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Analysis of today
Assessment of tomorrow

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Socialism is not a path to affordability

The idea that socialism delivers affordability has always failed in practice. Across Europe, countries that have constantly expanded public spending, taxation, transfers, and regulation have ended up with stagnation, higher debt, rising prices, and social discontent rather than ease of cost of living.

Those who receive subsidies are unhappy because they lack opportunities and are relegated to a dependent subclass, while those who pay taxes are worse off. Meanwhile, politicians blame the rich while extracting more wealth from a weakening productive private sector.

Affordability is not created by government control. It depends on real wages, productivity, competition, investment, and the supply of housing, energy, transport, and essential services.

When governments try to solve structural supply problems with redistribution, subsidies, and debt-financed spending, they only demolish the incentives to improve while increasing the underlying cost base.

High taxes and rising public spending do not provide stronger purchasing power. They make growth weaken, deficits persist, and inflation and indirect taxes erode household income. Workers see gross wages vanish with inflation and taxes, and real net wages stagnate or fall.

A rising number of European economies face a difficult combination of weak growth, disincentives, high public spending, and deteriorating fiscal dynamics.

The European Commission and IMF both highlight that weak growth and persistent deficits are increasing debt burdens in countries such as Finland, even as labour-market conditions deteriorate.

This matters for affordability because unsustainable public finances are not isolated factors. Governments always respond with higher taxes, larger deficits, cuts to those who pay taxes, and more borrowing, all of which erode household purchasing power and business investment.

Social discontent is also rising in this environment. Citizens are told that the state is spending more to protect them, yet they experience worsening living standards, more tax pressure, and a growing sense that opportunity is shrinking.

The reality of the Nordic model

Nordic countries are often presented as proof that socialism works. That is misleading. Nordic economies are not socialist at all. They are capitalist market economies with strong property rights, open trade, private enterprise, and high levels of economic freedom.

Denmark, Norway, Sweden, and Finland rank strongly on measures of economic freedom because they combine the rule of law, business freedom, trade openness, and institutional quality with some level of social spending.

Their success came from productive capitalist economies that generated wealth later redistributed through prudent public systems with limited political control, rather than from intervening in markets.

Furthermore, Nordic countries display low disposable-income inequality but high wealth inequality, especially in Sweden and Denmark, as shown by the OECD. Wealth is not penalised but supported, and this allows the existence of a welfare system.

> Even a highly market-oriented Nordic welfare state ends up with stagnation, debt accumulation, and labour-market weakness

A sustainable welfare model can exist only when the private economy remains dynamic enough to finance it and there is undoubted defence of private property, incentives to become richer, and support of businesses. Nordic countries are not socialist systems.

However, the often-hailed Nordic model cracks under scrutiny.

Finland serves as a useful example, often regarded as a model welfare state, yet current data reveal the enormous sustainability problems.

The IMF has reported that Finland's recovery after the 2023 downturn has been slow, with weak consumption and investment, while the European Commission projected just 0.8 per cent GDP growth in 2026 after 0.2 per cent growth in 2025.

Finland's labour market is also under pressure. The European Commission projects unemployment averaging 10.1 per cent in 2026. Additionally, its public finances are deteriorating rather than improving.

According to the European Commission, Finland's debt-to-GDP ratio rose to 88.5 per cent in 2025 and is forecast to reach 91.2 per cent in 2026 and 93.1 per cent in 2027, while the general government deficit is projected at 4.5 per cent of GDP in 2026.

The IMF also warns that Finland's debt ratio could reach above 95 per cent by the end of the decade if consolidation remains limited.

This is evidence that even a highly market-oriented Nordic welfare state ends up with stagnation, debt accumulation, and labour-market weakness when regulation and taxation burden growth and productivity.

The real path to affordability

The key mistake of socialism is to assume that redistribution can substitute for wealth creation and that government control spurs innovation and productivity. It always fails.

Governments can only facilitate or put brakes on private investment and innovation. When the incentives to create private wealth disappear, the welfare state vanishes with them.

The real path to affordability is not socialism but a productive market economy with limited government and sound money - Daniel Lacalle

Lasting affordability requires more private output, investment, competition, and stronger productivity, not a larger state absorbing a bigger share of national income.

When taxes and regulations become more intrusive, barriers to entry and compliance costs make goods and services more expensive. And when policymakers rely on public spending rather than private-sector dynamism, long-term growth suffers and the welfare state ultimately crumbles.

The real path to affordability is not socialism but a productive market economy with limited government and sound money.

That means lower barriers to housing and energy supply, pro-investment taxation, labour-market flexibility, competition, monetary stability, and a state focused on core protections rather than permanent expansion.

A welfare state does not survive under socialism. Without private-sector productivity, enterprise, and investment, redistribution becomes a riches-to-rags absorption of a declining pie, and affordability worsens as the currency collapses.