

Understanding the best and looming geostrategic counties of the world



Class 1 Dec 3, 2020: Scandinavia – Nearly almost perfect people

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What's their secret to being among best in world in, prosperity, happiness and GDP/capita?

: Scandinavia – Nearly almost perfect people

- Thanks for logging on
- This courses examines 3 groups of countries widely recognized as among the best and will play a more important role in future great power struggles
- Scandinavia (Denmark, Norway, Sweden, and Finland)
- Asian Tigers (Hong Kong, S Korea, Taiwan, and Singapore)
- British offshoots (Canada, Australia, and New Zealand)
- Today we examine countries of the Nordic Sea have a distinctive “Nordic model” and highly successful culture and society.
- We will explore what enables them to top global rankings of freedom, prosperity, and happiness

2019 Global Power Indicators of Big 4

Military Budget (\$ bil)

1.	U.S.	\$685
2.	EU	\$249
3.	China	\$81
4.	Russia	\$62

Population (mils.)

1.	China	1,405
2.	EU	447
3.	U.S.	331
4.	Russia	147

GDP (PPP \$tril.)

1.	China	\$28
2.	U.S.	\$21
3.	EU	\$21
4.	Russia	\$5

China now US's challenger, Russia the spoiler

- China is world's largest population, trader, manufacturer, GDP ... and co-conspirator of Russia
- US will need to retain and gain support of allies around the world such as Scandinavia

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2019 Global Power Indicators of Big 4

- World is different - great power geopolitical competition - especially US vs. China
- U.S. still in top spot by most measures, whether by soft or hard power, by science or technology, by business or government or academia
- A PEW global attitudes poll of 25 nations published Sep 28, 2018, indicates that a median of 49% see U.S. as leading economic power, 33% see China and only 7% see EU.
- In a related question, 63% would prefer U.S. to be the leading power and 19% would prefer China (<http://www.pewglobal.org>)

Scandinavia - Low in Population but high in GDP per capita

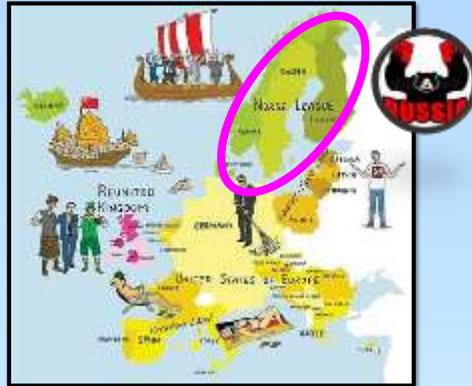
Country	Population (mil)	World rank	GDP \$Bil 2020	World Rank	PPP Int \$ per cap	World rank
Denmark	5.8	112	336	51	59,830	14
Finland	5.5	116	273	57	51,324	23
Norway	5.4	118	350	49	66,832	8
Sweden	10.4	88	552	38	55,815	18
Scandinavia	27.1	109	1,510	49	58,450	16
Russia	147	9	4,022	6	29,181	53
UK	67	21	2,979	9	48,710	26
US	331	3	20,807	2	65,281	9

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Scandinavia is low in population that high in GDP per capita

- Three of the Scandinavian countries populations are less than 6 million
- Sweden the most populous has 10 million
- In total, Scandinavia's 27 million is about the population of Texas
- Similarly, their total GDP of \$1.5 trillion, is about half UK's
- But due to the high GDP per capita, despite only ranking an average of 109 in population, ranked an average of 16 in per capita GDP and 49 in GDP
- Per capita GDP in Scandinavia is more than double Russia's, is \$10,000 higher than UK's, and is only about 10% lower than the US.
- In fact Norway, has higher GDP per capita than the US

If so small, why so Geostrategic?



- Important yet in “Unknown North” near Russia
- Has a “middle way” society
- Potential model (Northern Light) for the future
- Scandinavia (“Norse League”) may play a key role in Europe’s future
- Role in future of Arctic opening

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Highest Overall Rankings in World

Rankings of Social Indicators for Scandinavia

Country	Prosperity Index	Happiness Index	Education (PISA)	Life Expectancy	Corruption Index	HDI
Denmark	5	2	17	47	1	11
Finland	3	1	8	31	3	12
Norway	1	3	17	21	7	1
Sweden	6	7	25	16	3	7
Scandinavia	4	3	17	29	4	8
Russia	96	68	28	154	138	49
UK	7	15	23	35	12	14
US	17	19	31	43	22	13

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Highest overall rankings in the world

- Scandinavia ranks high in social indicators
- They are prosperous, happy, well-educated, have good health care which result in long longevity, and low in corruption
- They rank very high in the Human Development Index (HDI)

Low Inequality and High Taxes

Country	Inequality (Gini) Rank	Competitiveness Rank	Military % GDP	Tax % GDP
Denmark	18	10	1.2	51
Finland	10	11	1.4	54
Norway	12	16	1.6	55
Sweden	13	9	1.0	50
Scandinavia	13	12	1.3	52
Russia	82	43	4.3	20
UK	55	8	1.8	34
US	105	1	3.1	27

Source: Indicators mostly 2018

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Scandinavia has low inequality and high taxes

- Not only does Scandinavia rank high among the world's countries in social indicators, but this wealth is more evenly distributed-they have low inequality.
- They also have competitive economies in international trade, suggesting the overall productivity of their economy
- They also devote a relatively small proportion of their economy to military – much less than 2%.
- Although not shown in the chart, they also generally rank high in terms of international foreign assistance of emerging nations
- Finally, we note that Scandinavia has substantially higher taxes as a share of their economy-averaging over 50% compared to 27% for the US and 34% for UK.
- Yet, despite these relatively high taxes, they still maintain their overall happiness and generally strong support of their governments.

Why has Scandinavia done so much better than most?

- Climate, Natural resources, Location?
- Culture?
- Religion?
- Luck?

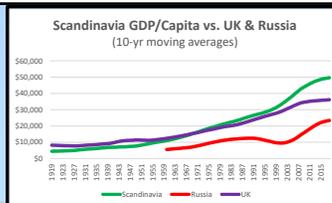
A bit of these but fundamentally due to their basic economic, social & political institutions

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Why has Scandinavia done so much better than most?

- Climate or natural resources?
- Culture?
- Religion?
- Luck?
- Yes, parts of these have had an effect, but clearly their climate and natural resources are far from ideal
 - Except for Denmark, agriculture is limited
 - Except for Norway's oil, their resources are quite modest
 - They do have much access to the sea, but so does Italy
 - They have the Protestant work ethic, but there are successful Catholic countries such as Chile and Buddhist countries such as Singapore
 - They are small and homogeneous, but there are US states also small and homogenous and Protestant that have not excelled
- So yes, some of the above but fundamentally it's due to:
 - Their basic economic and political institutions
 - Political centralization to the extent to effectively enforce law and order

How rose from poverty to wealth



[D]esperately poor in the eighteenth century yet intellectually and politically rich, was late in ...modern industry...

[E]njoyed high levels of literacy and offered a first-class education ... [and] also operated in an atmosphere of political stability and public order.

Once among the most warlike ... now they were the most peaceable.... Property rights were secure; the peasantry was largely free

[B]uilt on free enterprise and quick response, on the export of staples to the more advanced industrial countries, on the investment of these gains in more diversified production. –

David Landes

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19th century story of Scandinavia's rise

The distinguished Harvard professor of Economics and History, the late David Landes (1924-2013), explained the development of Scandinavia as follows:

Scandinavia, desperately poor in the eighteenth century yet intellectually and politically rich, was late in learning the ways of modern industry, but... quick to pick them up. ...

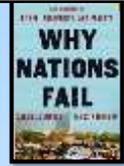
[They] enjoyed high levels of literacy and offered a first-class education at higher levels. They also operated in an atmosphere of political stability and public order.

Once among the most warlike ... - now they were the most peaceable... Property rights were secure; the peasantry was largely free; and life was a long stretch of somber hard work...

Scandinavia built on free enterprise and quick response, on the export of staples to the more advanced industrial countries, on the investment of these gains in more diversified production.

David S Landes, *The Wealth and Poverty of Nations: Why Some Are So Rich and Some So Poor*, WW Norton and Company, 1998, pages 248-9.

So what's Scandinavia's secret of success? **Inclusive Institutions**



- **Inclusive** political institutions: Freedom, openness & widespread participation plus government social, health and educational support
- **Inclusive** economic institutions: Markets, fair taxation, banking, secure property rights, incentives to work, invest and innovate
- Opposite of Soviet's **extractive** ways: centralization, prohibition of private property, brutal collectivization, iron-curtain and Putin's kleptocracy today

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So what's Scandinavia's secret of success? **Inclusive Institutions**

- **Inclusive** political institutions – freedom, openness and widespread participation and government social, health and educational support
- **Inclusive** economic institutions - market economy, fair taxation, banking, secure property rights, and level playing field providing incentives to work, invest and innovate
- Opposite of Russia's **extractive** ways: centralization, serfdom, prohibition of private property, arbitrary confiscation, brutal collectivization, iron-curtain

Aren't Socialist Utopias: Generous but **smart** market economies!

- Lot of capitalism and pro-business policies
- Lot of taxation on middle class
- No estate tax or wealth tax, except Norway
- Minimal reliance on corporate tax
- Plenty of healthcare co-pays & deductibles
- More business-friendly than U.S.
- State control over economy like U.S.

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Scandinavian Way (Culture) - How they view world and organize their societies

- **Love of nature:** Authenticity not artificiality
- **Lutheranism:** Good life is one of conformity
- **Freedom:** Freeborn peasant and his community
- **Citizenship:** Public participation and responsibility
- **Education:** Comprehensive, public libraries
- **Work ethic:** "Everybody at work," holds together
- **State:** Good state provides welfare support
- **Laws:** Legalistic tradition of property rights
- **Equality:** Non-discrimination, women's rights

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- **State:** Good state provides welfare support
- **Laws:** Legalistic tradition of property rights
- **Transparency:** Public access to official records
- **Cooperation:** Spirit of co-operation & interdependency
- **Equality:** Non-discrimination, women's rights

Scandinavian Model



- **Economic:** Mixed – large role of government, democratic, gender and social equality, high standards of living, globalized
- **Political:** Constitutional monarchy, solidarity, high citizen participation
- **Welfare:** Generous and comprehensive social services
- **International:** Neutrality, engagement and

“The middle way” - compromise between capitalism and socialism

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Scandinavian Model

- Economic: Mixed – large role of government, democratic, gender and social equality, high standards of living, globalized
- Political: Constitutional monarchy, solidarity, high citizen participation
- Welfare: Generous and comprehensive social services, redistribution
- International: Neutrality, engagement and generous foreign assistance
- “The middle way” - compromise between capitalism and socialism

Innovation & Industry: World class products of Scandinavian companies

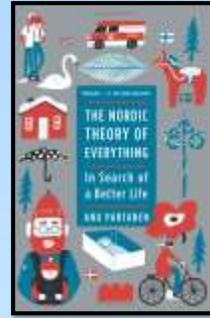


Innovation & Industry: World class products of Scandinavian companies

- Generally been argued that the private sector in high tax and generous welfare states would be too burdened with taxes and lack incentives to innovate
- But this has not been the case in Scandinavia in recent years
- A number of world class products have been successfully developed and marketed
- There are several reasons why:
 - good working relationships between government, business and unions;
 - an excellent well-trained and educated workforce,
 - the recognition they are small countries with limited physical resources and therefore must develop their human resources.
 - Even where they have an abundant resource, such as Norway's oil, they manage it exceptionally well and set aside some of the funds for a rainy day

Nordic theory of love

- Success not solely due to culture, ethnic homogeneity, and small populations, policies have played big part
- Emphasis on freedom & opportunity produced by providing social safety net and excellent free education
- **Self-sufficiency and independence important values**
- Committed to capitalism
- But provide excellent education & social safety to insure individual independence



Nordic theory of love

- Nordic theory of love holds that the most important values are individual self-sufficiency and independence
- Contrary to what non-Nordics often charge, ambition of Nordics has not been socialism, but rather to free the individual from dependency within the family and the civil society
- Most importantly, believe that no one should be penalized by unlucky accident of having parents who are poor
- Nordic theory of love philosophy: empowered individuals can engage with family and friends and be liberated from crushing financial obligations of education, health, child care
- Nordic nations predominant goals are: independence, freedom, and opportunity for every member of society
- While this independence and equity may originally have been rooted in Nordic culture, fundamentally today its about policy choices

Source: Anu Partanen, *The Nordic Theory of Everything*, Chapter 2

Nordic Way: Not utopian, but smart

- **High-quality government services** save money, time & trouble
- **Higher taxes but beneficial:** paid parental leave, child day care, free K-12, free college, free graduate school, nearly free health care, paid disability leave ...
- **Aren't "socialist nanny states"** - believe capitalism works better when people have support needed to take risks, start businesses, and build a better future

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Nordic Way: Not utopian, it's smart

- Vision of homogenous, altruistic Nordic is fantasy – make decisions out of self-interest - for high-quality services save them money, time, and trouble.
- Pay higher taxes but get in return: paid parental leave, child day care, world best public K-12, free college, free graduate school, nearly free health care, and paid disability leave.
- Aren't "socialist nanny states" - have produced successful businesses and brands: Ikea, H&M, Spotify, and Volvo, Lego, Carlsberg, Skype, Linux, Nokia, Angry Birds, Minecraft...
- Nordics believe capitalism works better when people have the education, health care, and other support needed to take risks, start businesses, and build a better future
- Nordics success has little to do with culture, size, or homogeneity, but everything to do with figuring out how to flourish and compete in the 21st century.

Source: Anu Partanen, "What Americans Don't Get About Nordic Countries," Atlantic, Mar 16, 2016

Hesitant Joiners – For Good Reasons!

- Differs from W. Europe
 - No history of conflict trying to prevent by unification
 - More welfare states than Europe
 - Sounder fiscally
- Fear marginalization
- Internal Split:
 - Farmers wary of EU
 - Businesses favorable

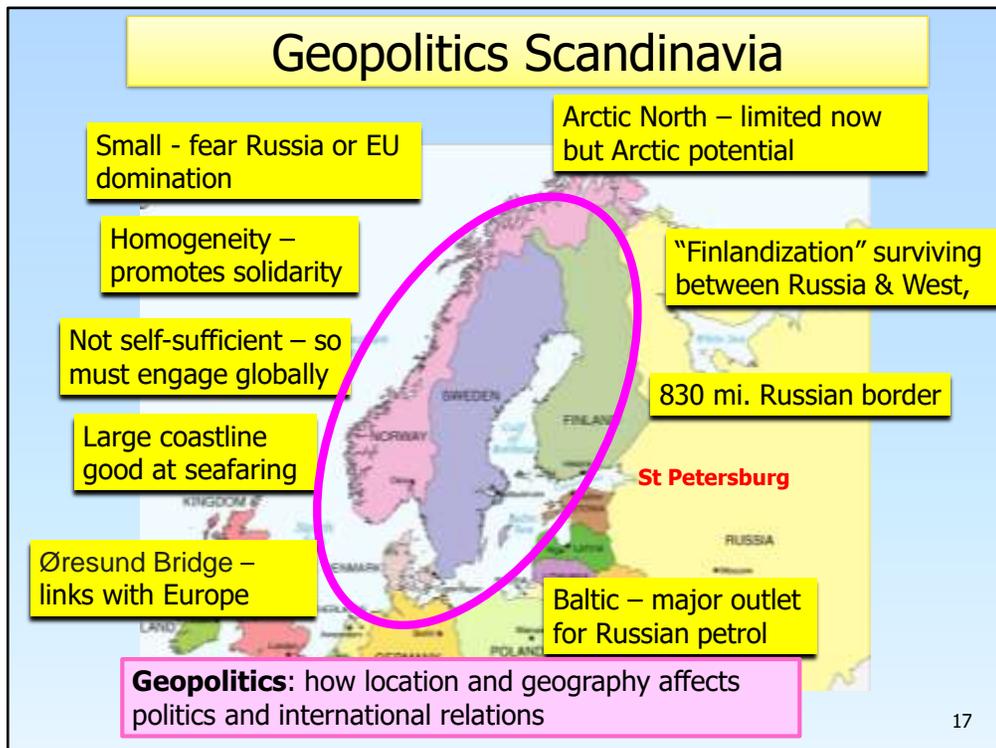
	EU	Eurozone	NATO
Denmark	x		x
Finland	x	x	
Iceland			x
Norway			x
Sweden	x		

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Source: Mary Hilson, *The Nordic Model: Scandinavia Since 1945*, Reaktion Books, London, 2008, Chapter 4



Geopolitics of Scandinavia

- Scandinavia’s location on Baltic and small populations have shaped its Geopolitics
- Its northern location, sparse population, coastal and shipping access, sandwiched by ice on North and Baltic on the south and Russia on East
- North is Arctic and people and the economy are in the south
- There situation has produced a culture of modesty, reticence, ethnic homogeneity, equalitarianism, desire for independence yet necessity for interdependence because of natural resource limitations
- Centuries of alliances and independencies

Ace in hole?
Arctic thawing
may open
vast treasures
(and troubles)



Russia now claims
North Pole!



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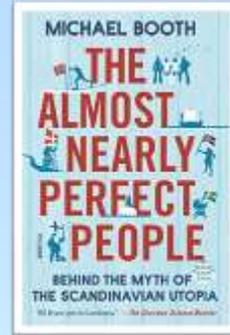
Ace in hole? Arctic thawing may open vast treasures (and troubles)

- Climate change appears to be thawing Arctic
 - Easing accessibility
 - Shortening shipping
- Treasure trove
 - 1/5 of world's undiscovered energy
 - Productive fisheries
 - Tungsten, diamonds, ...
- **But:**
 - Cause rising seas and flooding
 - Contested race - Scandinavian, Russia, US, and Canada
 - Russia planted their flag on the seabed 14,000ft below in 2007 - Melting polar ice has created competing to Arctic resources

http://en.wikipedia.org/wiki/Arctic_Circle

Almost nearly perfect public policy

- Equality and social mobility
- Trusting and cohesion
- Open and engaged - access to sea
- Foreign participation & assistance
- Law abiding – low crime
- Early education and childcare
- Aid needy - less class conscious – don't flaunt
- Adaptable – quick crisis recoveries
- Environmental - like outdoors & nature, bikers
- Good stewards of resources and oil wealth



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Almost nearly perfect public policy

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- High levels of trust and cohesion
- Open and engaged - access to sea
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If so equalitarian and democratic, why still monarchies?



Illogical, but don't do much, have little real power, beautiful to see, still popular

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If so equalitarian and democratic, why still have monarchies?

- Scandinavia is democratic, meritocratic, and equalitarian, so why do Sweden, Denmark and Norway have monarchies? (Finland, Nordic not Scandinavian, has never had one)
- Illogical, but they don't do much – (as little as 6 hours/year!) and have little real power
- Beautiful to see, might attract tourists and may ironically dampen the elite – putting a lid on them
- There is a Scandinavian Republican movement-to oppose the monarchy, but it's small and monarchy is not currently threatened despite their cost.
- Scandinavians argue that a president would cost money too.

Almost but not quite perfect



- **Aging**: Rising dependency and medical costs
- **Long-term unemployment**: Abuse generous benefits
- **Globalization**: May make welfare systems a luxury
- **High Taxes**: May dampen innovation, competitiveness and growth
- **Non-Western Immigrants**: Struggle to integrate
- **Size**: Small and lack economies of size – nameplate companies fading
- **Russian** ambitions may require more defense

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Almost perfect - Challenges Remain

- Aging: Rising dependency and medical costs may force tightening of welfare
- Long-term unemployment: Abuse of generous sickness and disability may force trimming benefits
- Globalization: Increased mobility and reduced flexibility for individual state may make welfare systems a luxury
- Size of Government: High taxes may reduce innovation and competitiveness and dampen growth
- Immigrants: Struggle to integrate non-Western immigrants
- Size: Small and lack economies of size
- Russia: Risks of an ambitious Russia may require more defense expenditures

Scandinavia – Nearly almost perfect people

Summary & Conclusions



- Once at the cold and unknown pagan periphery
- Now modernized, peaceful and progressive – The best!
- Small size, but significant geostrategically – Russian border and Baltic access, EU and opening Arctic
- Engaged and generous internationally, but skeptics of integration
- Inclusive Nordic model has delivered top ranking results
- Thanks, Scandinavia, for your Northern enlightening the rest of us

Class 2: Asian Tigers (Hong Kong, S Korea, Taiwan, and Singapore)

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