Finland and the Nordic Theory of Love

• Welcome and thanks for attending
• Economist – not enough personality to be accountant
• What do economists know about love? Price of everything – value of nothing
• One of the very best countries in the world – at least as measured by its high rankings in multiple international indexes
• Finland has world’s best schools and happiest people
• Its success has been attributed to “Nordic theory of love”
• In contrast to image of a coddling socialist nanny state, its most important values are self-sufficiency & independence
First 800 years – outside rule

- **1100s**: Sweden subjugates & converts to Christianity
- **1323**: Territory becomes part of Sweden realm
- **1397-1521**: Kalmar Union: Denmark, Norway & Sweden
- **1809**: Ceded to Russia by Swedes, retain much autonomy
- **1899**: Russification met by protests and disobedience
- **1917**: Russian Revolution tolerates its independence
- **1919**: Becomes republic after bitter civil war

Turning Points before WW II in Finland

- Nordic have undergone shifting alliances.
- Finland has spent all but 100 years of its 1000-year history under the rule of its two big neighbors – Sweden and Russia whose influences remain - Swedish as an official language and Tsar Nicolas’s onion domed cathedral.
- Yet, despite it's much smaller population, has valiantly fought to retain as much autonomy as possible, regain lost territories to Russia, resist Russification, and reject communism in a bloody civil war.

- **1100s**: Swedish crusades subjugate and convert to Christianity
- **1323**: Territory becomes part of Sweden realm
- **1397**: Kalmar Union: Denmark, Norway & Sweden vs. Hanseatics
- **1495**: Russo-Swedish War, much destroyed
- **1521**: Kalmar Union ends
- **1697**: Great Famine (1695–97) 1/3 die, still affects policy
- **1809**: Ceded to Russia by Swedes, but retain much autonomy
- **1899**: Russification met by protests and disobedience
- **1917**: Russian Revolution allows its independence
- **1919**: Becomes republic after bitter civil war
## Turning Points post WW II in Finland

During the Cold War, Finland walked a tightrope, more in tune with West, but couldn’t afford to rile Russia. This policy of “active neutrality” and “Finlandization” – self-censorship in matters sensitive to Russians, though controversial in the West, was deemed necessary to survive in their shadow. Post Cold War, Finns not pro-Russian, but Russia is major trading partner and energy supplier, so Finns avoid NATO.

- 1939: Declares neutrality; loses Winter War to USSR
- 1941: Germany attacks USSR, Finland fights to regain loss to USSR
- 1941: Britain declares war on Finland
- 1944: USSR invades, Finland concedes more land & pays war reparations
- 1952: Hosted Olympics amid Cold War tensions
- 1975: Helsinki Accords to improve East-West relations
- 1995: Joins EU but remains out of NATO
- 2002: Euro replaces Finnish mark
- 2019: Populist Finns Party nearly wins Parliament

### From Finlandization to Finntastic

- **1939**: Declares neutrality; loses Winter War to USSR
- **1941**: Germany attacks USSR, Finland fights to regain loss to USSR
- **1941**: Britain declares war on Finland
- **1944**: USSR invades, Finland concedes more land & pays war reparations
- **1952**: Hosted Olympics amid Cold War tensions
- **1975**: Helsinki Accords of East & West
- **1991-2**: USSR falls & Friendship Treaty voided
- **1995**: Joins EU
- **2002**: Euro replaces Finnish mark
The Legatum Prosperity Index is an annual ranking developed by the Legatum Institute, a division of the private investment firm Legatum.

The ranking is based on a variety of factors including wealth, economic growth, education, health, personal well-being, and quality of life.

In the 2018 rankings, 149 countries were ranked, and Norway topped the list, followed by New Zealand and Finland. Afghanistan was on the last place.

All top ranking are democracies.
### "Finntastic"

#### Rankings of Social Indicators for Nordic Area

<table>
<thead>
<tr>
<th>Country</th>
<th>Prosperity Index</th>
<th>Happiness Index</th>
<th>Education (PISA)</th>
<th>Life Expectancy</th>
<th>Corruption Index</th>
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<td>19</td>
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</tbody>
</table>

Source: Indicators latest year available in Wikipedia, April 2019, mostly 2018

**Finntastic – Nordic love works!**

- Finland ranks high in major social indicators – including 1st in Happiness!
- Finns are prosperous, happy, well-educated, have good health care which result in long longevity, and have very lack corruption
- Finns, despite being under the thumb of Sweden and then Russia for centuries, rank higher than UK or US – even than it’s former rulers Sweden and Russia
Helsinki

• Capital and most populous urban area 1.3 of Finland’s 5.5 million
• Founded 1550 by Gustav Vasa, King of Sweden
• Center for politics, education, finance, culture, and research
• One of highest urban standards of living and livable cities
• Skyline dominated by Tsar’s Cathedral - Finnish Evangelical Lutheran Cathedral
• Built 1852 as tribute to Grand Duke of Finland, Tsar Nicholas I of Russia
• World’s 2nd northernmost capital city to Reykjavik, Iceland
Bravely fought 2 wars with USSR - lost territory but kept independence

- Finland fought USSR in Winter War of 1939–1940 after USSR attacked.
- Also in fought the Continuation War of 1941-4, aligned with Germany following Germany's invasion of USSR.
- After holding USSR offensive in June/July 1944 to a standstill, Finland reached an armistice with USSR.
- In Lapland War of 1944–45, fought retreating German forces in northern Finland.
- Treaties of 1947 and 1948 with USSR Union included Finnish reparations and territorial concessions.
- Finland ceded 10% of land and 20% of industrial capacity, including an ice-free port.
- Almost all of the 400,000 Finns fled these areas.
- Finland was never occupied by Soviet forces and retained independence, but lost 93,000 soldiers.
- Finland rejected Marshall Plan aid and NATO in deference to USSR.
- Population polls still show 61% Finns do not favor joining NATO.

Source: wikipedia.org/wiki/Finland
Findlandization: How dealt with the claws of a Russian bear

- As just mentioned, Finland faced an existential threat from USSR during & after WWII
- They have been ridiculed for their kowtowing to Russia
- Finn leaders were brutally realistic about their vulnerability, recognizing Finland was small and could not depend on help from other countries
- Its best chance of remaining independent was to persuade USSR it was not worth conquering
- That meant fighting to the last man when Soviet troops invaded during the war, but then working closely with Moscow in peace time, even though Stalin had just ravaged eastern Finland.
- Thus, in the pragmatic deferential policy of “Findlandization”—Finland conceded what they had to, but was never occupied by Soviets and retained independence.
- Findlandization still in effect. Recently President said “I don’t believe Russians would attack Finland or the Baltics separately. …It will put the world on fire.” But acknowledges Russia’s continuing nibbling but counts on Finland's resilience and nots they have not cut back their military like others in Europe.

Source: Economist, Apr 27th 2019 review of
Upheaval by Jared Diamond of Guns, Germs and Steel
1952 Olympic Stadium

- After WW II, Olympics took on a greater political significance
- Participation symbolized political recognition and legitimacy. Germany and Japan were not invited to 1948 London Olympics, Soviets were invited but did not show up.
- 1952 Helsinki Games marked the beginning of Cold war tensions.
- West Germany participated for the first time and so did USSR after a 40-year absence. Were separate housing facilities for Eastern bloc athletes
- Marked the return of German and Japanese teams to Olympics but East Germany was denied and German team came from West Germany only
- Helsinki Olympics boosted Finland’s self-confidence and affirmed its survival and discreet western assistance
**Geography: Arctic in North, Economy in South**

- Northernmost country in EU, not small, area nearly size of Germany
- Most of people, agriculture and industry in south
- North and east sparsely populated - vast wilderness; top 1/3 in Arctic Circle
- But home to the “real” Santa Claus – where covered by snow 7 months vs. South 3-4 months
- Agriculture - one of northernmost in world - primarily livestock, only a tiny fraction of land in permanent crops
- Forestry major resource – about 20% of economy
- Nickel deposits in North at Petsamo – source of WW II conflict
- Finland’s refusal to allow USSR mine nickel led Continuation War in which Finland was forced to cede to USSR
**Finnish “Country” Way of Life**

- 50 years ago most Finns lived in country until moving to city
- Now most of the 5.5 million live in the city but have ½ million cottages to escape to country
- They dress in old and faded "cottage clothes" while surfing internet
- First they build the sauna, some 2 million of them in Finland
- In the sauna, everyone is equal. Perhaps that's why equality and democracy are so important in Finland.
Geopolitics of Finland

- As already mentioned, Finland'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 and Sweden on west.
- Top there is in Artic Circle 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.
- Birth rates of 1.41 children - lower than Japan or Russia and raises questions about who will take care of the aged.
Envy Finnish: An “agglutinative” language - words stuck together like Legos

- No future tense
- No gender
- No prepositions
- No words of other Nordic languages
- Is its simplicity why they test so well???

Envy Finnish: An “agglutinative” language - words stuck together like Legos

- Spoken by almost all Finns, 5% speak Swedish and remainder Sami
- No future tense
- No gender – perhaps helps explain that Finland ranks 3rd in the Global Gender Gap Index
- No prepositions
- No words in common with other Nordic languages
- Is its simplicity why they test so well???

Nordic theory of love

- Most important values: self-sufficiency and independence
- Finns aren’t socialists - have fought off Russians twice
- 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, it’s smart

- Believe high-quality services save money, time, & 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: Ikea, H&M, Spotify, Volvo, Lego, Carlsberg, Skype, Linux, Ericsson, Nokia, ….
- Believe capitalism works better when people have the support needed to take risks, start businesses, and build a better future

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
Finnish Economic Strategy Adaptations

- Except for forests, agriculture and other resources very limited
- Great famine of 1867-8, wiped out 15%
- So decided key resource to develop was human resources via education and social welfare
- Forced to industrialize to pay Russia $300 million in war reparations after WWII
- Big hit from collapse of USSR – had to change
- So decided to focus on high tech, e.g. Nokia
- Upshot: Very successful economy

Finnish Economic Strategy Adaptations

- Except for forests, agriculture and other resources very limited
- Great famine of 1867-8, wiped out 15%
- So decided key resource to develop was human resources via education and social welfare
- After WWII, trading with the West and paying reparations to USSR transformed Finland from agrarian to industrial
- Finland continued to trade with USSR
- Big hit from collapse of USSR – had to change
- So decided to focus on high tech now for example has ambitious to link genome and digital health information and develop genetic predictors and better understanding for diseases
- Upshot: Very successful economy
- Nokia is an example of Finland’s economic strategy – it when from making pulp to phones and at its peak in 2000, accounted for 4% of GDP, 21% of exports, and 70% of Helsinki Stock Exchange market capital
Finland leads list of Europe’s most digitally advanced nations in 2019
Population Explosion Implosion

- World population is undergoing a dramatic shift from moderate to slow growth or decline
- Working population is crucial – for it is the economic backbone of the country and generates the production and income enjoyed by the young and old
- Notice how working age population boomed from 1960-90, a period of economic growth, slowed during the past 30 years, and for some major countries is projected to decline
- Three of the countries we will visit this cruise – Russia, Estonia and Netherlands working age population is expected to decline
- This may change the attitude toward immigration and also result in economic decline unless productivity increases per worker offset declines in the number of workers
- Perhaps the worry about automation and robots leading to big employment declines is overdone. – at least in many European nations.
Finland & Nordic Theory of Love: Summary

- Finland - sparsely populated, limited resources, sandwiched by former overlords Sweden & Russia and 1/3 in Arctic Circle – **Wow what handicaps!**
- Despite these handicaps, one of world’s best
- Not socialists - but individualistic and capitalistic
- Finns’ success, like other Nordics, not solely due to culture, ethnic homogeneity, and small populations, their policies have played a big role
- Nordic theory of love – emphasis on freedom & opportunity produced by providing comprehensive social safety net and excellent free education

Next: June 16 @2:15 - St Petersburg – Paris of East and Irony of Artistic Expression and Political Repression

Finland & Nordic Theory of Love: Summary

- Finland - sparsely populated, limited resources, sandwiched by former overlords Sweden & Russia and 1/3 in Arctic Circle – **Wow what handicaps!**
- Despite these handicaps, one of world’s best
- Not socialists - are individualistic and capitalistic
- The Finns success, like the other Nordics, is not solely due to culture, ethnic homogeneity, and small populations, their policies have played a big role
- The Nordic theory of love – emphasis on freedom & opportunity by providing all a social safety net and excellent free education has been instrumental
- The new social-democrat led government in Finland has committed the country to carbon neutrality by 2035. Finland’s new government, based on a coalition of the Social Democratic Party, the Centre Party, the Greens, the Left Alliance and the Swedish People’s Party of Finland, has already started a new era in Finnish climate politics.
Appendix
Supplemental slides with background information and data
Finland: Best Country in World?

- Finland also consistently ranks high in most international economic rankings
- Finns have high income, low inequality and very competitive
- Not only rank high in social indicators, also rank high in many of the economic indicators such as per capita GDP and have low income inequality.
- Finns have substantially higher taxes as a share of GDP – 54% compared to 27% for the US and 34% for UK.
- Yet, despite these relatively high taxes, the Finns still maintain their overall happiness and generally strong support of their governments.
- Finnish economy has underwent broad-based growth in recent years, but, although the growth is expected to continue, may slow down if Europe struggle to emerge from the current downturn (June 2019)
Why do Finland's schools get the best results?

- The Finnish philosophy with education is that everyone has something to contribute and those who struggle in certain subjects should not be left behind.

- A tactic used in virtually every lesson is the provision of an additional teacher who helps those who struggle, but the pupils are all kept in the same classroom, regardless of their ability in that particular subject.

- Finnish children spend the fewest number of hours in the classroom in the developed world.

- Children in Finland only start main school at age seven. The idea is that before then they learn best when they're playing and by the time they finally get to school they are keen to start learning.

- There is a culture of reading with the kids at home and families have regular contact with their children’s teachers.

- Teaching is a prestigious career in Finland. Teachers are highly valued and teaching standards are high.
Russian Religious Monumental Relics

Helsinki Cathedral (1852) - Evangelical Lutheran tribute to Nicholas I, Tsar of Russia, Domes make architectural connection to its model, Saint Isaac's Cathedral in St. Petersburg. Neoclassical style

Uspenski Cathedral (1868) - Eastern Orthodox built under Russian Emperor Alexander II. Largest Orthodox Cathedral in W. Europe, Russian Byzantine style
Suomenlinna Fortress: Landmark of Finland’s fights for Freedom

- Long history of changing control and battles
- Inhabited sea fortress on six islands at Helsinki
- Sweden built in 1748 to protect against Russia
- In a pact with Napoleon, Russia warred with Sweden and in 1809 Finland was ceded from Sweden and became autonomous duchy within Russian Empire
- In WW I, Suomenlinna safeguarded Saint Petersburg.
- Now a popular tourist attractions and town and known for its avant-garde culture
Nordics top Happiness Ranking

What influences Happiness?
1) What governments do affects happiness and in turn the happiness of citizens determines what kind of governments they support
2) Unhappiness translates into voting against the incumbent government
3) Happier people are both more likely to vote and to vote for incumbents
3) There’s a positive linkage between generosity and happiness. People derive happiness from helping others they feel connected to and when their help is making a difference
4) Rising use of digital media is linked with falling happiness. Internet addiction displaces time once spent on more beneficial activities, contributing to increased anxiety and declines in happiness.

2019 World Happiness Ranking

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<th>Rank</th>
<th>Country</th>
<th>Happiness score</th>
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<td>Denmark</td>
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<td>68</td>
<td>Russia</td>
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Source: 2019 World Happiness Report, UN

Nordics top Happiness Ranking

• Still difficult to determining what influences happiness, but beginning to learn more as this is the 7th World Happiness Report. Here are some factors affecting happiness in the 2019 Happiness Report of thr United Nations data for 156 nations

1) What governments do affects happiness and in turn the happiness of citizens determines what kind of governments they support
2) Unhappiness translates into voting against the incumbent government
3) Happier people are both more likely to vote and to vote for incumbents
3) There’s a positive linkage between generosity and happiness. People derive happiness from helping others they feel connected to and when their help is making a difference
4) Rising use of digital media is linked with falling happiness. Internet addiction displaces time once spent on more beneficial activities, contributing to increased anxiety and declines in happiness.
Finlandia Hall is Helsinki's leading concert and congress centre. Conveniently located in the park beside Töölö Bay, it includes facilities for concerts, conferences and exhibitions and is equally suitable for symphony concerts and light entertainment, international congresses and small meetings.

Finlandia Hall was designed by Alvar Aalto and was built in 1967-71. The congress wing was added in 1973-75.

Aalto's masterpiece is an attraction in itself. The main part of the building rises like a tower and has an inclined roof. Aalto thought he could improve the acoustics by providing a resonance space overhead. The audience cannot see it because of the suspended ceiling, but it creates the kind of acoustic effect that is characteristic of churches with high ceilings. Unfortunately, this aspect of the architecture was not entirely successful.

Finlandia Hall has hosted various world congresses and UN conferences as well as the 1975 Conference on Security and Cooperation in Europe. Numerous heads of state have visited the building, including US Presidents Gerald Ford, Ronald Reagan and George Bush, Soviet Presidents Leonid Brezhnev and Mikhail Gorbachev, German Chancellor Helmut Schmidt, British Prime Minister Margaret Thatcher and French President Valéry Giscard d'Estaing.

Other famous visitors have included Prince Philip of England, Queen Beatrice of the Netherlands, the Nobel Prize winner the Dalai Lama, and numerous orchestras and musicians such as singers José Carréras and Luciano Pavarotti.

Alvar Aalto used Carrara marble on the exterior as well as inside the building. He viewed marble as an important link with Mediterranean culture, which he wanted to bring to Finland. Finland’s climate caused the marble to warp and break, however, and the building has had to be resurfaced. The most recent refurbishing began in 1990 and lasted nearly a decade. It was finally completed in 1999, after a number of colorful stages

http://finlandia.hel.fi/
http://www.alvaraalto.fi/
Finland Today: Solidly in the West

- Population of 5.3 million with slow .4% growth
- 80% of women work outside home, liberal maternity policy
- Constitutional republic: mixed presidential-parliamentary system
- Proportional representation fosters multiple political parties and resulting in coalition governments
- Highly industrialized free-market economy, use Euro
- Still undiscovered, reputation for being quiet and mysterious
- Dependent upon exports - hurt by 2008 financial crisis
Finland’ recent history

- Fairly independent until 1880s when incorporated into Russia
- 1917: Bolshevik Revolution, Finland gained independence
- 1930s Great Depression: Reputation as a brave new nation; was the only country to pay its debts to the US
- World War II: Sought neutrality but eventually allowed German passage and joined with Germany against Soviets
- During Cold War: Escaped becoming a Soviet satellite and kept independent stance
- After Cold War:
  - Developed economy and welfare system and links with Scandinavia
  - Joined the European Union and Euro in 1995