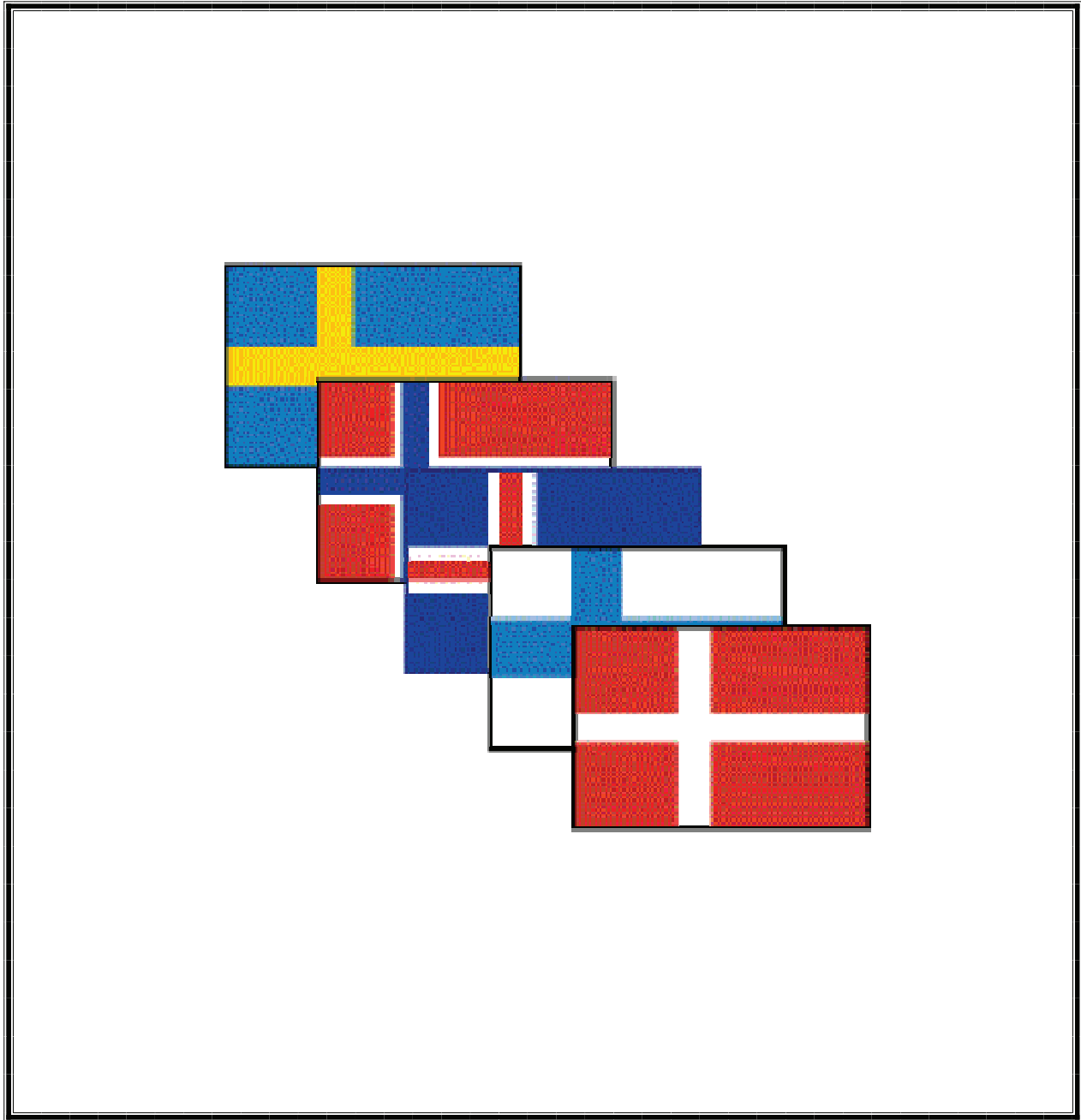


CANADA *and the* WORLD

B A C K G R O U N D E R



NORDIC STATES

MAY 2010

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CANADA and the WORLD

BACKGROUNDER

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The First Nordics

The Saami people live across the northern cap of Europe. They have been there for upwards of 2,500 years and may be descended from an earlier culture that lived along northwestern Europe's coastline 8,000 to 10,000 years ago. Their ancestral homeland stretches across northern Norway, Sweden, Finland, and into Russia.

As with Canada's Indigenous People, the Saami lived off the land by fishing and hunting. Later, they learned to herd the reindeer that supported their way of life. They were entirely self sufficient and required nothing from outside their communities.

However, the outside came into their lives anyway. In the 19th and 20th centuries, pressure built on the Saami culture. There were resources, such as hydroelectric potential, minerals, and forests that the southerners wanted.

For the first 40 years of the 20th century, Norway went to great lengths to stamp out the Saami way of life by insisting

FACT FILE

Saami are sometimes called Lapps, but that is a name imposed on them by outsiders and is now considered offensive.



The indigenous Saami people of Northern Scandinavia used to live in tipi-like tents called lavvo, frames of which are seen here outside Tromsø, Norway.

that anyone who wanted access to land in the region in which they lived had to speak Norwegian.

The other Nordic countries were not so blatant in their attempts to destroy the Saami, but assimilation nevertheless weakened their cultural identity. This mixing with southerners makes it difficult to give an accurate number of how many Saami there are today; estimates range between 30,000 and 135,000, with about half of them in Norway. There are now only 2,800 who carry on the traditional reindeer-herding way of life.

A more enlightened view of the Saami began to take hold half a century ago. Today, they have

their own parliaments in Norway, Sweden, and Finland, although they have few powers. However, the Saami enjoy special rights in all Nordic regions

In general, the Saami have fared better than Canadian Indigenous People. Apart from the few who still live on the land, they have integrated into Scandinavian society. As *everyculture.com* puts it "it is more common to see a Saami driving a Volvo than to see one herding reindeer."

Website

Saami Council - <http://www.saamicouncil.net/?deptid=1116>

Number Crunching

The UN's Human Development Report ranks countries according to health, income, and social conditions. Iceland's high ranking will probably change in 2010 when the collapse of its economy is factored in.

International Living is a magazine that focuses on travel, lifestyles, investment, etc. Every January it publishes a "Quality of Life Index" that is created by measuring such elements as cost of living, climate, crime rates, freedom, culture, and leisure.

Jane's Information Services is a U.K.-based company that specializes in gathering data on defence systems and conflicts. In 2008 it published an index of the 50 best countries from the standpoint of stability and prosperity.

The Happy Planet Index (HPI) was created by the New Economics Foundation to combine human well being and environmental impact; it has little to do with wealth and more to do with life satisfaction. Costa Rica, Dominican Republic, and Jamaica fill the first three places.

Best Place to Live: World rankings				
	UN Development Report 2009	Quality of Life Index 2010	Jane's Information Services 2008	Happy Planet Index 2009
Denmark	16th	16th	12th	105th
Finland	12th	18th	29th	59th
Iceland	3rd	48th	16th	94th
Norway	1st	12th	20th	88th
Sweden	7th	30th	2nd	53rd
Canada	4th	9th	23rd	89th

Government						
	Denmark	Finland	Iceland	Norway ¹	Sweden	Canada
Debt as % of GDP	38.5%	41.4%	95.1%	60.2%	43.2%	72.3%
Current budget deficit as % of GDP	5.5%	2.2%	18.0%	0%	3.4%	3.5%
Corruption ²	9.5	9.6	9.7	8.9	9.2	8.4
Percentage of parliamentary seats held by women	38%	37%	35%	36%	43%	21%

¹Norway is able to balance its current budget by dipping into its oil and gas royalty fund. Canada has no such fund.

²Perception of corruption by business people and analysts; 10 means completely clean and 0 means totally corrupt.

Sources: U.S. Dept. of State, national governments, Transparency International, Inter-Parliamentary Union

NORDIC STATES - NUMBERS

Health Statistics						
	Denmark	Finland	Iceland	Norway	Sweden	Canada
Life expectancy	78.3	78.9	80.7	79.9	80.9	81.2
Obesity rate	9.5%	14.9%	20.1%	9.0%	10.2%	15.4%
Tobacco use daily smokers	25.0%	20.6%	19.4%	22.0%	14.5%	18.4%
Alcohol litres per capita	12.1	10.5	7.5	6.6	6.9	8.1
Suicide rate per 100,000	9.9	16.7	11.4	10.8	11.3	10.2

Sources: Organization for Economic Cooperation and Development, CIA Factbook

Environment						
	Denmark	Finland	Iceland	Norway	Sweden	Canada
Ecological footprint ¹	9.88 ha	8.45 ha	6.02 ha	6.13 ha	7.53 ha	7.66 ha
Environmental performance ranking ²	69.2	74.7	93.5	81.1	86.0	66.4
World rank in Environmental performance	32nd	12th	1st	5th	4th	46th

¹The Ecological Footprint data is created by the environment group Redefining Progress; it measures resource consumption and waste output compared to the renewable capacity of Nature. It is quoted in the number of hectares (ha) of Earth's land surface occupied by each person's impact on the planet. According to Redefining Progress, the planet can sustain an individual footprint of 1.89 hectares; when an individual's footprint exceeds that size their use of resources is unsustainable.

²The 2010 Environmental Performance Index (EPI) ranks 163 countries on 25 environmental policies, where a score of 100 is the best possible.

Big Mac Index: The cost of the iconic burger in \$U.S. at exchange rates in January 2009

Denmark	Finland	Iceland	Norway	Sweden	Canada
\$5.07	n.a.	\$6.36 ¹	\$5.79	\$4.58	\$3.36

¹ The collapse of the Icelandic economy prompted McDonald's to close all three of its outlets because its food became too expensive.
Source: *The Economist*

NORDIC STATES - NUMBERS

The Economies						
	Denmark	Finland	Iceland	Norway	Sweden	Canada
GDP per capita	\$36,200	\$34,900	\$39,800	\$59,300	\$36,800	\$38,400
GDP per capita (1973)	\$13,415	\$10,770	n.a.	\$10,230	\$13,495	\$13,640
Growth rate 2009	-4.3%	-7.6%	-6.3%	-1.1%	-4.6%	-2.4%
Inflation 2009	1.3%	0%	12%	2.3%	-0.5%	0.2%
Labour productivity growth	-2.4%	-0.3%	1.3%	-1.3%	-1.8%	-0.6%
R&D spending as % of GDP	2.4%	3.5%	2.8%	1.5%	3.8%	1.9%

Sources: OECD, CIA Factbook, economist Angus Maddison

Crime			
	Murders per 100,000	Total number of crimes per 1,000 ¹	Prison population per 100,000
Denmark	0.8	92.8	77
Finland	2.8	101.5	75
Iceland	1	n.a.	40
Norway	0.8	71.9	66
Sweden	2.4	n.a.	82
Canada	1.9	75.5	107

¹This item is included to illustrate the difficulties with statistics. On the face of it Finland appears to have ten times more crimes than Venezuela (9.3 per 1,000 people). The reality is that the figures show that Finns have a better police force than Venezuelans and are therefore far more likely to report crimes.
Sources: International Centre for Policy Studies, United Nations Development Program, United Nations Survey of Crime

War and Peace		
	Military spending as % of GDP	Global Peace Index 2007 ¹
Denmark	1.3%	Third
Finland	2.0%	Sixth
Iceland	0	Not ranked
Norway	1.9%	First
Sweden	1.5%	Seventh
Canada	1.2%	Eighth

¹ Produced by *The Economist* and ranking countries most at peace and striving for peace
Sources: CIA Factbook, *The Economist*

NORDIC STATES - NUMBERS

Personal Economics						
	Denmark	Finland	Iceland	Norway	Sweden	Canada
Unemployment rate	4.3%	8.5%	9.4%	3.2%	9.3%	8.5%
Poverty ¹	2.1%	2.8%	4.2%	3.5%	2.5%	7.0%
Distribution of family income ²	24	26	25	28	23	32
Social spending as % of GDP	28.5%	23%	na	26%	32.0%	18.5%
Taxation as % of GDP ³	48.9%	43.6%	41.4%	43.4%	48.2%	33.3%

¹ Defined as having an income 40% below national median.

²This index measures the degree of inequality in the distribution of family income in a country. The lower the number the smaller the gap between rich and poor.

³Corporate and personal taxes combined.

Sources: OECD, CIA Factbook, *The Economist*

Global Warming				Government Spending			
	Per capita emissions of CO ² in tonnes	Cut needed to reach global average	Climate change world rank		Education as % of GDP	Health as % of GDP	International aid as % of GDP
Denmark	9.2	55.7%	116th	Denmark	8.3%	8.3%	0.80
Finland	12.2	65.3%	115th	Finland	6.4%	7.2%	0.39%
Iceland	7.5	n.a.	1st	Iceland	7.6%	9.5%	na.
Norway	7.9	48.9%	47th	Norway	7.2%	8.4%	0.89%
Sweden	5.1	21.5%	11th	Sweden	7.1%	8.2%	1.03%
Canada	17.4	73.7%	141st	Canada	5.2%	8.8%	0.30%

Sources: International Energy Agency, Environmental Performance Index

Sources: CIA Factbook, OECD

People First

The basic set-up of the Nordic welfare state depends on tax-financed public provision of a large number of social services. These include child care, basic and advanced education, hospital care and health services, and care for the elderly. The core of the Nordic model is that everyone has access to these programs

Various studies have shown that Nordic countries “succeed better than other countries in combining economic efficiency and growth with a peaceful labour market, a fair distribution of income, and social cohesion. The model is pointed to as a source of inspiration for other people in their search for a better social and economic system.”

Those words came from the Research Institute of the Finnish Economy (ETLA) and they are echoed by observers around the world.

In its 2007 report, *The Nordic Model*, ETLA outlines the principal features of the system. They include:

- ♦ a comprehensive welfare state with an emphasis on money transfers to households and publicly provided social services financed by taxes, which are high notably for wage income and consumption;

- ♦ a lot of public and/or private spending on investment in human capital, including child care and education as well as research and development (R&D); and,
- ♦ a set of worker protections that include strong labour unions and employer associations, significant elements of wage coordi-

“We believe that social and labour market policies have been important in mobilizing political support in the Nordic countries for openness to new technology in production, free international trade, and competition in domestic markets.”

The Nordic Model, Embracing Globalization and Sharing Risks, The Research Institute of the Finnish Economy, 2007

nation, relatively generous unemployment benefits, and a prominent role for government in protecting workers’ rights and helping people find jobs.

The report, which focuses on Finland, Denmark, and Sweden, points out that they are among the most competitive countries

in the world. The World Economic Forum ranked them in the top six nations out of 131 for 2007-2008. They also get top marks for innovation in a 2007 study by the German Institute for Economic Research.

The economic theory that most Western governments have followed for three decades is based on minimal government interference in business and low taxation. Its foundation is that when corporations do well everybody succeeds. According to this notion, the Nordic model doesn’t work.

To those puzzled by a healthy economy combined with high taxes, generous social programs, and strong labour unions, ETLA says it has a lot to do with the nature of public spending. The public purse opens for such items as child care and education, infrastructure, research, employment subsidies, and job training.

NORDIC STATES - THE NORDIC MODEL

DEVELOPMENT OF THE WELFARE STATE

A strong economy and social equality is the combined goal of Nordic welfare states. The notion that everyone is entitled to equal access to social and health services, education, and culture is generally accepted. Most of the social welfare tasks in Scandinavian countries are handled by the state or local authorities, and only to a limited extent by individuals, families, churches, or national welfare organizations. That means a broad-based taxation system with high taxes. The benefits are generous and everyone is entitled to them.

As the Royal Danish Ministry of Foreign Affairs explains, an important part of the

Nordic model has been the political desire to ensure full employment since the Second World War. While unemployment remains a problem, Foreign Affairs says Scandinavian countries have the highest participation rate in the world.

In its report on conditions of life in Denmark, it describes the Scandinavian welfare model as one that "acts within a controlled capitalist market economy in which inequalities in income distribution and the concentra-

tion of wealth and power are allowed less free play. In political terms, there is in all the Scandinavian countries a parliamentary democracy with close relations between the organizations representing the interests of both employers and employees and the political

system. The relaxed attitude of the population towards both the central government and the other public authorities is a fundamental characteristic of the political system."

But, the report argues that the system is not driven by political ideology: over the last century, all political parties, including non-socialist ones, have supported the develop-



In 2006, Sweden spent nearly four percent of GDP on research and development, the highest ratio in the world. On average, the Nordic countries spend three percent of GDP on R&D, compared with around two percent in the English-speaking countries.

ment of the welfare state.

"Thus, the welfare state does not represent a common Social Democratic ideology, but a national political compromise on how to organize and finance the social, health, and educational benefits on which a political decision has been taken to provide for the population...Consequently, a welfare system has been established which is more harmonious and in many areas more comprehensive than in most other countries in the world."

CHALLENGES TO THE NORDIC SYSTEM

With all its success, the Nordic model is facing a number of challenges, particularly as a result of globalization and an aging population. Many think the system will have to be reformed to keep it running successfully

The most serious challenge to the Nordic welfare state is changing demographics, with the baby boom generation of the 1940s and 1950s entering retirement. That will place a huge demand on social services relating to age: not only are many in this generation retiring early, they are living longer.

It's been estimated that the working-age population in Finland, for example, will decline from 66.5 percent (in 2007) to 57.5 percent by 2040. Those over 65 will increase from 16 to 26 percent of the population, and those over 85 will grow from below two to more than six percent over the same period.

Figures are similar for Denmark and Sweden.

For the Nordic system to work there has to be a balance between those contributing funding through taxation and those receiving benefits. The goal of the region is not to overhaul the structure but to refine it in order to compete in the global economy but maintain social cohesion.

According to a 2007 discussion paper by the Nordic Council of Ministers, "It is not possible to retain the welfare model without having more people work, and remain working for longer."

In its report (*What Lies ahead for the Nor-*

dic Model?), the Council says the challenge might be to find a better balance between schemes that ensure that it is always more profitable to work than to receive benefits, but still provide an economic and social safety net for people who face periodic unemployment.

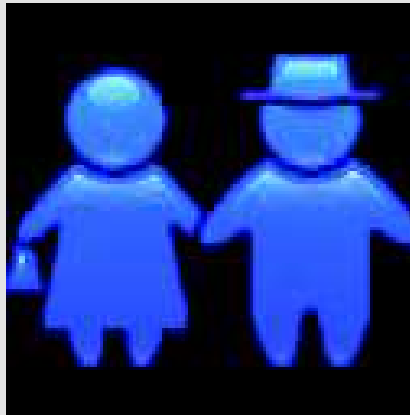
With an aging, more ethnically diverse,

and more urban population, the Council concludes that the welfare society needs to:

- ♦ Keep working-age people employed as long as possible and reverse the trend toward early retirement;
- ♦ Possibly, increase the birth rate; and,
- ♦ Improve integration of immigrants into the workforce, and attract and keep mi-

grant workers. (Some argue that low-skill migration produces additional strains on welfare-state financing because such migrants typically receive benefits that exceed what they pay in taxes.)

The authors of *The Decline of the Welfare State* (Assaf Razin and Efraim Sadka) argue that aging populations, migration, and globalization will make it impossible for the welfare state to maintain itself on such a large scale. Published in 2005, the book suggests that these pressures will shift the balance of political power and lead to public support for cutting back traditional welfare-state benefits rather than expanding them.



NORDIC STATES - THE NORDIC MODEL

“High taxes are economically harmful, but their negative effects can be mitigated if public spending supports employment and growth...” explains the study.

The authors go on to stress the importance “of a high level of trust and absence of corruption.” If the public has confidence the government is not stealing or misusing its money it will strongly support a large public sector.

The result is a society renowned for the universal nature of its social programs, along with strong ties between welfare and labour-market policy.

Employment and flexible working arrangements are high, as are birth rates, according to Norden, a cooperative organization for the Nordic region. The very fact that women have access to affordable child- and elder-care, allows them to enter the labour market and the political arena to a greater degree than in other parts of the world. And, that means they’re contributing to the tax base that supports the social programs that benefit everyone.

In its report, *About the Nordic Welfare Model*, Norden says the system is one of the most successful in the rankings of rich, developed economies. Gender equality, care of the elderly, health centres and hospitals are examples of areas in which the Nordic countries have excelled.

And, an article in *Scientific American* (November 2006) points out that the low-tax, high-income countries are mostly English-speaking ones. They are linked historically with 19th cen-



Between the early 1980s and 2007 the number of people over the age of 60 has grown by nearly 800,000 in Nordic countries; the population between 15 and 59 has increased by 1.5 million. In the next 25 years, there will be an additional 2,452,000 people over 60, and about 1,455,000 fewer between 15 and 59.

In Norway, for example, population projections show that the number of people over 80 will increase by 150 percent between 2003 and 2050, while the working-age population during the same period will increase by only 15 percent.

tury Britain and its theories of economic *laissez-faire*, (free-market capitalism). They include Australia, Canada, Ireland, New Zealand, the U.K., and the U.S. “The high-tax, high-income states are the Nordic social democracies, notably Denmark, Finland, Norway, and Sweden, which have been governed by left-of-center social democratic parties for much or all of the post-World War II era.”

The article points out that Nordic countries have a “healthy respect for market forces,” but they combine this with a strong belief in the need for anti-poverty pro-

grams. Typically, Nordic governments set aside 27 percent of gross domestic product (GDP) for social programs. The average in English-speaking countries is about 17 percent of GDP.

Not surprisingly, poverty rates are lower in Nordic countries and average income is higher. And still, their government budget surpluses are higher, or deficits lower, as a percentage of GDP than those of Anglo-Saxon countries.

“(Economist) Friedrich Von Hayek was wrong. In strong and vibrant democracies, a generous social-welfare state is not a road to serfdom but rather to fairness, economic equality, and international competitiveness.”

Scientific American,
November 2006

According to the *Scientific American* article, Nordic countries “maintain their dynamism despite high taxation in several

EDUCATION

Education is a crucial part of the Nordic system and Finland is a model in itself.

A recent report at *BBC News* (April 7, 2010) explained that Finnish educators believe that everyone has something to offer and those who struggle in a particular subject are given extra help. But, rather than being placed in a separate classroom, students with difficulties receive more attention from an extra teacher available in every class.

The OECD (Organization for Economic Cooperation and Development) has found that Finnish children spend the fewest number of hours in the classroom in the developed world. However, they scored the highest average results in science and reading in 2006. And, they came second in math, after South Korea.

The exams, known as PISA (Program for International Student Assessment), tested more than 400,000 students in 57 countries in 2006. The focus of the report was on science but the assessment also included reading and

mathematics and collected data on student, family, and institutional factors that could help to explain differences in performance.

Not surprisingly, students from families with a more advantaged socio-economic background were more likely to show a general interest in science, especially if they had a parent in a science-related career.

However, the study found that streaming children at an early age based on academic ability increased the impact of socio-economic background, lowering student performance on average.

When the report was released in Tokyo in April 2007, OECD Secretary-General Angel Gurría emphasized the importance of educa-

tion for the development of people and society. "Effective and innovative education policies open enormous opportunities for individuals," he said. "They also underpin healthy and vibrant economies. In the highly competitive globalized economy of today, quality education is one of the most valuable assets that a society and an individual can have."



"We see it as the right of the child to have daycare and preschool. It's not a place where you dump your child when you're working. It's a place for your child to play and learn and make friends. Good parents put their children in daycare. It's not related to socio-economic class." Eeva Penttala, head of international relations for Helsinki's education department, Globe and Mail, June 2009.

NORDIC STATES - THE NORDIC MODEL

ways. Most important, they spend lavishly on research and development and higher education. All of them, but especially Sweden and Finland, have taken to the sweeping revolution in information and communications technology and leveraged it to gain global competitiveness.” (see article on page 24)

A United Nations study a year earlier (*Social Policy and Economic Development in the Nordic Countries*, 2005) also came to the conclusion that social protection and economic development can go hand in hand. According to the report, not only have Nordic countries succeeded in combining objectives thought to be at odds with each other, the welfare state has actually played an important role in economic development.

The report explains that after World War II Nordic countries tied economic and social policies together. It says the plan was to ease the transition from farming to industry. “Social and housing policies facilitated the migration of agrarian labour force from the countryside to the factories in cities. The lowering of income differences was seen as an important factor of guaranteeing smooth economic growth.”

So, by focusing on equity and the value of everyone’s contribution to society, they fostered a solid foundation of security upon which economic development could thrive. “A social policy is much more than just guaranteeing security against various social risks,” states the study. “Social policy creates and fortifies social bonds and may enhance the development of social capital.” By



In Finland, children don’t start primary school until age seven. It’s believed that they learn best from play until then, and from the age of eight months, all children have access to free, full-day daycare and kindergarten. In addition, primary and secondary schools are combined to avoid the potentially disruptive transition from one school to another. There also is a culture of reading with children at home and parents have regular contact with teachers. As well, all primary-school teachers have master’s degrees and the profession as a whole is highly valued, as is the public school system.

unifying people, social programs promote stability.

Family policy programs that reduce poverty provide economic security for children, which leads to better performance in school and, later, achievement in the labour market. Equality gives everyone access to education and culture, and that improves society as a whole by opening up opportunities to all. Universal health care makes for a healthy as well as sophisticated population. It’s all designed to improve the well-being of individual citizens to enhance all of society.

British social scientists, Richard Wilkinson and Kate Pickett agree that equality is a plus for

everyone generally. They wrote a book about it, called *The Spirit Level: Why More Equal Societies Almost Always Do Better*, published

FACT FILE

In school science test results Finland was followed by Hong Kong-China, Canada, Chinese Taipei, Estonia, Japan, and New Zealand. Australia, the Netherlands, Korea, Germany, the United Kingdom, the Czech Republic, Switzerland, Austria, Belgium, Ireland, Liechtenstein, Slovenia, and Macao-China also scored above OECD average.

QUESTIONING THE FUTURE

The Nordic Council of Minister's Five-year Program on Welfare Research, which financed 15 research projects, wrapped up in May 2006. In its discussion paper the following year, the Council raised a number of questions on the future of the Nordic welfare model.

Will it be possible to score high on welfare, competitiveness, and innovation in the future, considering how the global competitive economy is evolving? Should we introduce more needs evaluations, link welfare services more to earned entitlements, define what the public sector should offer and finance, and define the responsibility of the private individual?

The Council also raised the issue of private versus public welfare provision, commenting that models in which the private and public sectors are working together are being developed in several European countries.

"Despite active political efforts in some Nordic countries to prevent private involvement, a parallel private market is evolving for welfare services...People are becoming more uncertain about whether they will receive the services they need from the public sector, and those who can afford to do so buy health insurance and private nursing and care services."

Several years earlier, in 2002, the Royal Danish Ministry of Foreign Affairs observed that all the Scandinavian countries were developing a supplementary welfare system, "giving greater benefits to those who are in the labour market. This is a clear deviation from the equality principle which is at the heart of the Scandinavian welfare model."

The Research Institute of the Finnish Economy (ETLA) put it this way in 2007 in its report, *The Nordic Model, Embracing Globalization, and Sharing Risks*: "With higher mobility of labour it becomes increasingly possible to benefit from the entitlements without sharing the cost (paying the taxes).

"... the present welfare arrangements originated and developed in the 1960s and 1970s at a time of high economic growth and low unemployment. It has never been the intention either with unemployment, sickness benefits, or with cash benefits that so many people should receive them or that they should receive them for so long as has been the case in recent years. The financing of the welfare state has thus become a problem, and as it has not been politically possible to increase taxes, which are already very high, the Scandinavian countries have accrued a very large national debt which on the long view could represent a threat to the welfare systems."

Royal Danish Ministry of Foreign Affairs, Denmark – Conditions of Life – The Scandinavian Welfare Model, 2002

"There are many examples. Graduates from domestic tax-financed universities increasingly make their careers (and pay their taxes) abroad. Citizens who have spent most of their working lives (and paid their taxes) abroad, return to their home country after retirement to collect the benefits of free (or cheap) hospital care and care for the elderly...With increasing claims on entitlements...and eroding tax bases...the long-run sustainability of the Nordic model could be in serious jeopardy."

But, while it needs significant reform, ETLA believes the core of the Nordic model should be preserved, sharing both benefits and risks.

NORDIC STATES - THE NORDIC MODEL

in 2009. The authors provide plenty of evidence that rich countries where incomes are more evenly distributed have longer-lived citizens and lower rates of obesity, delinquency, depression, and teenage pregnancy than richer countries where wealth is more concentrated.

SUGGESTED ACTIVITIES:

1. A 2006 Scientific American article made this comment: "The results (under the Nordic model) for the households at the bottom of income distribution are astoundingly good, especially in contrast to the mean-spirited neglect that now passes for American social policy. The U.S. spends less than almost all rich countries on social services for the poor and disabled, and it gets what it pays for: the highest poverty rate among the rich countries and an exploding prison population. Actually, by shunning public spending on health, the U.S. gets much less than it pays for, because dependence on private health care has led to a ramshackle system that yields mediocre results at very high costs." Contrast this with the current situation in the U.S. under President Barack Obama.

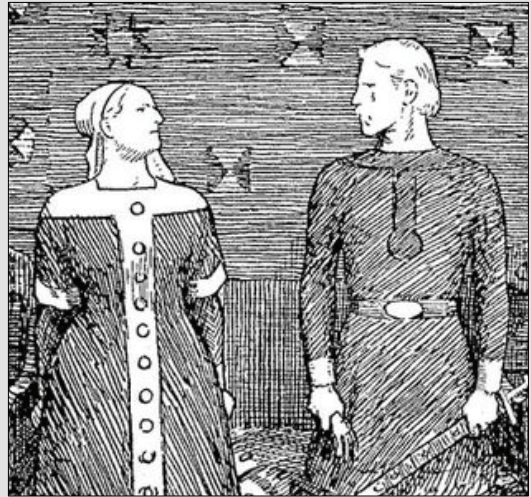
2. The Nordic Council of Ministers says Spain is one of the countries going furthest in evolving new models that combine public and private elements. It gives the example of the Swedish health-care company Capio, which has received a 30-year contract to run the primary and specialist health service in a Madrid suburb with 130,000 inhabitants. The health service is still publicly financed and available to all

FACT FILE

The membership of the Danish Women's Society was one-third male, around 1900.

PIONEERING FOR WOMEN'S RIGHTS

Some believe the foundation of the Nordic welfare model is gender equality. From 1909 until 1929 the Nordic countries worked together to reform marriage laws with gender equality at its



core. The project had as much to do with economics as equality, because male-dominated society "had become a liability to the economy," says the Danish Centre for Information on Gender, Equality, and Ethnicity. "The project was so radical that the rest of Europe did not achieve the same levels of equality until the 1970s."

One of the aims was to preserve the nuclear family which was becoming less appealing to many women because of its history of male dominance. In 19th century democratic Denmark, the man was still the head of the family with full authority over his wife's property and income, as well as parental control. On entering marriage women had to promise obedience to their husbands, and feared losing their children in the event of a marital split.

The reforms made marriage a civil contract between two equal parties.

inhabitants, but is run by a private company. The Council says a parallel in the Nordic countries might be the Swedish school system. Private schools can provide educational services with public financing within the same framework as public schools. Several panel members feel that the Nordic countries risk using resources inefficiently, having wider social gaps, and too little quality development and innovation unless new

models are created for collaboration with private and non-profit parties. Research how the changes are working in Spain.

Website

The Nordic Model - http://www.etla.fi/files/1892_the_nordic_model_complete.pdf

A Nordic Country?

Canada and the Nordic countries are moving further apart on social policy

Geography makes Canada a Nordic country. In common with Denmark, Iceland, Norway, Sweden, and Finland, we all have land within the Arctic Circle.

(Iceland just squeaks in with the tiny island of Grimsey - 40 km north of the mainland -, which sits smack on the Arctic Circle. Denmark qualifies through its loose sovereignty over Greenland.)

All these nations are maritime with long coastlines in relation to their size. That makes fishing and ocean ecology items of great interest in all capitals. All six countries are thinly populated (Denmark is an exception), tend to concentrate in a few cities, and have to endure miserable weather at times. Again, except for Denmark, the wilderness is never very far away. Economically, this group of countries has relied heavily on primary industries such as mining, forestry, fishing, and agriculture.

Government systems in all countries are similar but not identical. In all countries, everybody over the age of 18 gets to cast a ballot in elections, but Canada is the only one to have a first-past-the-post system of deciding who wins. All the Nordic

by an appointed Governor-General. Finland and Iceland are republics with elected presidents, although in Iceland the job is mostly ceremonial.

Canada is the only one of the six to have an upper house – the appointed Senate. The group of

countries is secular with a separation of church and state. Those few similarities and a whole lot of evergreen trees just about sums up the ways in which Canada and the Nordics are alike today.

However, the countries came to be more alike almost half a century ago. That was a time when the

collective good of society was seen as more important than individual freedom.

For 15 years from the mid-1960s the Liberal governments of Lester B. Pearson and Pierre Elliot Trudeau enacted a series of social reforms. But, the process of adopting “The Nordic Way” (it wasn’t called that back then) began in September 1960.

The Liberal Party had been



countries have proportional representation in which parliamentarians are elected based on the percentage of the popular vote their party receives.

Denmark, Norway, and Sweden are constitutional monarchies where the head of state is a hereditary monarch; the positions are largely ceremonial. Canada’s head of state is also a royal, Queen Elizabeth II, represented

TO TAX OR NOT TO TAX

People in Nordic countries pay more taxes than Canadians to support a more extensive package of social programs. Almost 49 percent of the average Dane's income goes to taxes, while the average Canadian pays 33 percent.

The conservative argument in favour of lower taxes is that it encourages higher levels of business investment. This creates more jobs and, with more people earning, tax revenues go up.

Since coming to power in 2006, the Conservative government has lopped several percentage points off corporate taxes, personal income tax, and the Goods and Services Tax. Cuts to taxes are popular with voters.

When Liberal leader Stephane Dion proposed putting a tax on carbon as a way of combatting climate change he was badly mauled by voters. Lawrence Martin in *The Globe and Mail* (March 11, 2010) says Liberals won't even mention tax increases now. The nearest they have come is for party leader Michael Ignatieff to say, after a March 2010 policy conference, that planned corporate tax cuts should be cancelled.

The Conservative Party has mocked the suggestion. However, Mr. Ignatieff has re-

ceived support from an unlikely quarter. In a poll of 151 top business executives (March 2010) almost three



out of five say some tax increases may be necessary if Ottawa is to balance its books.

And, there's evidence to back the notion that higher taxes result in a better quality of life. Two York University tax law professors – Neil Brooks and Thaddeus Hwong – compared six Anglo-American countries including Canada with four Nordic nations.

In their December 2006 report they say that “high-tax countries have been more successful in achieving their social objectives than low-tax countries. Interestingly, they have done so with no economic penalty.”

They looked at 50 indicators, such as poverty, gender equality, health outcomes, etc. In 42 categories the Nordics outperformed the Anglo-American group.

badly mauled in the federal election of 1958. Prime Minister John Diefenbaker's Progressive Conservatives trounced the Liberals after the latter had been in power for decades. Party leader Lester B. Pearson set about rebuilding the brand and one of the key strategies was a conference in Kingston, Ontario.

Pearson brought a lot of deep

thinkers to the meeting to deliver papers and discuss policy. From the conference came the blueprint for Liberal social policies. Back in power in 1963, the Liberals embarked on a flurry of left-of-centre social policies similar to those in Scandinavia. These included: the Canada Student Loan Program (1964); the Canada Pension Plan (1965); univer-

sal health care (1966); Company of Young Canadians (1966); Canadian International Development Agency (1968); homosexuality was decriminalized in 1969; Status of Women Canada (1971); Multiculturalism was made official state policy (1971); Unemployment Insurance Act extended to cover sickness and maternity leave (1971); and so on.

NORDIC STATES - CANADA: A NORDIC COUNTRY?

Swedish-born Canadian Gideon Sundback, improving on the work of others, designed the "Separable Fastener" in 1913; the device later became known as the "zipper."



There were other initiatives that extended the activities of the state into the lives of Canadians – a national labour code, government-funded crop insurance, and legal aid for those who could not afford to hire a lawyer.

For those on the left of the political spectrum these were promoted as ways of helping the less fortunate in society. The programs were to be paid for by progressive taxation that redistributed income; the more you earned, the more taxes you paid.

Those on the right criticized such measures as interfering with the freedom of individuals to control their own lives. The growth of a "nanny state" created huge government bureaucracies and an unfair tax burden.

But, the tax burden was not, in fact, high enough to pay for all these programs and Ottawa started to rack up some big debts. At first, nobody bothered much about the debt. Most Canadians loved their comprehensive social programs and politicians, seeking to be elected, didn't like to remind voters they had

to be paid for. In 1985, the debt reached \$200 billion. In 1992, it blasted through \$400 billion and it reached the half trillion mark in 1994.

Canada's national debt was now so massive that it could no longer be ignored. Out of every dollar Ottawa collected from taxpayers, 40 cents was going to pay just the interest on all the money the country had borrowed.

The Liberal government of Jean Chretien started to slash government spending. Through the 1990s, the cherished social programs of Canadians began to decline. It became way more difficult to qualify for Unemployment Insurance benefits; students had to pay higher tuition fees at universities; hospital beds were closed and wait times for treatment got longer.

The deal was sold to Canadians as "Short term pain for long term gain;" when the debt was back under control, social programs could be ramped up again. But, the re-investment in the public good has never happened.

Once the budget was bal-

anced, Liberal Finance Minister and later Prime Minister Paul Martin cut taxes instead of boosting social spending. Murray Dobbin, writing for *rabble.ca* (January 20, 2006) points out that starting in 2000, Martin "cut taxes by \$100 billion over five years." The effect of cuts such as these is to lock in the downsized nature of social programs. Any future politician who wants to revive the welfare state must first increase taxes, and that's a recipe for electoral disaster.

(On November 14, 2003 Paul Martin was chosen as Leader of the Liberal Party and became Prime Minister of Canada. In his acceptance speech he said: "The true challenge of leadership is to rally a nation to its unfulfilled promise. To build a society based on equality, not privilege; on duty, not entitlement. A society based on compassion and caring; not indifference or neglect.")

Despite those noble sentiments, Paul Martin was now in a Canada where the political climate had changed under the influence of the United States. The idea that all people had a duty to help the less fortunate gave way to the belief that each individual should be responsible for her or his own welfare. Government programs, many people came to believe, were not the solution, they were the problem. Public services could be provided more efficiently if they were run by private enterprise and individuals could have the freedom to chose among the options.

Right-wing governments such as that of Stephen Harper's Conservatives were voted into power. The bedrock of their ide-

NORDIC STATES - CANADA: A NORDIC COUNTRY?

ology is that the best government is the smallest one.

Since Mr. Harper took over the reigns of government he has put this philosophy into action, moving Canada away from the Nordic model.

On March 11, 2010, columnist Lawrence Martin wrote about this in *The Globe and Mail*:

“National programs such as daycare and the Kelowna Accord on Native health and education have been scrapped. Multiculturalism, that old Liberal fundamental, is being curbed as limits to cultural tolerance are advocated. The country’s new citizenship guide has a more conservative lean.”

The folks over at the Canadian Health Coalition (CHC) have spotted an erosion of Medicare, which is supposed to provide equal access to care and not be for profit. In an October 2008 report, CHC found 42 diagnostic clinics, 72 surgical hospitals, and 16 physicians in Canada all operating on a for-profit basis.

“Among these clinics,” said the report, “we found evidence to suspect 89 possible violations of the Canada Health Act in five provinces. These include clinics that appear to be selling two-tier health care and extra billing patients for medically-necessary services.” The group concludes that “the federal government is not enforcing the Canada Health Act to protect patients from increasingly aggressive attempts to dismantle equal access to health care for all Canadians.”

Writing for the left-leaning Canadian Centre for Policy Alternatives (September 2008), Ed Finn says, “Governments have



Eighty-five percent of Swedes live in the country’s southern half; more than 80 percent of Canadians live within 200 kilometres of the Canada/U.S. border.

thus been transformed from guardians of the public good to boosters of private profit, from seekers of social justice to destroyers of the welfare state.”

Mr. Finn even quotes the former Conservative Premier of Alberta, Peter Lougheed, as saying: “We are becoming increasingly Americanized and this imposes an un-Canadian individualism on our ethic.”

But, does it? Canadians have twice voted for a right-of-centre government. In 2006, the Conservative Party won 124 of Canada’s 308 seats; more than any other party but not enough for a majority. In 2008, the Conservatives won 143 seats, still not enough for a majority, but showing an increase in popularity.

The latest Ekos opinion poll (March 2010) shows the Conservatives (33.1 percent) more popular than any other party. Their nearest rival, the Liberal Party, is the choice of 28.9 percent of Canadians. And, as the

liberals have moved away from their left-of-centre policies of the 1960s and ‘70s, a clear majority of Canadians seems to favour a less Nordic approach to social organization.

SUGGESTED ACTIVITY:

Writing for the left-leaning Canadian Centre for Policy Alternatives (September 2008), Ed Finn asks: ‘Weren’t governments originally established to protect and advance collective interests? And wasn’t such an overriding purpose inherently hostile to the cult of individualism? Indeed it was, and so the corporate, political, media, and academic champions of ‘individual rights and freedoms’ had to reverse this prime government mandate. They had to convert government into a mechanism for promoting private and individual interests instead.’ Discuss.

Website

Canadian Nordic Society -
[http://www.
canadiannordicsociety.com/](http://www.canadiannordicsociety.com/)

The Art of Cooperation

After some early hostilities the Nordic countries have settled into political harmony

Patching together the political history of the Nordic region can be a challenge. The boundaries among the countries that make up the region – Denmark, Finland, Iceland, Norway, and Sweden – have been fluid over time. So has the sovereignty of each nation.

In the 13th century, Finland was part of Sweden and Iceland belonged to Norway. In the next century, they all joined together in the Kalmar Union. When that broke up, Denmark and Norway were, effectively, a single nation.

Sweden/Finland and Denmark/Norway were then sworn enemies for about 300 years. Several wars were fought as the two sides tried to establish dominance in the region.

In the 19th century, a weakened Denmark handed Norway over to Sweden. However, Sweden lost control of its eastern half (mostly, what is now Finland) to Russia. Denmark also gave in to Iceland's increasing demand for independence and granted it home rule in 1874. A complete separation came in 1944, when Icelanders voted to sever ties to Denmark's monarchy.

In 1905, Sweden and Norway separated peacefully. Then, dur-

ing the turmoil of the Russian Revolution (1917), Finland seized the opportunity to set itself up as an independent nation for the first time.

Since then, stability has more or less settled in with boundaries and sovereignties pretty much as they are today.

While most of the countries of Europe were busy bashing themselves to pieces in World War I (1914-18), the Nordics

“Even we right-wing politicians, if we were in England or Canada, would be seen as being very left-wing.”

Swedish Liberal Party Member of Parliament Tina Acketoft, quoted in *The Globe and Mail*, September 16, 2006.

stayed out of the fight. They tried to do the same in the second round of warfare (1939-45) but were not so fortunate. Germany occupied Denmark and Norway, the Allies occupied Iceland and Greenland, and the Finns got involved in a nasty brawl with both the Soviet Union and Germany. However, for the most part, they avoided the devastation that flattened large parts of Europe.

The Nordics tried to remain neutral during the Cold War when Western nations squared off against the Soviet Union. In

practice, neutrality was impossible.

In 1949, Denmark, Iceland, and Norway threw their lot in with the Western allies by joining the North Atlantic Treaty Organization (NATO) a mutual defence group.

In theory, Sweden and Finland remained neutral, although Sweden cooperated closely with NATO.

Finland was in a tough spot. Its sentiments were with the Western alliance, but it shared a long border with the Soviet Union. The threat of invasion meant that Finland had to tread a careful diplomatic path and do nothing to annoy its heavily armed neighbour. The situation came to be known as “Finlandization,” describing the influence that one powerful country has on the policies of a smaller neighbouring country.

Today, the resentments caused by past squabbles are largely buried and the five nations cooperate in many areas.

In 1953, the Nordic Council was set up as a place where common issues could be dealt with. Initially, the group included Denmark, Norway, and Sweden, with Finland and Iceland joining later.

The idea was that the Council would encourage political, economic, and cultural teamwork among the five states. Some early

initiatives included the easy movement of labour, passport-free travel, and some common legislation. But, the formation of the European Union (then called the European Economic Community) started to overlap the Council's activities.

The Nordics joined a competing trading group called the European Free Trade Association (EFTA). Founded in 1960, EFTA included Denmark, Norway, and Sweden, along with Portugal, Austria, Switzerland, and the United Kingdom. Finland and Iceland came in later.

But, the European Union proved to be a more attractive trading organization and EFTA members began to drift into the EU. Denmark and the U.K. went in 1973. Portugal joined the EU in 1986. Finally, Austria, Finland, and Sweden quit EFTA for the larger group in 1995.

Today, EFTA has four members: Iceland, Liechtenstein, Norway, and Switzerland. However, Iceland is in talks about joining the EU in 2012. The Norwegian people have twice rejected joining the European Union in national referendums.

With all but one Nordic state now in, or about to be in, the EU, the Nordic Council has become more of a cultural organization; politics and economics are of less importance. NATO and the EU are now the forums for political and economic cooperation among the Nordic nations. "For example," says the Nordic Council, "all have sent troops or civilian personnel (Iceland does not have armed soldiers) to Afghanistan as part

TOLERANCE WEAKENING

Following World War II, a lot of immigrants settled in the Nordic countries. Sweden has been especially generous in accepting newcomers and all have taken in substantial numbers of refugees.

Recently, problems with assimilation have cropped up, with points of friction mostly focussed on Islam. The issue has become significant in Denmark.

In 2005, a Danish newspaper published some caricatures of the prophet Mohammed. To Muslims it is a grave sin to depict Mohammed in any way. Their reaction to the cartoons was to stage violent demonstrations around the world and the trashing of two Danish embassies.

The push-back was immediate and strong. Writing in *The New York Times* (February 12, 2006), Danish journalist Martin Burcharth commented: "Not surprisingly, Islam has come to be viewed by many as a threat to the survival of Danish culture."

But even before the Mohammed cartoon fuss, Danes were getting antsy about Islam.

Burcharth quotes Denmark's Cultural Affairs Minister Brian Mikkelsen as saying during the summer of 2005: "In Denmark we have seen the appearance of a parallel society in which minorities practice their own medieval values and undemocratic views. This is the new front in our cultural war."

A few months earlier, *BBC News* reported that, "Queen Margrethe of Denmark has spoken out against radical Islam and called on Muslim immigrants in the country to improve their Danish language skills."

And, since it was founded in 1995, the anti-immigrant Danish People's Party (DPP) has grown steadily in popularity. In the November 2007 election, the party won 25 seats and the governing centre-right coalition depends on the DPP for support.

of the NATO-led alliance."

This notion of cooperation among nations characterizes the domestic politics of the region.

All Nordic countries have proportional systems of electing members of parliament. In gen-

eral, the number of seats a party gets is in proportion to that party's share of the popular vote.

As a typical example let's look at Denmark's election of November 2007. The Liberal Party got 26.2 percent of all the votes

KALMAR UNION

The unification of nations was popular in the middle of the 19th century, and led to the creation of two new countries in 1871 – Italy and Germany. Before that date both countries were divided up into many separate states (Germany had more than 300), some of them very tiny, ruled mostly by princes, dukes, and kings.

A similar movement for unification stirred in Scandinavia at the same time, based on a common Norse heritage going back more than 1,000 years. There had been a previous unification. In 1397, the Nordic region formed the Kalmar Union. This was dominated by Denmark, something that didn't go down well with Swedes. Irritation led to fighting and the union broke up finally in 1536.

The 19th century movement was called Nordism. It started among Danish and Swedish university students and was working towards regional unity under a single nation.

However, in 1864 Prussia (Germany) attacked Denmark in a dispute of land they both claimed. Instead of rushing to Denmark's aid, Sweden stayed out of the fight. That killed any hopes of a grand union of three nations united into one.

cast and won 26.3 percent of the seats (46). The Social Democrats received 25.5 percent of the votes and were given 25.7 percent of the seats (45). Further down the list the Red-Green Alliance collected 2.2 percent of the ballots cast and was awarded 2.3 percent of the seats (4). Parties must get over the threshold of two percent of the popular vote to win seats.

After an election, the country's monarch, Queen Margrethe

FACT FILE

"Nordism" should not be confused with "nordicism," which is the twisted belief in the racial superiority of Nordic people.

II since 1972, calls the leaders of all the parties with seats to a conference. The conference advises the queen which party leader has the best chance of forming a government and he or she is given the task of putting together a coalition. The negotiations go on until a government, which may be made up of several parties, is put together.

This system leads to many parties having seats, in our 2007 example above, eight parties had representatives in the parliament. No party has won an absolute majority in Denmark in more than 110 years. With many parties and many points of view at the table, Danish governments have learned to compromise, negotiate, and reach consensus on

policy.

This electoral system seems to encourage more voter participation as citizens feel their individual vote counts. Typical turnouts for general elections in the Nordic countries are between 80 and 85 percent. (Voter participation in the 2008 Canadian election was 59 percent and has never exceeded 79 percent.)

All Nordic countries have variations on the Danish theme. For example Iceland puts its threshold for winning seats at five percent of the popular vote, Sweden at four percent, while Finland has no threshold.

Each country restricts the vote to citizens, but Norway has a little quirk; the King of Norway (Harald V since 1991) is not considered a citizen and is therefore not allowed to vote in general elections.

In most proportional representation systems the parties publish lists of candidates based on seniority. If a party wins 25 percent of the popular vote then the top quarter of its party list gets seats.

However, in Finland, voters tend to vote for individual candidates rather than political parties. Under this system people can register dissatisfaction with a party or its leadership by voting for a junior member of the party. This means that senior party members can lose their seats if the electorate is unhappy with them. The Finnish system also helps small parties with popularity in a single region elect members.

However, there is usually not a lot to choose among the parties and their policies. For most of

NORDIC STATES - POLITICS



Iceland's parliament is called the Althingi, which literally means "all-thing" in English. Founded in 930 CE it is one of the oldest parliamentary institutions in the world. The current modest parliament building was erected in 1881.

the past 75 years, Sweden has been governed by the Social Democrat Party. In Canadian terms, the party's platform is similar to the New Democratic Party, favouring high taxes to fund high levels of public services.

In covering the 2006 Swedish election *Globe and Mail* writer Doug Saunders (September 16, 2006) commented about the likelihood that the conservative Moderate Party might win election: "But, there's nothing very conservative here, and there's not much change. In fact, the Swedish 'right' has spent the whole campaign reassuring people that they...won't be doing anything dramatically different."

Based on the promise not to change anything, Fredrik Reinfeldt's Moderates and their coalition partners won the election. But, two years later, Prime Minister Reinfeldt was deeply unpopular. In an interview (July 2, 2008), *Guardian* commentator Polly Toynbee said that Reinfeldt "was not all he pretended to be

when he was running for election."

The Alliance for Sweden, which is led by the Moderate Party, has turned out to be a bit too right wing for Swedish tastes. *The Economist* reported (January 23, 2010) that "Some welfare recipients are objecting to the government's 'heartless' efforts to get them back into the workforce." Opinion polls in the spring of 2010 put the Social Democrats a whopping 11 percentage points ahead; the party will likely return to power after the September 2010 election. If the poll forecasts are correct Sweden will be following Norway's example.

In 2001, Norwegians shifted a bit to the right and elected a conservative coalition. However, by 2005, Norwegians returned to their instincts and voted in a combination of left-wing parties, a decision they confirmed in the 2009 election.

However, the swings are never very dramatic emphasizing

the Nordic preference for stability.

SUGGESTED ACTIVITY:

In Canadian elections candidates are elected if they get one more vote than any opponents; it's called the first-past-the-post system and it delivers distortions. In the 2008 federal election in Quebec 38 percent of the people voted for the Bloc Quebecois, but the party won 65 percent of the seats. The other parties fared this way: Conservative Party 21 percent of the vote/13 percent of the seats; Liberals 24 percent of the vote/18 percent of seats; New Democrats 12 percent of the vote/one percent of seats. There are several systems of voting that deliver representation that is proportional to the percentage of votes cast. Have a team of students investigate each and decide which deliver a result that more closely resembles the wishes of voters.

Website

Nordic History - <http://www.norden.org/en/the-nordic-region/history>

Defying the Rules

Classic economic theory says the Nordic way of running economies should not work, yet it does

The recent Great Recession sideswiped economies everywhere, but nowhere was hit harder than Iceland (see sidebar). The other Nordic countries escaped the pounding that Iceland took, but they've had their own troubles in the past.

In the 1980s, Denmark ran into a lot of trouble with inflation, unemployment, government debts, and most of the other economic ailments. The government brought in a series of unpopular reforms, which Danes said forced them onto a "potato diet."

Finland and Sweden went through bad economic downturns in the early 1990s, and Norway had a banking crisis around the same time.

Since those nasty shocks, the Nordic economies have performed well, better, in fact, than most other European nations. They've done this through being innovative.

Sweden and Finland are world leaders in information and communications technology. Denmark has become

the go-to nation for expertise in wind power. Norway has invested vast sums of money from its oil and gas deposits rather than spending the cash. (Iceland alone has done poorly, mostly because of a risky and failed attempt to turn a country of fishers into an international banking centre.)

Finland suffered a disaster in 1991 when the country's biggest trading partner, the Soviet Union, collapsed. Over the next three years, Finland's economy shrank by a massive 13 percent and unemployment shot up from three percent to 20 percent.

Instead of sulking in their saunas, the Finns took action.

The government ramped up spending on research and development to create an economy based on innovation. As Konrad Yakabuski reported in *The Globe and Mail* (July 1, 2009) Nokia is a good example of the transformation that took place.

In 1991, Nokia made a wide variety of products – television sets, tires, telephone cables – and it was close to bankruptcy. "Backed by massive government research funding," wrote Yakabuski, "Nokia dropped its other businesses to focus exclusively on making wireless communications devices, just as the global cell-phone industry was poised to explode." Nokia is now a world leader in that field and has bought some of the choice bits of a company that used to be at the pinnacle of the telephone



According to the World Bank, the Danish economy ranks number five in the world with respect to the ease of doing business, with Finland and Sweden coming in at numbers 13 and 14, respectively, out of a total of 173 countries. Copenhagen, Denmark's capital pictured above, means Merchant Harbour.

THE ICELANDIC MELTDOWN

In the early part of the century the world's economy started to buzz along, fuelled in part by the transactions of financial institutions. Iceland's conservative Prime Minister David Oddsson looked at what was happening and decided his country should have a piece of the action.

That's when he privatized the country's banks; there were three of them and they were very small with just a few billion dollars in the vaults. Mr. Oddsson's plan was to turn a fishing nation of 300,000 into a world banking centre.

Michael Lewis, writing in the April 2009 issue of *Vanity Fair* says that, "Over the next three and a half years [the banks] grew to over \$140 billion and were so much greater than Iceland's GDP that it made no sense to calculate the percentage of it they accounted for. It was, as one economist put it to me, 'the most rapid expansion of a banking system in the history of mankind.' "

The free-for-all spread to the population. People started to borrow massively to buy stocks, and then they began speculating in foreign currencies. High end cars and expensive restaurants started showing up in Reykjavik, the building of a lavish concert hall was started (it has not been finished), and the value of houses shot up.

The net worth of the average family tripled between 2003 and 2006. Prime Minister Oddsson, a firm believer in free-market capi-



talism, encouraged the spree.

Icelanders certainly know how to fill a fishing net with cod, but in the complex world of international finance they were clueless. So, when the world's economy collapsed in the fall of 2008,

the people of Iceland were hit very hard.

The government, the banks, and the people were swimming in a deep pool of debt. The Icelandic currency, the krona, lost half its value and the pool got wider and deeper. A large number of people went under and so did the banks.

Now a government commission has sifted through the wreckage. Its report is blunt. As Charles Forelle of *The Wall Street Journal* (April 15, 2010) writes, the report slams "Iceland's political leaders, banking executives, and financial regulators at the time."

Although, in fairness to the regulators, *BBC News* notes (April 12, 2010): "The Icelandic financial services regulator was overwhelmed by the growth, the report said.

"It was 'in general, understaffed, and lacked experience.' "

Prime Minister Johanna Sigurdardottir summed up the disaster: "The private banks failed, the supervisory system failed, the politics failed, the administration failed, the media failed, and the ideology of an unregulated free market utterly failed."

She might have added, but didn't, that if we'd stuck to the Nordic economic model none of this would have happened.

business – Canada’s now-bankrupt Nortel. Nokia is the world’s largest maker of mobile phones with about 39 percent of the global market.

But, Nokia is not resting there. The company recognizes that innovation does not mean simply improving existing products, but rather creating new products for customers who may not realize they need them yet. So, Nokia is designing new applications to run on its cellphones. And, in neighbouring Sweden, Ericsson has become a leader in telecommunications equipment, capturing more than a third of the world’s market.

Finland also found ways to be innovative in its oldest industries. Konrad Yakabuski reported that it has “become the world’s leading provider of equipment used to harvest trees, and the machinery and chemicals used to turn them into paper products.” The country’s policy makers were ahead of the curve in developing low-cost paper mills for the developing world where the demand is taking off.

Back in the mid-1970s, Danes started to develop a wind-power industry. (Of course, the country’s farmers had used windmills for centuries to drive grain mills, pump water, and perform other tasks, so there was a base level of knowledge to build on).

By investing in research and development Denmark has created an industry that is foremost in wind-power technology. The sector builds on a huge domestic market; a quarter of Denmark’s

electricity is generated by wind power compared with 1.1 percent in Canada.

Today, 40 percent of the wind turbines installed around the globe are of Danish origin. The industry is developing new techniques for capturing wind energy by designing turbines for use at sea. According to the Danish Wind Industry Association

“Professional economists have often been puzzled by the relatively good economic performance of the Nordic model, given its high taxes and its generous social protection systems as well as the role of strong labour unions and wage coordination.”

The Research Institute of the Finnish Economy, 2007

this involves a lot of high-value employment “from consulting engineers to companies with special vessels designed to transport, install, and maintain the turbines. Danish companies have developed skills that give them a leading competitive edge.”

Energy of a different kind makes Norway one of the wealthiest countries in the world. In the late 1960s, huge oil and gas deposits were discovered off Norway’s coast. The develop-

FACT FILE

With roots that can be traced back to the 1200s, Sweden’s Stora Kopparberg, now part of Stora Enso, is believed to be the world’s oldest functioning company.

ment of this resource has brought enormous wealth into the country. However, instead of going on a national spending spree the Norwegians have become shrewd savers. The *CIA World Factbook* reports that, “In anticipation of eventual declines in oil and gas production, Norway saves almost all state revenue from the petroleum sector in a sovereign wealth fund.”

Created in 1990, the fund now has a value that is approaching half a trillion dollars (that’s about \$91,500 for every man, woman, and child in the country). Writing in *The Guardian* (September 20, 2009) Gwladys Fouché reports that the fund “has become so large that it now owns more than one percent of the world’s shares...” The fund holds significant chunks of Royal Dutch Shell, Vodaphone, the Hong Kong and Shanghai Bank, among the 8,000 companies it has bought into.

The fund is an active investor. It is pushing the oil companies in which it has stakes to develop green energy plans. It backs up its pressure with action; in 2006 it donated a billion dollars “to Brazil to stop the deforestation of the Amazon.”

Fouché also reports the fund does not invest in “companies involved in child labour, violation of human rights, or the production of nuclear, chemical, or biological weapons.” In 2006, it sold its investment in Wal-Mart, saying the company’s treatment of its employees (blocking unions, forced overtime without

pay, etc) amounted to human rights abuses.

With its high ethical standards, the fund would approve of what Iceland has done in preserving its fisheries. For decades, the general approach to fishing worldwide has been to “scoop ‘em up while you can before someone else does.”

Watching world fish stocks decline alarmingly, Iceland has brought in a strictly enforced quota system. Fishers must buy the right to catch a set amount of a specific species, and there are frequent inspections to ensure the limit is not exceeded. The government sets the total catch size based on the scientific advice of Iceland’s Marine Research Institute.

The Economist commented on the fisheries management in a feature article on January 3, 2009: “The system is clear, open, and fairly simple, and is well policed. It thus enjoys the respect of fishermen. And it is based, crucially, upon scientists’ assessments of stocks, not politicians’ calculations of electoral advantage.”

However, not everyone buys the story that the Nordics have a healthy economic system.

An article in the conservative publication *The Brussels Journal* (November 25, 2005) says “the efficiency of the major Scandinavian economies is a myth. The Swedish and Finnish welfare states have been going through a long period of decline.”

The magazine quotes many statistics to back up its claim: “In 1970, Sweden’s level of prosperity was one quarter above Belgium’s. By 2003 Sweden had fallen to 14th place from 5th in

CUTTING-EDGE ECONOMIES

Nordic economies are successful because they latch on to new technologies quickly and ride the wave of their popularity.

Social scientist Richard Florida has developed what he calls the Global Creativity Index to measure how innovative economies are. Sweden is in first place on the Index and keeping close company are: Finland (3rd), Denmark (6th), and Iceland (7th).

A finding confirmed by the German Institute for Economic Research, which placed Sweden, Finland, and Denmark among the top five out of 17 nations in “innovation ability” in 2007.

According to the Organization for Economic Cooperation and Development the number of people employed in information and communication technology in proportion to the total labour force is the highest in Sweden, followed by Finland, and Denmark.

the prosperity index, two places behind Belgium.”

According to figures from the Organization for Economic Cooperation and Development, says the *Journal*, Denmark slipped from the third most prosperous economy in the world in 1970 to seventh in 2003. Finland tumbled from ninth to 15th in the same period.

The writers don’t hold back in expressing their view of the economies of Denmark, Finland, and Sweden: “Together with Italy, these three Scandinavian countries are the worst performing economies in the entire European Union. Rather than taking them as an example, Europe’s politicians should shun the Scandinavian recipes.”

The statisticians over at the World Economic Forum (a decidedly pro-business outfit) must

be studying different spreadsheets. Their 2010 Global Competitiveness Report puts Sweden, Denmark, and Finland in fourth, fifth, and sixth places among the 131 nations studied.

SUGGESTED ACTIVITY:

Is it possible to reconcile the conflicting views of the Brussels Journal and the World Economic Forum on the nature of Nordic economies? Is the difference of opinion an example of the selective use of statistics to prove an ideological point of view?

Websites

The Brussels Journal -
<http://www.brusselsjournal.com/node/510>

Global Creativity Index -
<http://www.creativeclass.com/>

Keeping It Clean

Pristine and well cared for? The Nordics do appear to be among the most conscientious custodians of the environment. But there are challenges

The Nordic Region aims to be a pioneer on environmental matters, with the ambitious goal of becoming the Green Valley of Europe, the testing ground for clean energy and environmental solutions. Norden, the organization that represents cooperation among Nordic countries, says conservation, environmental care, maintenance of bio-diversity, the environment and health all are high priorities in the region. Sustainable consumption and production also are prominent on the agenda.

With the emphasis on working together for the good of everyone, the countries have laid out a plan to 2012 that focuses on:

- ◆ The climate and the air;
- ◆ Seas and coastal zones;
- ◆ Biological diversity and ecosystem services; and,
- ◆ Sustainable consumption and production.

Denmark is an example of how far ahead the region is on the environmental front. According to a *Globe and Mail* article (October 2009), Danes use about the same amount of energy as they did in 1980; and that's had a positive impact on the country's economy which grew by 70 percent over the same period. One



of its key industries is manufacturing wind-turbines. Wind power accounts for a quarter of Denmark's energy (see page 26) and it's having trouble keeping up with demand for turbines from China and India.

And, Denmark is noted for its pedal power: more than half the people living in Copenhagen ride their bikes to work. It's also the most energy-efficient country in Europe and expects 30 percent of its energy supply to come from renewable sources by 2020. In addition to wind-turbines for electricity, many Danes use solar panels and biomass for heat.

Scientist Karl-Henrik Robert is one of Sweden's pioneers of sustainable development. In 1989 he established The Natural Step, a non-profit organization

that aims to help organizations and communities create more environmentally and socially responsible practices. The idea captured the interest of the country's planners, government officials, and residents concerned about the environment and health.

One of The Natural Step's principles of sustainability is to avoid subjecting people to conditions that undermine their capacity to meet their own needs. That seems sensible: not behaving

in ways that will end in self-destruction. It means not taking natural resources from the planet faster than they can be replaced, or wasting those that are finite (e.g. reducing our dependence on fossil fuels); not adding substances beyond the earth's ability to absorb them, and phasing out substances that can't be broken down (cutting pollution); not degrading the environment (e.g. overharvesting trees or fish, paving over fertile land, or causing soil erosion) in the name of wasteful "progress," and finding more efficient ways to create, and conserve energy.

In an article in *In Context* (Spring 1991), Dr. Robert described how *The Natural Step Framework* would create change:

"I don't believe that the solu-

tions in society will come from the left or the right or the north or the south. They will come from islands within those organizations; islands of people with integrity who want to do something...This is what a network should do — identify the people who would like to do something good. And they are everywhere. This is how the change will appear — you won't notice the difference. It won't be anyone winning over anyone. It will just spread. One day you don't need any more signs saying 'Don't spit on the floor,' or 'Don't put substances in the lake which can't be processed.' It will be so natural. It will be something that the intelligent people do, and nobody will say that it was due to The Natural Step or your magazine. It will just appear."

The International Institute for Sustainable Development says more than 100 companies and organizations have applied the Natural Step framework to their business in a variety of sectors worldwide: they range from agriculture and water systems management to finance, tourism, and retail operations. It adds that business leaders have supported Dr. Robert's ideas, which have spread rapidly beyond Sweden, throughout Europe and North America.

Many believe that municipalities form the foundation for a more eco-friendly world by making sustainability a major component of municipal planning and development.

City Mayors, an international think tank for urban affairs, says metropolitan areas, rather than nation states, will shape the

world's social, cultural, technological and economic agendas in this century. That idea is behind the development of eco-municipalities which started in Sweden in the 1980s. The Institute for Eco-Municipality Education and Assistance explains that the work of these early eco-municipalities became the model for Agenda 21, the Guide for Local Sustainable Development that emerged from the 1992 Rio Summit – the UN World Conference on Sustainable Development. As of 2006, there were more than 70 eco-municipalities in Sweden, accounting for 25 percent of all communities in the country.

FACT FILE

The Nordic countries wish to reduce polluting air with greenhouse gases by 60 percent to 80 percent by the year 2050 compared to 1990 levels.

The town of Overtornea became Sweden's first eco-municipality in 1983. With a population of about 5,000, the town had lost 20 percent of its population in the previous two decades and had an unemployment rate of 25 percent. As a 2006 article in *City Mayors* explains, many of the community's residents were persuaded to take

SUSTAINABILITY DEFINED

Sustainable community development, according to the *Brundtland Report* (1987), "meets the needs of the present without compromising the ability of future generations to meet their own needs."

The *Brundtland Report* also known as *Our Common Future*, from the United Nations World Commission on Environment and Development (WCED), was published in 1987. The report placed environmental issues firmly on the political agenda, with the aim of linking the environment and development as a single issue.

In addition, the report stresses that many of the crises facing the planet are interlocking elements of a single crisis. As such, it's crucial that all sectors of society participate actively in solutions.

The publication of *Our Common Future* and the activities of the World Commission on Environment and Development laid the groundwork for the convening of the 1992 Earth Summit and the adoption of Agenda 21, the Rio Declaration and to the establishment of the Commission on Sustainable Development.

Our Common Future is also called the Brundtland Report in recognition of former Norwegian Prime Minister Gro Harlem Brundtland's role as Chair of the World Commission on Environment and Development.

THE BALTIC SEA OR SEWER

“**T**he Baltic has become the most polluted and ecologically damaged sea in the world,” says *The Globe and Mail* (February 13, 2010). Everyone blames Russia. Journalist Doug Saunders says the Baltic “is home to seven of the world’s largest lifeless, oxygen-free ‘dead zones,’ its shallow waters clogged with nitrates, phosphates, and toxins, filled with raw sewage.” And, while he says the smaller Baltic States and about 2,000 ships that travel the sea every month contribute to the pollution, most of it comes from Russia, where untreated sewage and fertilizer runoff are major contributors.



The Baltic Marine Environment Protection Commission, usually referred to as the Helsinki Commission, or HELCOM, is an intergovernmental organization of all the nine Baltic Sea countries and the European Union, which works to protect the marine environment of the Baltic Sea from all sources of pollution.

At a one-day summit hosted by Finland (February 2010), national leaders from all nine Baltic coastal states, plus Norway and Belarus, discussed ways of rescuing the Baltic Sea from years of pollution, and environmental attack. Representatives of the European Union and about 1,500 delegates from regional organizations, large and small business, Non-Governmental Organizations, and local activist groups also attended.

The summit ended with more than 140 pledges to take action on reversing the damage. According to one report, a senior Finnish government official said the Baltic

had suffered decades of unchecked pollution from oil spills, nutrients, toxic dumping, and wartime mines and munitions.

Russia’s most powerful man, Prime Minister Vladimir Putin, attended, but largely to reassure his Baltic neighbours that the newly-

announced Russia-Germany Nord Stream underwater gas pipeline would cause no further harm to the Sea. The giant, \$12 billion project, which will carry Russia’s natural gas under the Baltic Sea to 70 percent of Central European homes from Siberia. It is expected to be completed by 2012.

Meanwhile, numerous projects

are underway as part of the Helsinki Commission (HELCOM) Baltic Sea Action Plan. The Plan aims to radically reduce pollution to the sea and restore the ecological status of the marine environment by 2021. It includes a number of tangible measures and national programs to reduce the impact of nitrogen and phosphorus in the Baltic. HELCOM stresses that achieving the goal of a healthy Baltic Sea can’t be done without the cooperation of various public and private interests in all the countries of the region. That includes politicians, the business and scientific communities, as well as private citizens.

NORDIC STATES - ENVIRONMENT

part in the project “to create a shared vision of a local economy based on renewable energy, public transportation, organic agriculture, and rural land preservation. In 2001, the town became 100 percent free of fossil fuels. Public transportation is free. The region is now the largest organic farming area in Sweden and more than 200 new businesses have sprung up.” And, the community proudly announces that it is one of the healthiest places to live in Sweden, with a high quality of life.

Planner and economist Torbjorn Lahti founded the Swedish eco-municipality movement and has worked with scores of municipalities interested in the concept. He and American city and town planner Sarah James explain the movement and communities that have embraced it in their 2004 book *The Natural Step for Communities: How Cities & Towns Can Change to Sustainable Practices*.

But, no matter how much progress is made locally or nationally, environmental issues cross borders so an international approach is needed. To that end, the Nordic Environment Finance Corporation (NEFCO) was established in 1990 to finance environmental projects in Central and Eastern European countries that border the Nordic countries. Denmark, Finland, Iceland, Norway, and Sweden signed the agreement to establish the NEFCO as part of the Nordic region’s environmental cooperation. According to NEFCO, its portfolio includes about 350 small and medium-sized projects spread across different sectors,

including: chemical, mineral and metals, food and engineering, agriculture, water treatment, power utilities, municipal services, waste management, nuclear remediation, environmental management, and environmental equipment manufacturing. Currently, the organization is active in Russia, Ukraine, Estonia, Latvia, Lithuania and may also participate in projects in Belarus.

Norden agrees that a collective approach is needed. Ongoing globalization means increased exploitation of resources everywhere, it says, and the Nordic region’s dependence on the outside world “is becoming ever greater at the same time as demand for the Earth’s limited resources increases.

“The activities of rapidly growing larger economies, such as India, China, and Russia, are increasingly significant in terms of their environmental impact. Through development, aid and work in international organs, the Nordic Region disseminates

FACT FILE

The Nordic countries are working together to conserve the Arctic environment as well. They are involved with the Arctic Council, the Barents Euro-Arctic Council, and the Council of the Baltic Sea States.

knowledge and experiences to these and other countries on subjects like water, energy, air, environmental technology, chemicals, and the climate.”

SUGGESTED ACTIVITIES:

1. *Whistler, British Columbia is among the North American cities that have embraced the idea of building sustainability into city planning. Portland, Oregon and Santa Monica, California are also on the list. Write a report on what these communities are doing and discuss how things could be improved in your area.*

2. *Review reports on some Canadian initiatives to improve the environment at <http://www.naturalstep.org/ja/canada>.*

Websites

The Baltic Sea Project - <http://www.bspinfo.lt/>

City Mayors

http://www.citymayors.com/gratis/city_mayors.html

International Institute for Sustainable Development

<http://www.iisd.org>

The Natural Step Two-Minute Video --<http://www.naturalstep.org/en/natural-step-explained-2-minutes>

Norden: Areas of Cooperation

<http://www.norden.org/en/areas-of-co-operation>

Nordic Energy Solutions - <http://www.nordicenergysolutions.org/performance-policy/nordic-cooperation>

United Nations Environment Program

<http://www.unep.org/>



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