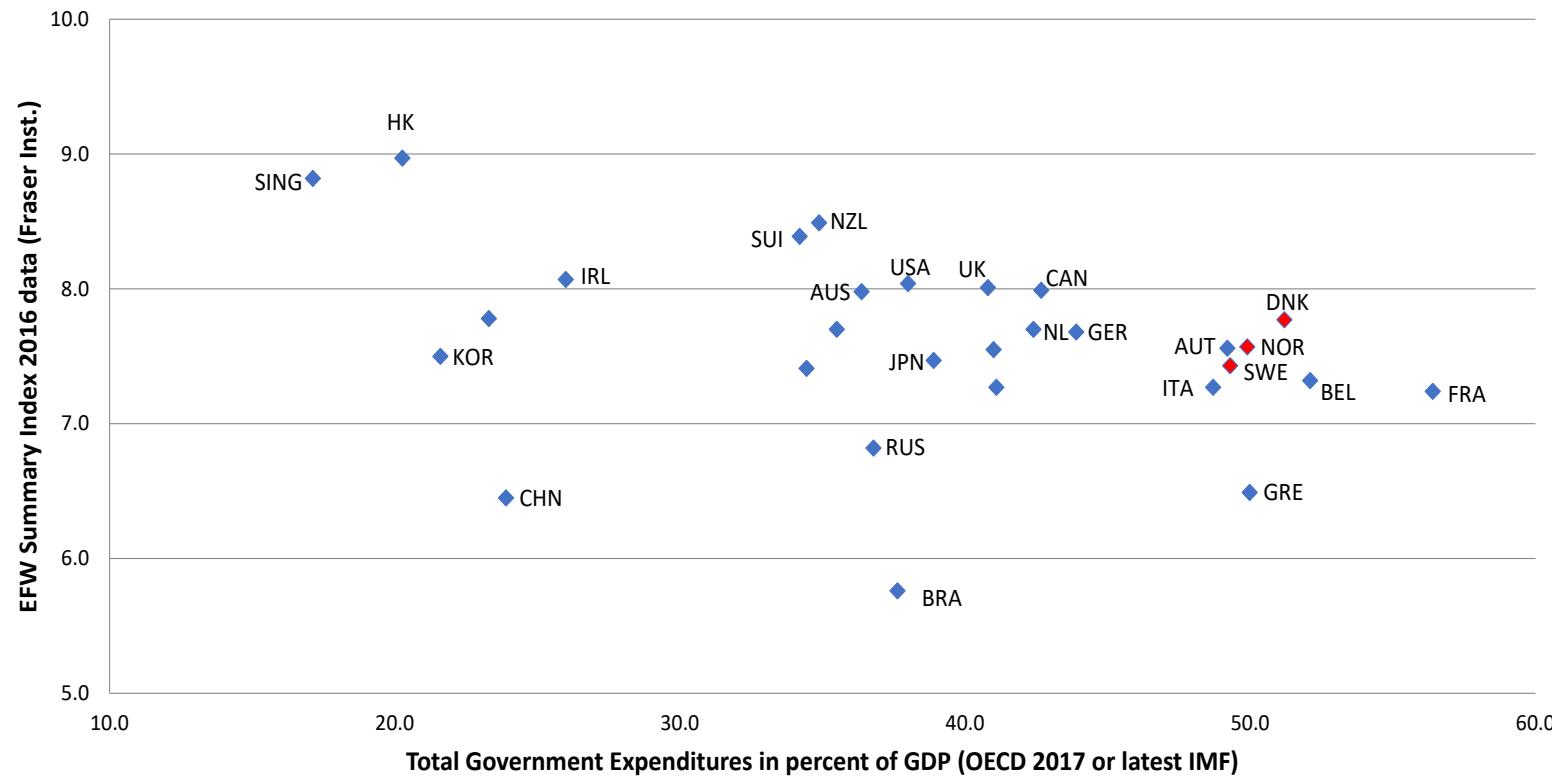
|                  | <b>Macroeconomic stabilization, monetary and fiscal policies</b>  | <b>Banking and finance</b>  | <b>Market opening and competition</b>  | <b>Sector regulation, deregulation and reforms of government ownership</b>   | <b>Education, R&amp;D and innovation</b>   | <b>Labour market, pensions and housing market</b>  |
|------------------|---|---|--|--|--|--|
| <b>1980-1989</b> | (1978-1981: siste forsøk på å stanse inflasjon gjennom pris- og inntektsstopp)  | 1983: Ordinær bedriftsskatt for sparebanker<br>1983-1984: Opphevelse av direkte regulering av bankutlån<br>1985: Ny lov om Norges Bank<br>1986: Kredittilsynet etablert<br>1986: Markedsbestemte renter<br>1987: Ny sparebanklov, åpner for grunnfondsbevis |  | 1981-84: Friere åpningstider i handelen<br>1982: Oppheving av kringkastingsmonopolet (radio og tv)<br>1986-97: Liberalisering av luftfart<br>1986-94: Oppmyking av telemonopolet<br>1986: Større åpning og like-behandling av utenlandske selskaper på norsk sokkel  |  | (1977: Arbeidsmiljølov<br>1979: Likestillingslov)<br><br>1981-84: Avregulering av boligmarkedet<br><br>1988: Innføring av AFP<br>1989: Innføring av foreldrepermisjonsordning  |
| <b>1990-1999</b> | 1990: Kronen bindes til ecu<br>1990: Vedtak om etabl. av et petroleumsfond (Nå: SPU)<br>1992: Stor skattereform (bredere grunnlag, lavere satser, mer likebehandling)<br>1992: Flytende valutakurs og økt uavhengighet for NB | 1990: Opphevelse av reg. av internasj. kapitalbevegelser.<br>Bankkrisen 1991-93: Staten tar over DNB, Fokus Bank og Kredittkassen<br><br>1999: Privatisering av Fokus Bank (Danske Bank)  | 1993: Konkuranselov<br>1994: Etabl. av Konkuransetilsynet (til erstatning av tidl. Prisdirektoratet og Statens pristilsyn)<br>1994: EØS-avtalen<br>1995: Medlem av WTO   | 1990-98: Serie av energi-markedsreformer som har skapt økt konkurranse og et integrert nordisk el-marked<br><br>1998: Liberalisering av telekom.-markedet  | 1994: Skolereform VGO og Høyskolereform<br><br>1997: Skolereform grunnutdanning: 6 års skole-start og 10 år obligatorisk skolegang   | 1990-tallet og senere: Et inntektspolitisk samarbeid som sikret moderate lønnsoppgjør<br><br>1998: Kontantstøtte til småbarnsforeldre  |
| <b>2000-2009</b> | 2001: Handlingsregelen for innfasing av oljepenger (4 %)<br>2001: Norges Bank innfører inflasjonsstyring<br><br>2006: Liten skattereform (marginalskatt, utbytte- og gevinstbeskatning)                                       | 2000: Privatisering av Kredittkassen (Nordea)<br><br>2003: Delprivatisering av DNB<br><br>2009: Finanstilsynet (tidl. Kredittilsynet)   | 2004: Ny konkuranselov tilpasset EU's konkuranselovgivning   | 2000-01: Reformer i statens forr. drift (større autonomi og konkuransenytralitet)<br>2000-01: Delprivatisering av Statoil og Telenor<br>2000-01: Staten selger seg ut av 4 og ned i 7 selskaper<br>2001-05: Staten solgte seg ut av 4 selskaper og ned i 6 selskaper (herunder DNB, Telenor og Statoil)<br>2006: Konkurranseutsetting av Gjøvikbanen | 2001: Kvalitetsreform for høyere utdanning (innført 2003-04)<br>2001: SkatteFUNN (F&U)<br>2003: Innovasjon Norge (samordning av off. virkemidler)<br>2003: Sentre for frem-ragende forskning<br>2003: Friskoleloven<br>2004: Kunnskapsløftet | 2003: Barnehageforliket – full barnehagedekning<br>2004: Pensjonslovkom-misjonens utredning<br>2004: Pasientrettighetslov<br>2006: Ny arbeidsmiljølov<br>2006: Lovfestet tjeneste-pensjon for alle<br>2008: Ending i AFP-ordningen<br>2009: Pensjonsreform, mer fleks. pensjonsalder |
| <b>2010-2017</b> | 2014-2017: Reduksjon av bedriftsskatten fra 28 % til 24 %<br><br>2014: Fjerning av arveavgiften<br>2014 og 2017: Reduksjoner i formueskatten<br><br>2017: Justering av handlingsregel til 3 %                                 | 2013: Innføring Basel III: økte kapitalkrav<br>2014: Ny lov om finansforetak og finanskonsern<br>2015: Innføring av motsykiske kapitalbuffere   | (1990 til 2017: Inngåelse av 29 bilaterale handels-avtaler med i alt 40 land)<br>2014: Heving/fjerning av prod. tak i landbruket<br>2015-16: Innf. av nøytral MVA i statlig sektor<br>2017: Initiativ til fri-handelsavtale med Kina | 2005-13: Staten solgte seg ut av 3 og ned i 3 selskaper<br>2013-17: Staten har solgt seg ut av Ceraeq og solgt ned i Entra og SAS<br>2015: Etablering av nytt statlig veieselskap, Nye Veier, for effektivisering av større veiprosjekter<br>2016: Stor jernbanereform som åpner for økt konkurranse   | 2015: Lærerløftet<br><br>2015: Strukturreform for universitets- og høyskolesektoren<br><br>2017: KapitalFUNN (skatteincentiv for Start-up finansiering)  | 2010-15: Flere pensjonslovendringer<br>2015: AML: Mer fleksible arbeidstidsbestemmelser og nye regler som åpner for betiget økt adgang til midlertidige ansettelse<br>2014-17: Kommune- og regionreform  |

# The Great Convergence after liberal reforms

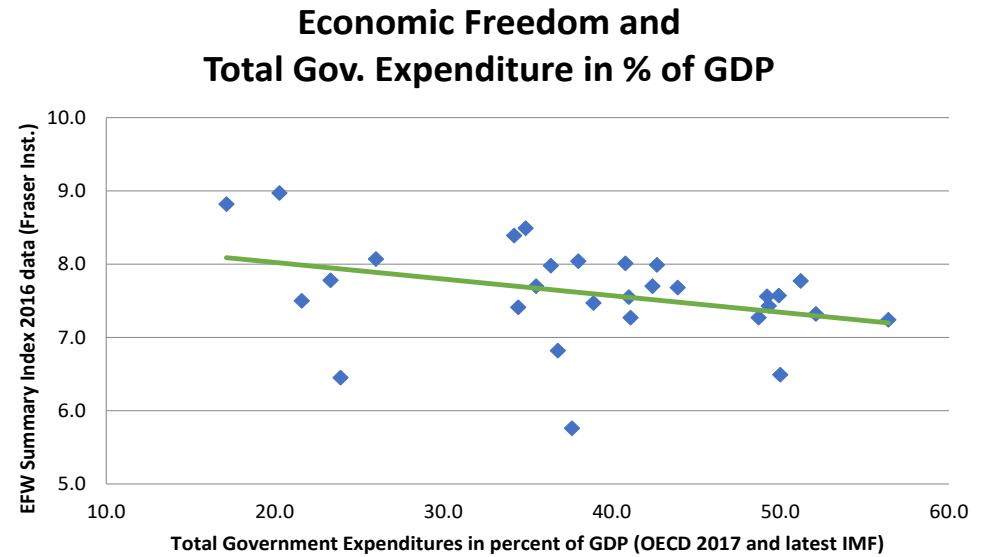
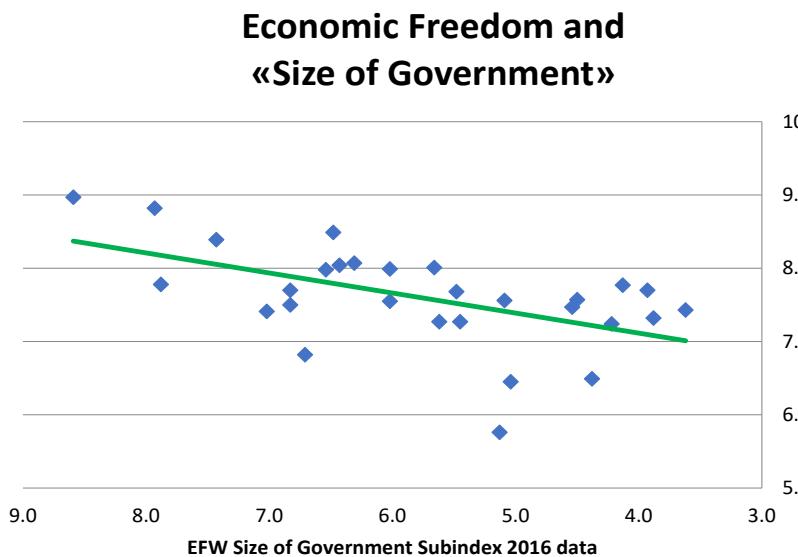


# Similar level of Economic Freedom at different levels of Government Expenditures

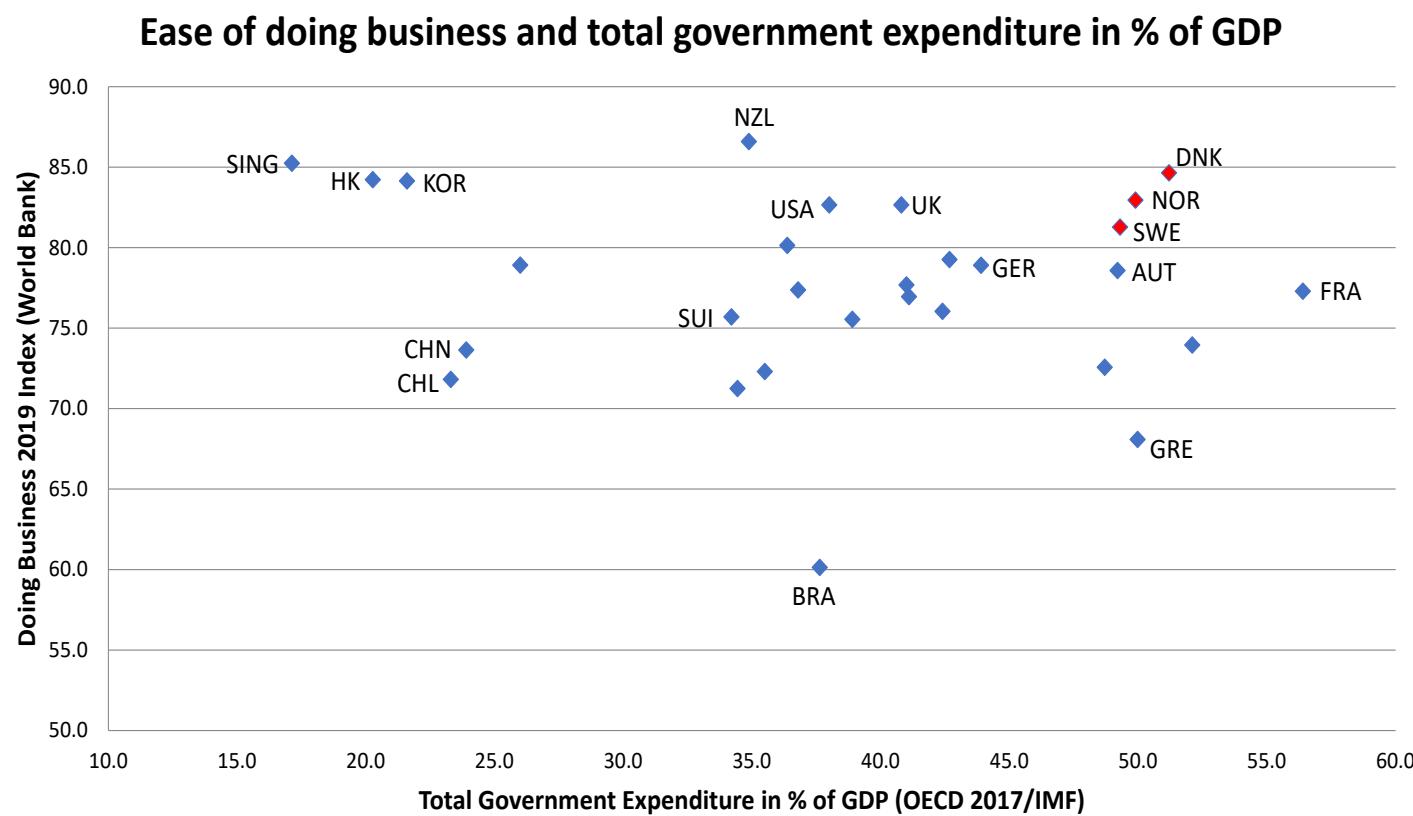
Economic Freedom and Total Gov. Expenditure in % of GDP



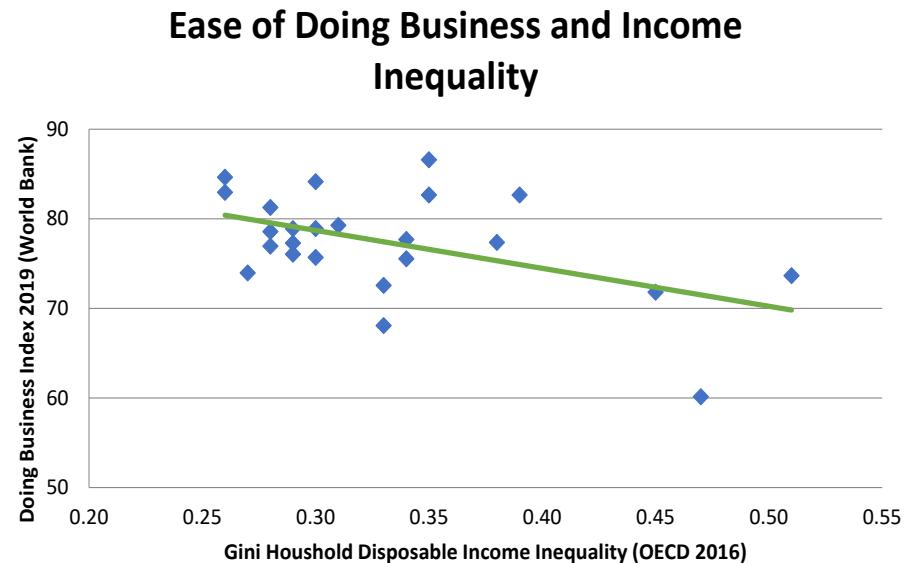
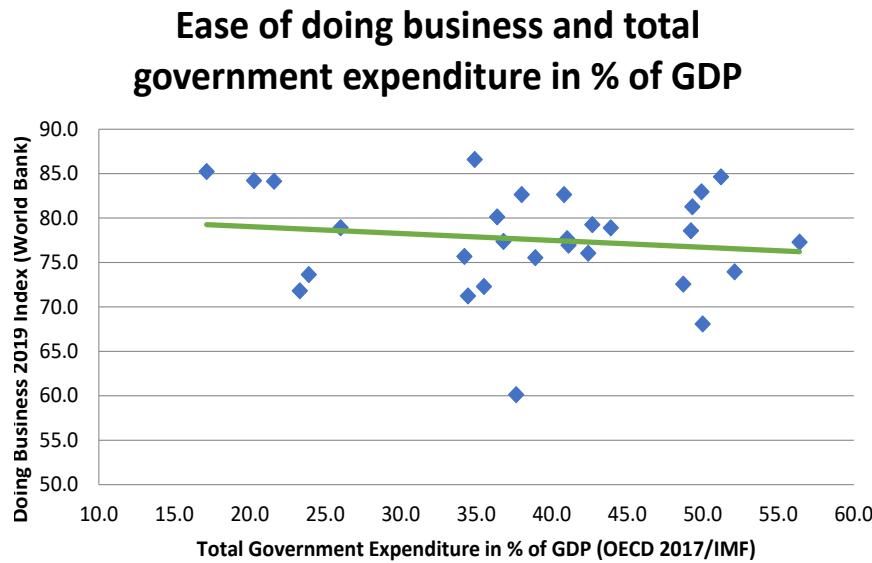
# Economic Freedom and different measures of government size



# Similar level of Institutional Quality at different levels of Government Expenditures



# The World Bank's Ease of Doing Business Index as a proxy for regulatory quality



# The neo-interventionist threats to the liberal economic order

## Economic Nationalism:

- Neo-mercantilist zero-sum international trade policies
- Assertive and disrupting unilateralism/bilateralism
- Discriminatory tariffs, managed trade deals, micro-exemptions etc.
- Systematic undermining of a rules-based multilateral world order and trading system
- The new spectre of (mostly right-wing) authoritarian national populisms with a nationalist-interventionist agenda

## Micro-interventionism: Picking winners and losers:

- New industrial policies
- «The entrepreneurial state»
- Foreign policy sanctions followed by discriminatory micro interventions
- Interventionist climate policies
- Lack of effective market and competition conforming regulations of the digital economy and platform-based giants

## Hyper-concentration of economic and political power:

- Weaker competition
- Crony capitalism and the increasing role of money in politics
- Sophisticated regulatory capture
- Complex regulations and tax systems
- Dysfunctional (international) corporate tax system with anti-competitive outcomes
- Increasing inequality, decreasing social mobility
- Increase in executive political power and majoritarian power
- Disruptive politics and polarization

## The neo-interventionist threats to the liberal economic order

### Economic Nationalism:

- Neo-mercantilist zero-sum

### Micro-interventionism: Picking winners and losers:

### Hyper-concentration of economic and political power:

# The Neo-Nationalist Road to Socialism?

interventionist agenda

- Increase in executive political power and majoritarian power
- Disruptive politics and polarization

# Do we need a new systems debate?



## LARS PEDER NORDBAKKEN

CIVITA

Lars Peder Nordbakken is an economist with the liberal think tank Civita in Oslo, Norway, and a frequent writer and commentator on a range of political and economic policy issues. Nordbakken is also actively engaged with the history of economic and political ideas and with the continuing task of interpreting and renewing liberalism in response to a changing world.

His most recent book, *Liberale tenker for vår tid* (*Liberal Thinkers for Our Time*, 2017), presents, for the first time in Norway, a series of intellectual portraits of the main thinkers behind the revival of liberalism in Europe after the Second World War, including many prominent former members of the Mont Pelerin Society. His other major work is a book on the preconditions for the productive dynamism of a liberal market economy, *Muligheter for alle* (*Opportunities for Everyone*, 2006).

Nordbakken is currently working on a new book on the principles of liberal economic policy, combining insights from Austrian, institutional, and ordoliberal thinking. Nordbakken is also a board member of the foundation Liberal Forskningsinstitutt (Liberal Research Institute) and a business strategy consultant, and has for many years served on a senior executive level in the financial- and payment-services industry. He graduated from the Norwegian School of Economics in Bergen in 1980. Nordbakken has been a member of the Mont Pelerin Society since 2010 and a frequent participant since 2008, and is chairing the Organizing Committee of the next General Meeting in Oslo, Norway, September 1–5, 2020.

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