The United Nordic Federation

Gunnar Wetterberg

The new federation, with its joint constitution, joint government and population of 25 million, is a brand new and major player...
PROLOGUE

Historians sometimes wonder how much of a role politics and people actually play. Sooner or later, industrialisation, railways and pension schemes made a breakthrough in every country. There may be social and cultural variations, but the overall themes are remarkably similar, regardless of national constitutions and party-political systems.

However, politics does make a difference sometimes. Politics determines the institutional framework for everything we do – and borders are the most important institutional framework of all. Markets are unable to do away with borders – indeed, they impact upon both trade and business.

Paul Krugman was recently awarded the Nobel Prize for Economics for his research into economics and geography. His conclusions (published in 2009) are forceful: It matters who your neighbours are. It is important for industries, businesses and skilled workers to gather together in one place.

Geography is the economy, and it rests in the hands of politicians. From the establishment of Switzerland and the liberation of the Netherlands to the unification of Italy, the reunification of Germany and the disintegration of the Soviet Union, political geography has been created and re-created over and over again, leaving deep traces in history.

Right now, the Nordic Region has just such an opportunity to re-create itself and change conditions for its citizens, businesses and cultures – and it is this opportunity that is addressed in this publication.
It is reasonable to estimate that it would take 15–20 years to establish the United Nordic Federation.
The Nordic Co-operation

Nordic co-operation is one of the world's most extensive forms of regional collaboration, involving Denmark, Finland, Iceland, Norway, Sweden, and three autonomous areas: the Faroe Islands, Greenland, and Åland.

Nordic co-operation has firm traditions in politics, the economy, and culture. It plays an important role in European and international collaboration, and aims at creating a strong Nordic community in a strong Europe.

Nordic co-operation seeks to safeguard Nordic and regional interests and principles in the global community. Common Nordic values help the region solidify its position as one of the world's most innovative and competitive.
The United Nordic Federation.
Gunnar Wetterberg
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FOREWORD

It was unanimous. The Nordic prime ministers agreed. The Swedish historian Gunnar Wetterberg’s proposal – for a genuine United Nordic Federation with Queen Margrethe II of Denmark as head of state – was dramatic but unrealistic.

The controversial proposal appeared in Dagens Nyheter during last year’s annual Session of the Nordic Council. It captured the imagination of citizens and politicians throughout the Region. Emotions were stirred, experts were consulted and journalists from the north of Norway to the south of France rushed to their keyboards.

Prime ministers, parliamentarians and leader writers all sympathised with the basic idea of a sense of Nordic community, but that was the extent of their agreement. The leader writers and commentators took the idea a step further, flirting with the concept of radically expanding Nordic partnerships. The politicians pointed out that current forms of co-operation are already well organised and effective. As well they might.

In recent years, official co-operation has entered into a new phase with renewed vigour, more focused ambitions and a global outlook. Not only outside the Region, but beyond the EU, in the USA and in Asia, interest is growing in the Nordic Region as a dynamic part of the world. The rest of the world has latched on to two things in particular: the internal cohesion of the Nordic countries and their interest in external input.

Ideas from outside of the Region shake up both conventional thinking and our understanding of our values. And that is precisely what the Nordic Council and Nordic Council of Ministers’ joint yearbook seeks to achieve: to help stimulate debate, to provide ammunition for new arguments, new attitudes and new directions for Nordic co-operation - even if it means stretching those ideas to their very limit.

The Nordic Council and Council of Ministers’ Yearbook 2010 provides Gunnar Wetterberg with the space to expand on his thoughts about a United Nordic Federation. Objectively and honestly, the author takes his readers on a grand tour of how a new form of Nordic co-operation might evolve – from immigration to fiscal policy, from cultural co-operation to foreign policy and defence.

Wetterberg sets out a plethora of arguments in favour of a unified, strong and potent region – the United Nordic Federation.

Haldór Ásgrímsson & Jan-Erik Enestam
SUMMARY

* The Nordic Region comprises five states – Denmark, Finland, Iceland, Norway and Sweden – with similar cultures and interwoven histories. Most of its people are capable of communicating with each other in one of the regional languages.

* For historical reasons, the countries have never been united in any form of sustainable union. Indeed, at times, external powers actively discouraged moves in this direction.

* In modern times, the conditions for unification have improved. The major powers now leave the Nordic Region to its own devices, and its economy is closely integrated by cross-border trade, investment, mergers and a common labour market.

* However, this fragmentation comes at a cost. Despite a combined population of 25 million and a GDP that would rank the Region among the top 10-12 economies in the world, the individual countries are excluded from major international decisions related to globalisation and the current financial crisis. In addition, an important voice in favour of free trade and openness goes unheard at G20 meetings.

* All the evidence suggests that the environment, climate change and energy issues will play an increasingly critical role in future international affairs, which makes the G20 argument just as compelling as the economic case for Federation. Nordic conditions and values may well be different from those of so many other countries, but the Nordic states need to join forces if they are to promote those values.

* A united Region would allow us to realise our substantial economic potential. A federal structure would create an even more integrated domestic market in the Region. Together, the five countries’ varied economic structures would equip the United Nordic Federation with more robust defences against global economic fluctuations than the individual member countries are able to muster on their own. An increa-singly integrated labour market would facilitate the supply of skilled labour for Nordic enterprises, and at the same time offer migrant workers a wider range of choices. The Federation would provide a broad and stable base for joint research policies that would facilitate achievement at international level. Unification could lead to higher economic growth rates than the five states are capable of achieving individually. The United Nordic Federation would have a single constitution, government and parliament.
Foreign and security policy, including trade and immigration, would be federal matters.

The Federation would co-ordinate economic policy, although many decisions would be made at EU level or by the individual countries and regional and local authorities.

A number of other areas would be centrally co-ordinated, with responsibility shared between the Federation and the individual states, e.g. labour-market policy, legislation, infrastructure, research and higher education.

The Federation must also be able to stand up for the individual countries’ vital interests in the international arena, e.g. fisheries policy is a priority for the West Nordic countries (Iceland, Norway, the Faroe Islands and Greenland), forestry for Finland and Sweden.

In many sectors, the Nordic welfare model is based on local autonomy, but a joint approach would further encourage innovation, co-ordination and the exchange of information.

Building a federation takes time. One way of initiating the process would be for the Nordic Council to launch a feasibility study of the preconditions, potential and problems, and report back in a few years. It would then be up to the five states to agree whether or how to proceed. If the countries took the decision in principle, negotiations on the shape of the Federation could begin. It would take years for negotiations to produce a proposal upon which the countries would be able to agree. The actual decision-making process would also take time. It is therefore reasonable to estimate that it would take 15–20 years to establish the United Nordic Federation.
“The United Nordic Federation would have a single constitution, government and parliament.”

“The United Nordic Federation could be our greatest contribution to the globalisation process.”
THE NEW CONDITIONS

Liberation from the superpowers

Since time immemorial, neighbouring countries and great powers have asserted their interests within the Nordic Region, and have almost invariably opposed any trend towards unification. Aside, perhaps, from Queen Margaret’s Kalmar Union and dreams of a peacetime federation during World War II, external pressure has seldom served as a force for cohesion. Whether out of necessity or in pursuit of their own ambitions, the neighbouring Nordic states have sometimes formed alliances, but have more frequently opposed each other. ¹

The Nordic countries often boast of their close partnership. In international arenas, the Region is held up as a model for neighbouring countries and regions to emulate. However, a broader historical perspective may provide an alternative interpretation. In most areas where different peoples lived closely together and had similar cultures and lifestyles, they eventually formed a coherent nation state. The current form of official Nordic co-operation is strong precisely because this kind of unification was never achieved.

The political landscape has changed since the fall of the Berlin Wall. For the first time in centuries, no superpowers stand in the way of Nordic unification. Tension between East and West has dissipated since the collapse of the Soviet Union. The minor issues that remain have a less divisive effect on the Nordic countries’ security interests than was previously the case. In his 2009 report to the Nordic foreign ministers, Thorvald Stoltenberg highlighted the new strategic issues that affect the Region – e.g. the Arctic waters and climate change, pollution in the Baltic Sea – but it is striking that these issues cry out for partnership, not for confrontation and strife.

Differences still exist in national defence and security policy – Denmark, Iceland and Norway are members of NATO, while Sweden and Finland have opted for other solutions. However, the practical significance of these differences has waned, as NATO has adjusted its profile, as Sweden and Finland have worked more closely together with the alliance, and with the emergence of EU foreign policy.

¹ A review of the fragmented nature of Nordic History is presented in the appendix: A History of Obstacles
Economic upheaval

The most significant changes have taken place in the economic sphere. A century ago, there were considerable differences between the Nordic countries. In the late 19th century, the European nations could be divided into three categories. The richest group consisted of the United Kingdom, Belgium, the Netherlands and perhaps Switzerland. The intermediate group comprised Denmark, Norway and Sweden, along with France and Germany. In 1880, per capita GDP in Denmark, Norway and Sweden was no more than 50–60% of the two most advanced countries (Britain and Belgium). The poorest group consisted of the Eastern and South-eastern European countries. Finland and Iceland fell somewhere between the latter two groups (Aukrust, 1989).

The modernisation of Denmark started back in the 1840s. Norway came next, and Swedish industrialisation took off in the 1870s. Finland followed suit a decade later, while modernisation in Iceland did not begin in earnest until the end of the century. The countries were out of step with each other, and the differences between them were large. The fear that the more advanced countries would enrich themselves at the expense of others made it difficult to agree to reduce tariffs.

The dramatic economic expansion of the 20th century subsequently levelled out much of the variation between the Nordic countries. At the beginning of World War I, Sweden overtook Denmark as the leading Nordic economy. Finland and Iceland enjoyed the fastest economic growth from the 1950s until the 1970s (Hoffman, 1997). In recent years, the Norwegian economy has edged ahead. While Finland and Sweden were hit hardest by the crisis of the 1990s, less cyclical sectors (food, medicine) underpinned the Danish economy at the time.

Trade between the countries has increased sharply. In the late 1800s, Norway’s share of Nordic foreign trade was about 15%, in both imports and exports. Sweden had a few percentage points more, Finland slightly less (Kuisma, 1989). Iceland was a special case. Its trade was dominated by Denmark, as many of its exports and imports passed through Copenhagen (Kuisma, 1989). Since the World War II, inter-Nordic trade has increased even more, at a time when global trade has become increasingly deregulated and multiplied in size many times over. The Nordic countries’ share of total exports has increased from 13% in 1938 to 19% in 2008. Over the same period, their share of imports has increased from 12% to 23%. Sweden and Denmark both
sent 24% of their exports to other Nordic countries, Finland 15%, Norway 12% and Iceland 10%. In Norway’s case, the proportion has declined as oil exports have increased in importance.

However, it is not just trade that binds the economies together. Businesses and entrepreneurs began to move across borders as early as the 19th century. Danish bankers and entrepreneurs founded companies in Sweden, Norwegian capital found its way into Swedish sawmills, and Sweden’s Wallenberg brothers helped establish Norsk Hydro.

This trend has accelerated in the last decade. Financial deregulation sped up the flow of capital across borders, leading to far more direct investments. According to the UN Conference on Trade and Development (UNCTAD), direct inward investments accounted for 3–4% of Nordic GDP in 1990, rising to 35–40% in 2008, and ranging from 21.1% in Iceland to 52.9% in Sweden. The Nordic countries, in turn, now invest even more elsewhere – direct foreign investments have risen from about 10% of GDP in 1990 (1.2% from Iceland, 20.9% from Sweden), to almost 50% in 2008 (Norway lowest with 37.9%, and Iceland and Sweden highest, with 89.3% and 66.7%, respectively).

To a large extent, Nordic companies have invested in neighbouring countries. They have also expanded through mergers in banking, insurance, energy, steel and forestry. Ovako, Nordea, Sampo, TrygVesta, Orkla, Arla, Fortum, Statoil, Norsk Hydro and Stora Enso are just some of the names associated with this trend.

At a seminar organised by the Nordic Associations on 26 January 2010, one of the participants pointed out that this pattern also applies to Danish companies. Although Denmark has been a member of the EEC/EU since 1973, Danish companies have not merged with companies in other EU countries to any great extent. The Nordic community plays an important role in this process – companies that merge tend to find they are close to each other’s markets, and that it is easy to use the same suppliers due to the shorter distances involved. Their values are so similar that it is easy to merge different cultures and to manage human resources in a neighbouring country.

The Nordic economies have never been as interwoven as they are today. That is remarkable in itself, but it is also a reason to move forward – and it is possible to go much further.
The European dimension

European integration has created entirely new conditions for the Nordic Region. After World War II, the idea of a Nordic customs union was studied, but the proposal ran out of steam in the mid-1950s. EFTA emerged instead, and all five countries eventually joined, which helped to reduce trade barriers in the Region.

The EEC/EC emerged over the same period. At first, attitudes to the Treaty of Rome had a restrictive and divisive impact on the Nordic countries. The question of relations with the EEC became tied up with foreign and security-policy considerations. Relations with the EEC were the final stumbling block that brought the Nordek negotiations to an unsuccessful conclusion (Wiklund, 2000b).

By contrast, European co-operation has helped facilitate Nordic integration since the early 1990s. All of the Nordic countries are now included in the internal market, and work is ongoing to harmonise the regulatory framework and remove trade barriers. Denmark, Finland and Sweden are members of the EU, while Iceland and Norway are covered by the EEA Agreement – but for the public and the business community, the practical implications are almost identical. European co-operation has led to considerable harmonisation, and this in turn has facilitated cross-border activity in the Nordic Region.

The problem is that all of this EU activity has also influenced attitudes towards working together at Nordic level. For those outside the EU, the attraction of Nordic partnerships has actually increased, because Nordic bodies and consultation processes provide opportunities for them to make their views heard in EU arenas via their neighbours – something all of the other countries did via Denmark after it joined the EEC in 1973. Both proponents and opponents of EU membership have had a tendency to treat Nordic and European integration as opposites. Why bother about Nordic unification if EU harmonisation will overtake it!?

This is far too simplistic an argument. During the debate on whether Sweden should join the EU, I was one of those who questioned the idea of the Nordic Region as an alternative to the EU (Wetterberg, 1993). Today, however, it would be equally questionable to dismiss the idea of a United Nordic Federation by referring to European co-operation.

In fact, the two are perfectly capable of reinforcing each other. The more states that join the EU, the greater the risk of European integration becoming complex. Within the foreseeable future – a generation – European co-operation in many areas will be restricted by the wide differences that exist between values and cultures. This applies to a great deal of national
legislation, particularly in the social sphere, and to the extent and thrust of taxation and public spending – particularly on social security, not to mention agreements and laws regulating conditions of employment.

The advantages conferred by a closer relationship would enable the Nordic countries to integrate more rapidly than the EU member states. This is not at odds with closer European co-operation – far from it. If a member or group of members wants to go farther and proceed faster than others, this will provide experiences upon which the rest of the Union will eventually be able to draw. In this sense, the United Nordic Federation would provide fertile soil for the European Union. Suggesting that the Nordic Region somehow opposes or is an alternative to the EU furthers the interests of neither form of partnership.

The psychology of federation

The significance of the public mood simply cannot be ignored. When Sweden was debating support for Denmark in 1848–1850, many voices recalled the controversies of the previous century and wondered why the Swedes should send troops to Funen. Around 1900, the imminent dissolution of the union between Sweden and Norway, as the latter sought its independence, cast a shadow across the Region. As recently as the inter-war period, Denmark and Norway wrangled over Greenland. During the Swedish boom of the 1950s and ’60s, many Swedes regarded the rest of the Region as a platform on which to promote their country and spread Swedish solutions in the neighbouring states. Linde-Laursen and Nilsson (ed., 1991) shed light on the way in which national identities in the Nordic countries have changed and developed in interaction with each other.

In the 19th century, Denmark was the leading Nordic economy, a position usurped by the newly industrialised Sweden by the outbreak of World War II. The subsequent levelling off in economic terms between the countries has perhaps also been reflected in politics and psychology. The economies of Norway, Finland and Iceland have developed more rapidly than the others. Denmark was the first country to get to grips with stagflation in the 1980s, rejuvenating the Nordic model for economic policy in the process. Norwegian and Finnish statesmen and diplomats have found themselves in demand due to their international problem-solving prowess. Finland has become an international model for schools and research policy. The cocky Swedes have been cut down to size.

Thanks to the “catch-up effect”, the Region is now more evenly balanced, and that makes moving forward easier. Dominance by one or two states would be incompatible with peaceful unification.
THE ECONOMIC CHALLENGES

Crisis: The big economies decide

The current financial crisis should serve as a wake-up call. The recent collapse of the global economy was worse than anything experienced since the 1930s (if then). And the situation is still fragile. The downturn in spring and summer 2010, when the situation in Greece concentrated minds on the sheer scale of the deficits in several EU states, will probably slow the recovery.

The financial crisis has led to new ways of addressing the issue of sustainable growth. Two to three decades ago, as the world economy struggled with stagflation, the focus of attention shifted to monetary and fiscal policy. Independent central banks and responsible government were heralded as the prescription for stable recovery. States and their central banks believed they could cope on their own, or – in the ECB’s case – as members of a monetary union.

It was not enough. The international financial system was unable to withstand the shockwaves that led to the collapse of Lehman Brothers. Regulation was too weak to control the situation. Post-Lehman, the credit market dried up within days, and the world economy slammed on the brakes in the final quarter of 2008. The level of activity recovered faster than expected as central banks and governments pumped money into the economy, but it became clear that winding down stimulus packages generates problems of its own and that the financial markets are still insufficiently regulated.

The crisis has spurred interest in organised international co-operation but has also increased the risk of protectionist manoeuvring. Since the demise of the Bretton Woods system in the early 1970s, governments’ interest in international organisations had been on the wane, and their activities have amounted to little more than collating statistics and providing aid to the developing world.

The recent crisis has triggered a renaissance in international co-operation, but also a rethink of the forms that it takes. The IMF, EU and OECD provide many of the mechanisms for practical crisis management, but as political organisations, they have often proven to be unmanageably large.

The G20 seems to be the solution. The world’s largest economies have to sketch out how crisis management and future regulation of the financial markets will work. At this level of international affairs, only the major players wield any influence. Only when it comes to working out the details are the traditional agencies (the IMF, IBRD, OECD, WTO) brought on board and the smaller states given a chance to make their voices heard – even though, in reality, all they are able to do is dot the i’s and cross the t’s.
In situations like this, the Nordic countries are reduced to mere spectators, and will remain so for as long as they choose to act separately. Talk of a stronger European Union providing the solution is patently unrealistic. To date, the Union has struggled to carve out a more powerful role for itself. The lowest common denominator is often so low that any potential impact is negligible. The EU, too, is dominated by its biggest member states, so Nordic interests come a poor second whenever they do not coincide with those of the main economies.

The potential inherent in economic policy

The Nordic governments are all under pressure to take action to boost their own economies. As soon as a car-manufacturer finds the going tough or the population drops in some region or other, proposals for tax subsidies, development funds and other costly measures are dusted down. Most serious post-evaluations have concluded that these interventions have a very limited impact but that does not stop the demands being raised time after time.

From time to time, politics gets carried away with the notion that it is capable of achieving great things that the markets cannot provide, e.g. by subsidising particular industries or prioritising research in areas considered to have a bright future. This is often a costly illusion for the taxpayer.

However, politics does determine borders. In his economic history of the world (2010), Lennart Schönb stresses the importance of Italian and (particularly) German unification in the 19th century as catalysts for economic development. The new, larger markets provided a basis for interaction between different industries, as well as state investment in infrastructure, education and research.

History could repeat itself, albeit slightly differently. Integration of their domestic markets would be the most effective economic policy the Nordic countries could pursue. Combining the five Nordic states in a federation would open up a world of opportunity. The effect may well be much the same as the stated objective of the EU's inner market, but a United Nordic Federation would be better placed to make it happen far sooner. The Federation would be in a position to harmonise regulation – of the public sector, of companies, of relations between unions and employers – and to adopt proactive measures faster than the EU.

Many companies already regard the whole of the Nordic Region as their home market. However, a federation would be far more integrated, making the Region the domestic market for the entire business community.
“A combined GDP and a population of 25 million would rank the Region among the top 10–12 economies in the world.”

This new home market would be much larger, would have far more suppliers and would have a broader and more diverse labour market. As far as research policy is concerned, the United Nordic Federation would facilitate the development of a number of research-heavy universities capable of attracting highly qualified specialists and providing Nordic businesses with a range of new opportunities.

In effect, the Federation would have at its disposal significant growth potential that is not currently available to the separate states. Federation would not only mean significant one-off benefits. The new Nordic economy would probably be more efficient in the long run too, making higher growth rates feasible. This would be worth far more than the one-off effects – as welcome as they would be.
THE SOLUTION

25.3 million people, $1,560 billion

There are plenty of good reasons for forming a federation, several of which I intend to touch on. But it is the global financial crisis that has put federation on the agenda right now, both because of external pressures – the importance of reaching decisions at international level – and because of the need for Nordic business- and research-policy initiatives. Economic aspects are foremost, therefore, even though other factors would have to be accorded due attention before any decision was taken.

The statistics illustrate it clearly. Separation into five states obscures one of the strongest and most dynamic economies in the world. And rightly so – these divisions are real, after all. The Nordic Region is not as strong as it would be if the figures reflected a single, combined economy. But they are also mis-leading in other respects – if these five countries were to unite, opportunities for growth that are not currently feasible would become so, and the data would be even more impressive.

On 1 January 2009, the Nordic population stood at 25.3 million people, up two million since 1990. In the next quarter of a century, the population of Norway is expected to increase by just over 25%, Iceland by 19% and Sweden by 10%. The populations of Denmark and Finland are expected to rise by a few percentage points up to 2030 and then fall. In comparison with other developed nations, this is actually a more favourable demographic development than many countries – e.g. Japan, Russia, Italy – can reasonably expect.

Together, the Nordic countries constitute one of the world’s largest economies. Fluctuating exchange rates and relative strength make national GDP data notoriously difficult to compare, but the World Bank’s 2008 GDP table provides a snapshot (in millions of US dollars):
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THE FUTURE

The table above will, of course, change in the long term. The World Bank estimates that global GDP will increase by just over 3% p.a. for the next few years. GDP in the developing countries is expected to grow by 6%, in the rich countries by about 2.5%, and in the eurozone by an average of just over 1% (from 0.7% in 2010 to 1.8% in 2012).

This prognosis does, of course, reflect the current crisis, but it probably also reflects certain long-term trends. The high-growth economies will climb even higher up the table, while Western Europe will probably lag behind and fall down the rankings – especially when negative demographic trends take hold, e.g. in Italy.

However, plenty of indications suggest that the Nordic Region could develop considerably faster than the EU as a whole. Nordic demographics are more favourable: family policy and gender roles have raised birth rates and the tradition of openness ought to provide the type of immigration that will provide a boost to development. In the wake of the crises of the 1990s, the Nordic countries implemented major structural changes that bolstered the public finances and made business more flexible. Most of the other EU member states still have to undergo this transformation. SchöÖ (2010) is positive about Nordic prospects as the third industrial revolution continues over the next few decades. As things stand, the Nordic states should be in a position to outstrip the rest of Europe.

If the federal option is adopted, resources will be freed up that are not currently available, or are not available to the same extent, to the separate states or within the current framework for Nordic co-operation. The German and Italian examples prove the point. During the work on this paper, one member of the reference group pointed out that 25.3 million people amounts to far more than the sum of 10+ 5 + 5 + 5 + 0.3 (million). Within the framework of such a substantially larger market, opportunities would arise that the Nordic states of today are just too small to create. A number of these areas will be discussed below.

Given the extent of the uncertainty attached to long-term projections, it is realistic to predict annual growth of 3% for the global economy, 5% for the emerging nations, 2% for the EU – but perhaps 0.3–0.4% more for the Nordic countries, and slightly more as a federation. These figures should underline the need for a federation. A few of tenths of a percentage point make a big difference over a couple of decades.
Move the goalposts!
Modern pro-Nordic thinking has often had a strongly idealistic streak. The desire for closer relations with our neighbours has inspired a variety of partnership projects. And yet, when push comes to shove, Nordic projects often run into trouble due to wider international obligations (e.g. the Scandinavian Defence Union vs. NATO, Nordek vs. the EEC), more pressing national priorities (Nordsat vs. TV2) or wider international initiatives. It doesn’t have to be like that.

* Idealism and realism can make good bedfellows. The idealistic arguments in favour of federation have not diminished, the more materialistic reasons have merely gained ground, i.e. the need to carry greater weight in global power games and the need for a stronger base for business and research

* National interests and Nordic interests are not mutually incompatible. Within the United Nordic Federation, the member states would decide what to do together and what it would be better to do separately.

* Most crucially of all, no contradiction exists between Nordic unity and international commitment. On the contrary, the fact that it would make it feasible for the Region to play a more active role in global politics is an important part of the whole concept of the United Nordic Federation. At European level, the United Nordic Federation would be able to make more rapid progress than the EU in many sectors. Nordic unity would, therefore, provide a boost to the revitalisation that the European Union so desperately needs.
NORDIC IDENTITY

The essential precondition

It is the existence of shared values and structures that make the United Nordic Federation possible. Several of the Nordic languages are closely related, which facilitates dialogue between most ordinary citizens – but the cultural community has even stronger and deeper roots than that.

The cultural community is built upon on a set of values that are also reflected in the way that the Nordic people have chosen to run their societies. Nordic culture is characterised by a deep-seated attachment to equality and a love of nature. The income gap is narrower than almost anywhere in the world; public services are well developed, especially for children and senior citizens; a great deal of the population’s consumption is channelled through the taxation system; and the Nordic countries are world leaders in gender equality and environmental issues. Major international studies identify the people of the Region as great individualists who also place a great deal of faith in the state. Nordic companies report amazingly similar responses to customer surveys in the different countries. The communality of values between the peoples of the Region is closer than between the inhabitants of southern and northern Italy, for example, or Bavaria and Hamburg in Germany.

In a paper such as this, it is tempting to highlight similarities between institutions or economies. But closeness can be quantified by other means. The most popular names for newborn children are Lukas and Emma in Denmark, Onni and Emma in Finland, Jon and Sara in Iceland, Lukas and Linnea in Norway, and Lukas and Maja in Sweden (Nordic Statistical Yearbook, 2009). Nordic Council opinion polls regularly register strong popular support for Nordic co-operation.

The question is: What are these similar values based on? Explanations posited include the dominance of the peasantry, the relative weakness of feudal structures compared to the rest of Europe, and the early emergence of modern states in the Danish and Swedish kingdoms, but not all of these factors have always characterised the whole of the Region. It is more appropriate to point to the exchanges of ideas that took place in the 19th century as the modern Nordic societies were taking shape, as well as the intense cross-fertilisation between Nordic intellectuals, writers and artists. Even if ideas or values only had their roots in one or two countries, one effect of Nordism was their adoption by influential circles in all of the countries, which laid the foundation for the Nordic quasi-federation in which we have lived ever since.
Trust in the collective institutions is one important aspect of Nordic identity. Local self-government played a significant role early on, the revivalist and temperance movements garnered widespread support in the 19th century, and in the 20th century the trade union movement grew stronger here than anywhere else. Many people have a long tradition of participation in democratic associations. As a result, faith in collective solutions is greater here than in most other parts of the world. Nordic people are willing to pay for public services on a scale almost unequalled elsewhere, and levels of mutual trust have also played a critical role in developing a strong system of collective-bargaining agreements governing the labour market. Public-sector structures are relatively transparent, and the strength of local government means that the gap between ordinary citizens and decision-makers is relatively narrow.

Similarities in terms of culture, values and social structures also have an important economic dimension. In a globalised world, access to information is increasingly important. It is easier to obtain and exchange information within the Nordic sphere than between (and sometimes within) most other countries. It is easier to read between the lines and to assess the credibility of a source.

In practice, this means that it is easy for citizens to move between the Nordic countries and to find out how to do so. It makes seeking work or doing business across borders a less traumatic experience. Many Nordic people marry partners from neighbouring countries and raise families there. This has been going on for a long time: The Finns cleared land in the Swedish and Norwegian forests in the 17th century; the Swedes migrated to Danish towns or farms for work in the 19th century; and in modern times, human waves have rolled back and forth. This form of migration attracts little attention, possibly because the differences between people are fairly minimal – or perhaps because somebody from the south of Sweden is just as much of an outsider in Stockholm (i.e. not much) as a Norwegian.

**Transparency and sharing risk**

The Nordic countries balance security and risk. Their impressive openness to the outside world has enriched them; they dare to be open because some of the wealth generated pays for comprehensive welfare provisions for the whole population.
Foreign trade has been vital for development in the Region. A number of multinational companies have emerged from the Region. Large numbers of Nordic people work abroad and many immigrants have made homes for themselves in Nordic countries, especially in recent decades. Some of those who leave come back with new ideas, while immigrants bring new practices and perspectives with them. This mix of people and cultures has enriched the Region. From this perspective, xenophobia conflicts with the forces that underpin Nordic affluence. External impulses may have an impact upon indigenous customs and values but they also mean that new ideas are assimilated, which increases expertise and provides a boost to business. Nordic culture has always changed in step with the world at large and its peoples. Migration is acknowledged as a basis for progress.

The Nordic countries combine openness to international competition and restructuring with collective risk-sharing (Andersen and others, 2007). Trade unions and other interest groups accept company closures and other changes because benefits are generous and labour-market policies effective. Much of the tax revenue pays for long-term investment in human capital, from comprehensive childcare to a broadly based education system, and a high proportion of GDP is spent on research and development.

Openness means that Nordic identity is not immutable. It is conceivable that, over time, new trends and globalisation might create distance between the Nordic countries and dilute the sense of common identity. However, right now, that sense of identity is strong enough make unification an option, one that would further strengthen the ties that bind our countries together.

**Greater flexibility!**

However, strength has its downsides. A key reason for the flexibility of the Nordic model is that much of the regulation, particularly in the labour market, is based on collective agreements rather than legislation. This means that protective measures and terms and conditions of employment can be adapted to the particular conditions faced by each different industry, rather than being unnecessarily rigid in order to maintain an average level. In Denmark and Sweden, collective agreements have been adjusted to accommodate individual salary-fixing. This may have amazed outside observers, but it has probably been beneficial to productivity and efficiency.

The problem is that the outside world does not see things the same way. In EU countries, legislation rather than collective agreement is the norm. Not all Swedish collective agreements are compatible with the EU’s desire for minimum wages to promote cross-border mobility. The Nordic countries are too small to forcefully advocate their view of how common EU regulation
should interact with an agreement-based system. Collective agreements do not just conflict with supranational regulation either.

They also have an effect on multinationals internally. International companies set wage levels from their headquarters in Detroit or Frankfurt, so find it difficult to accommodate five different Nordic solutions. As a federation, the Nordic countries would be able to put greater weight behind the agreement-based model. In time, the systems of agreement in the different countries would also converge.
“The United Nordic Federation is a realistic utopia. It is a vision that awaits energetic political action, but it is capable of transcending borders – both geographic and political.”
FEDERATION

History

States control their own institutions. No institutional arrangement has more of an impact than political geography. When countries work together, new opportunities arise for them to assert themselves. France, Spain, the United Kingdom, and later Italy and Germany (in the 19th century and again after the Wall came down) all bear witness to this. This does not mean that all federations survive – the ancient empires and Austria-Hungary came to an end after a few centuries, and in time the Soviet Union and Yugoslavia went the same way.

From the 19th century onwards, a Nordic federation has been proposed several times (Andersson, 1994). As early as 1792, the Danish historian Frederik Sneedorff gave a lecture on the theme in London, which was subsequently published in Sweden. In 1810, N.F.S. Grundtvig published the pamphlet “Er Nordens Forening ønskelig? Et Ord til det svenske Folk” (“Is Nordic unification desirable? A word to the people of Sweden”), when the Danish-born Crown Prince Karl August’s fatal crash on Ljungbyhed raised the issue of succession to Charles XIII. Grundtvig declared that his “warmest desire and brightest hope is Nordic unification”, which he believed was “the Region’s destiny”.

The issue arose again when Scandinavism was at its height. During World War II, support for a federal solution was strongest in Denmark, but its proponents also included the Icelandic author Gunnar Gunnarsson (1927) and the Swedish politician, co-operative movement leader and civil servant Anders Örne (Petander at al., 1942). The Finnish writer and politician Atos Wirtanen responded with “Ett enat Norden – mongondagens nödvändighet” (“Nordic unity – tomorrow’s necessity”) (Wirtanen, 1942), in which he predicted that, after the war, the major powers would pull the Nordic states in different directions if they did not move closer together.

Örne and his co-authors described federation as “our generation’s great and inevitable task in the Nordic Region”. Wirtanen felt that it would be easier to reach agreement on confederation, but a federation would be more sustainable. Their advocacy was greatly influenced by wartime events: “divided and weak, the [Nordic countries] become sacrificial lambs in the politics of power”. They placed great stock by the prospect of a joint Nordic defence system. Wirtanen argued for a joint defence industry, emphasising the potential strength of a Nordic air force. In both papers, the authors highlighted the economic opportunities that federation would generate through trade, the labour market and technological progress.
Demarcation

This study deals primarily with the five states: Denmark, Finland, Iceland, Norway and Sweden. However, one of the most important aspects in any negotiations about a federation would be the status of the autonomous territories – the Faroe Islands, Greenland and Åland. These areas would occupy key geographical positions in the new Federation: the Faroe Islands and Greenland amid all of the resources of the Atlantic, Åland in the middle of the Baltic Sea. Their strong position on the Nordic Council should serve as the starting point for their role within the framework of the Federation.

I have restricted my presentation to the Nordic Region as it is usually understood, i.e. I have not included the Baltic states. The same kind of historical and cultural community does not transcend the Baltic Sea as it does the more narrowly defined Nordic Region. A Nordic federation should be in a position to work even more closely with Estonia, Latvia and Lithuania, but it is my considered opinion that it would be unrealistic to regard these countries as potential members of a federation in the foreseeable future.

New rules of the game

An important consequence of forming a federation would be that the ground rules for decision-making would change. Within the Nordic Council as currently constituted, dissatisfaction has been aired that it is always the lowest common denominator that dictates decisions, i.e. those who want to do the least set the limits for collective action. This dissatisfaction is so great in certain quarters that a revision of the Treaty of Helsinki has been suggested so measures could be adopted even if one country opposed them. Cooperation would then proceed without the dissenting country.

Co-operation is constrained by the fact that it is almost always only able to deal with one issue at a time. For a project to proceed, all parties must be convinced that everyone stands to benefit. As a result, proposals often run out of steam.

A federation would operate under completely different rules than five different states that meet from time to time for purposes of “co-operation”. In a joint and lasting federation, members know that they will have to meet again and again for ongoing negotiations on a range of issues. The motivation to engage in “horse-trading” is totally different in a federation than in looser, sector-by-sector co-operation. A great deal can be achieved via such mechanisms, even if each country retains the right of veto on the extension of federal powers.
In negotiations within the Federation, the progress of the whole enterprise would be the decisive criterion, a completely different situation to negotiations in which mere “co-operation” is at stake. Negotiators would doubtless continue to press for their preferred outcome, but a setback today could be offset by gains in other areas tomorrow. What is needed is a stable, coherent framework for Nordic give and take – and once this has been established, the Federation would quickly become much greater than the sum of its five parts. Federation would change the dynamics of the negotiation process.

However, the main reason for establishing a federation is to respect and preserve the identities of the member countries and autonomous regions, which must retain the power to choose their own solutions. Federation is a way of mobilising and harnessing the power of the entire Nordic Region. The aim is not harmonisation at any price, but to provide opportunities for the Nordic languages, cultures, countries and territories to develop in partnership with each other.

**Design**

There are a range of possibilities for federal links between states, from agreements on specific issues to federal parliaments empowered to make more or less qualified majority decisions on measures that are equally binding on all component parts of the federation, even ones that oppose the measure concerned. The precise way in which the United Nordic Federation would combine agreements and institutions in its constitution is, of course, a matter for negotiation. A review of other solutions would inform that process, but some aspects simply must be taken into consideration.

As they stand at present, the Nordic states are strange constructs. In one sense, they are centralised, unitary states, as only central government wields legislative power. On the other hand, local autonomy also remains strong. In all of the countries, local councils supply a wide range of public services, supplemented in Denmark, Norway and Sweden by regional structures.

There are therefore two traditions to be taken into account – on the one hand, strong local autonomy; on the other, the collective power of the unitary state and the people’s desire for equal conditions throughout the country. I believe that the Federation should choose both and let them interact with each other.

I believe that the wisest solution would be a strictly federal structure with a single constitution, parliament and government. Similar federations exist elsewhere in the world. When I worked as a UN negotiator, every time an agreement was reached, colleagues from the USA, Australia and Germany would take the floor to state their “federal reservation”.
In other words, the contents of the agreement must not violate the rights of their constituent states. The international community would not raise an eyebrow if the Nordic countries took a similar path.

The Federation needs a head of government, a legislature and a government, the exact nature of which will be resolved by negotiation. It should be feasible to settle the question of republic or monarchy by the heads of government of the member states rotating as head of the federal government, thereby placating both republicans and monarchists. But there are many different views on these questions, which would surely be resolved when the Federation’s institutions find the right balance between collective decision-making and the identity and autonomy of the member states.

My understanding of Switzerland is that the Helvetic Confederation only has powers that have been expressly delegated to it by the cantons. There are no redistributive mechanisms to speak of between the cantons. Socially, economically, culturally and linguistically, the differences between the Swiss cantons are greater than those between the Nordic countries.

Örne and his co-authors looked to the example of Switzerland (Petander et al., 1942) when they made the case for Nordic Federation during World War II: “Experiences from the Swiss Confederation and the USA point in the same direction. They show that the federal concept itself suits democratic peoples, who maintain a high degree of local and regional autonomy, individual freedom and decentralisation.” They envisaged a fairly small parliament with a directly elected lower house and a senate appointed by the member countries’ parliaments, much like the Nordic Council of today. As a model, this might still prove useful.

At this point in time, there is no need to go into any great depth about how these questions will be resolved. The key issue is that the federal constitution must secure each of the countries a strong and independent position, and accord the autonomous territories the utmost respect. The mandates for the collective bodies must not be extended before all of the countries agree to do so. Sovereignty would rest with the Federation, but with regard to most social issues, it would be the country, region or local authority that would manage day-to-day affairs.

**Content**

Having a constitution is one thing. What the people choose to fill it with is a different matter altogether. This is where the second strand of the Nordic model comes into play. Equality is a powerful Nordic ambition. Support for equality for all is commonplace in public debates. Over the decades,
this ambition would presumably bring the neighbouring peoples closer together as we become even more accustomed to each other. Within a generation, the institutions in different parts of the Federation would presumably converge far more than the Swiss cantons have ever done.

Different subject areas could be managed in different ways within the federation. Some issues – foreign and security policy, arguably even trade – would have to be the responsibility of the Federation.

Other issues would be better left to the individual countries – there is little to be gained from a single Nordic penal system, even though more and more legislation would cover the whole of the Federation. Different solutions would be feasible in areas where responsibility is retained at national level – hospitals in Norway are run by central government, in Sweden by county councils.

It is probable that shared responsibility would eventually become increasingly common, with basic Nordic solutions complemented by each country in its own way. There are strong reasons for implementing such a system of shared responsibility in labour-market policy, higher education and research. A European element might also be added to the mix.

Certain sectors are so large and important for national economies that the Federation would have to stand up for those interests in the international arena. Fisheries policy is of crucial to the West Nordic countries (Iceland, Norway, the Faroe Islands and Greenland), forestry to Finland and Sweden.

Major, wide-ranging areas of policy would remain national affairs, as this is the most rational approach (e.g. many welfare services are best provided and funded by local authorities). Some areas will be weighted more heavily in one country than in others – regional policy is a prime example. This also means that the majority of taxation powers would remain at national level or below.

Nevertheless, even the responsibilities that remain national in principle would assume more of a Nordic character, which would increase efficiency. Even if the individual countries did not wish responsibility for health care to rest with the Federation, they would still be able to enter into mutual agreements on specialised treatment and care provisions that transcend borders. Such agreements need not be between all five countries – bilateral and trilateral agreements would be first steps on the road. The initiative for any further moves towards interdependence would come from the bottom up. It is a quintessentially Nordic model.
The capital city?
An unavoidable question arises: Where would the capital be? To which the appropriate answer is: It should make as little difference as possible.

Forming a federation means adding an extra political level. There are strong arguments in favour of federation, but the risk of increasing bureaucracy and reducing the influence wielded by individual citizens make powerful counter-arguments.

It is important to choose a format for the joint institutions that is as stringent as possible, and which utilises the member countries’ existing resources. There is no need for a Brasilia or Arusha to mark the advent of the new state.

As many functions would remain with the member countries and power would largely be exercised in consultation with them, it might well prove wise to organise various collective functions in different ways. The travel that any such distribution between the member states might entail need not constitute an insurmountable difficulty, particularly as the infrastructure gradually improves to enhance cohesion.
FOREIGN AND SECURITY POLICY

The global power game

The first arena in which an integrated Region would make a major impact would be foreign and security policy. The Federation would wield far greater influence on decisions than the individual countries.

The symbol of this change in status would be the G20. The United Nordic Federation ought to be invited to join as a matter of course. Assuming that the G20 still exists at the time, the five states would be able to claim their place at the table as soon as a policy decision has been taken in favour of Federation.

However, the name of the international body does not affect the facts. Talk of "G2 hegemony" has been greatly exaggerated. I do not believe in G2 domination of the world's problems. The USA and China are not capable of managing the world economy on their own. They are a powerful pair, but not dominant enough. Other countries have an equally large role to play in all of the areas that require global agreement – especially the environment and economy. The few really big nations need to listen to the many quite big ones. The G20 – or a similar body – will presumably have an important role to play for many years to come.

In this arena, the Region would advocate a distinctively Nordic approach to many issues. The United Nordic Federation would have an important contribution to make in terms of improving international decision-making.

This is not to say that the Nordic Region has previously been completely lacking in influence. Experienced Nordic representatives have often punched above their countries' weight, perhaps because their societies are so open that is has forced them to keep up with international affairs and made them adept at identifying widely acceptable compromises. However, due to their size, there was a limit to their influence, and it does not really matter how wise you are if you do not sit at the top table during the final phase of decision-making. Federation would open more doors.

This is also true in day-to-day diplomacy. Embassies are a nation’s on-the-spot representatives. Their principal task is to get their host countries to listen, but they also help promote the interests of their own citizens and business communities. One joint Nordic embassy would be far more effective than five separate units. Housing the five Nordic embassies on one site has certainly given Berlin something to talk about, particularly because of the bold architecture. Doing the same all over the world – not just sharing a building
but actually working together – and doing so in far more locations than the individual countries are able to afford, would be a practical way of enhancing the Nordic presence around the world. Joint export promotions would have a similar impact.

**Nordic security policy**

The demise of bloc politics in Europe has removed what was historically the most significant obstacle to unification of the Nordic countries – but the current level of detente does not mean security policies are no longer needed. The new circumstances pose new problems, but so far only tentative moves have been made towards solutions. The picture will also undoubtedly change again during the time required to form the United Nordic Federation. The fact that Russia seems to be turning its attentions westward at the moment would be an important factor to take into account when drafting joint Nordic security policies.

Unification would mean that member countries’ interests would be protected by the combined weight of the whole Federation. In a federation, the agonising and improvisation that preceded the Nordic Council’s declaration of support for Iceland in the Cod War in 1976 would be replaced by a methodical process, in which the member countries’ needs and conditions would form the basis for long-term foreign and security policy considerations.

Different issues need to be addressed in different parts of the Region. The Federation would be a major Arctic power. The West Nordic countries and autonomous territories are strongly committed to the Atlantic, multiple issues need to be addressed in the Baltic, and the Nordic countries have also taken on international peace-keeping commitments. The dominant issues in the Atlantic are sea routes, Arctic issues, and protecting marine resources, while in Finland, the traditional defence of actual territory might carry the most weight in policy debates. At the same time as they must address all of these issues, the Nordic countries will also remain committed to their international peacekeeping roles.

In his 2009 report to the Nordic foreign ministers, Thorvald Stoltenberg (2009) highlighted a number of areas in which foreign policy would benefit from the countries working together. These included monitoring of Icelandic air space and of seas throughout the Region, marine response units and joint deployment forces for international operations.
All of these tasks would fall within the remit of a collective security and foreign policy. Nordic Defence Co-operation (NORDEFCO) has already taken steps towards establishing joint procurement procedures and training systems. Notwithstanding the fact that senior officers have not considered the countries' different security policies any great problem to date, Nordic defence as a whole should become more efficient as the countries move from co-operation to joint policy-making within a Federation. Joint procurement would improve opportunities to make savings, and joint deployment of forces would allow resources to be concentrated in the event of future crises in the Region or Adjacent Areas, or when called upon to take part in intentional operations.

In the longer term, it is difficult to predict exactly what “security policy” will mean. Myrdal (2007) posits a “major crisis” that exerts pressure on the economy, the environment, people and society. In this context too, a more multi-faceted federation would probably be better able to cope than the five separate states. All the evidence suggests that the environment, climate change and energy issues will play an increasingly critical role in future international affairs, which makes the G20 argument just as compelling as the economic case for Federation. The Nordic countries have attributes and values that differentiate them from many other countries, but in order to promote them they must join forces.

Even though security has to be a joint responsibility, negotiations about setting up a federation could allow for the possibility of individual member states making different types of contributions to joint solutions. If it is generally agreed that defence of actual territory is the primary consideration in a specific part of the Region, this might justify military service in that particular area in order to guarantee the rapid deployment of forces, while other parts of the Federation might make a greater financial contribution.

**The Nordic Region in the EU**

The greater weight behind the Federation would be relevant to its attitudes to the EU, NATO and European exchange-rate co-operation. It is difficult to envisage anything other than collective solutions (although Åland and Greenland are examples of special international solutions within national frameworks), but they do not need to be decided in advance. This is one of the difficult questions that negotiations would have to resolve.

Some observers argue that the Nordic profile in the EU has barely been enhanced by Sweden and Finland becoming members. The Nordic member states have chosen different positions (or at least tactics) on a surprising
number of occasions. This could be because Norway and Iceland have chosen to remain outside of the EU. It has also been suggested that some Nordic politicians feel that they might alienate other allies if they were to work too closely together.

As long as these countries are divided and choose different formal relationships with the EU (even though these differences are relatively minor in practice), Denmark, Finland and Sweden are generally ranked as second- or third-tier players within the Union.

Unification, on the other hand, would introduce into deliberations an element that is not present when the countries act alone. The danger of getting trampled inside the European Union has made many people sceptical about membership. A United Nordic Federation is at considerably less risk of suffering this fate than Iceland or Norway. The EU can trample on a Sweden, a Denmark or a Finland, but not an Italy or a Spain or a Poland – the level at which a united Region would operate.

The Federation’s greater weight would also benefit the EU. The United Nordic Federation would be able to make its mark on the future of the Union in completely different ways than the individual states. Admittedly, EU regulations do formalise the over-representation of the smaller countries, which would not apply to the Federation, but all the indications are that the combined weight of the Nordic Region would prove more effective than the separate votes of the individual states. The Nordic Region would be better equipped to counter the EU’s protectionist tendencies in areas such as antidumping, which are in stark contrast to the free-trade approach that the Region has historically pursued. The people of the Region have no need for the most expensive bananas in the world.

In practice, increased influence would make its mark in many ways. It would mean Nordic involvement in the formulation of the next major climate declaration; it would mean that the EU would need Nordic staff in key posts; and it would mean that the head of the United Nordic Federation would be quoted when Le Monde and the New York Times analyse international debates.
ECONOMIC POLICY

The Federation would co-ordinate economic policies in the Nordic countries. That does not mean that the federal government could or should take all monetary and fiscal-policy decisions. The precise nature of economic and political roles is a sensitive issue that will be clarified during the negotiations – but certain basic starting points are worth noting.

Monetary policy

The Nordic countries have adopted different monetary policies. Finland is a full member of the eurozone, Denmark is in a band with the euro, and the Region’s other currencies generally float freely. The Federation would have to have a common monetary policy, either within the framework of the European Monetary Union or based on a common currency of its own.

Economic research emphasises the importance of “optimum currency areas”. I believe it is legitimate to argue that the United Nordic Federation would constitute one such area, but not in the way that economists usually mean. In the wake of the Maastricht Treaty, economists studied the similarities between different countries’ economies and industry structures. The closer the similarities, they argued, the better the prerequisites for a common currency area.

However, in the Nordic Region, this reasoning can be taken a step further. The business sectors in the different countries differ widely from each other, and therefore react differently to economic cycles – but this is not necessarily a disadvantage. Today, the Nordic economies are so small and so dependent on individual companies and industries that isolated incidents can deeply affect a particular country. The collapse of the Soviet Union had a huge impact on Finland’s foreign trade, but setbacks in forestry, the oil industry or even key companies like Nokia or Ericsson would also be difficult for the individual countries to cope with.

In this perspective, differences between the business sectors of the member states could be one of the Federation’s strengths. In a united Region, the countries would take turns at keeping the economy going because their businesses would react differently to changes in the economic cycle and to external shocks.

The Region’s collective institutions and values would make the United Nordic Federation into a functioning economic unit, and would make it possible to further strengthen the joint labour market and make cross-border mobility even more common. The institutions and values would facilitate internal mobility, particularly if strengthened by joint federal institutions.
We already have a single labour market, but within the framework of the Federation it would become much more important. The more Nordic citizens who are prepared to move to a neighbouring country when jobs at home are scarce and labour is needed elsewhere, the better the entire Nordic economy will be. In that sense, the Federation would act as a safety net for its citizens. Even if their own country were in difficulty, people would have alternative employment options in the other countries. The Federation would be much more diversified than the individual economies, and so more resilient to economic shocks.

Their diversity and mobility would allow the Nordic countries to perform better as a Federation than the separate states do at present. In the longer term, it would work in much the same way as the USA does today. The US economy is endlessly multifaceted, with expansion in one part of the country taking place at the same time as stagnation in another, but with large numbers of people willing to move to find work. For the Federation’s citizens, it will be no more remarkable to move from one of the countries to another than it is for US citizen to move from Pittsburgh or Detroit to Atlanta or Seattle. The mobility of labour eases pressure, both when the going gets tough for businesses and when they are capable of using all the resources thrown at them. Compared to contending with national borders that separate growth areas from areas of economic contraction, federation would benefit the economy as a whole as well as the welfare of the individual.

Should the Federation decide to join the eurozone, spreading the risk across the Region would still be a strength, even if the Federation itself was not conducting its own monetary policy. The Federation and its members could co-ordinate their fiscal policies much more closely than would be possible in the eurozone as a whole. The Federation would also have a much greater influence on the euro than the Nordic countries do today, with only Finland a full member.

However, it is by no means certain that the euro would still exist by the time the Federation came into existence. Given the complementary nature of the Nordic economies and the mobility of labour within the Region, a separate common Nordic currency would have good prospects. A Nordic central bank could also play an important role in economic policy, e.g. setting regional salary levels.
Fiscal policy

Responsibility for fiscal policy would be shared between the Federation and its members, and much of the responsibility for policy-making would remain at national level. Revenues (mainly taxes) determined by the individual countries would fund national expenditure. On the other hand, the Federation would have to have sufficient economic resources to cope with unevenly distributed shocks, and to encourage adaptability and cross-border mobility.

Fiscal policy would be one of the Federation's primary means of managing the economy, particularly if monetary policy is to be decided at European level. There would therefore be an urgent need to find mechanisms to reduce the risk of national and federal fiscal policies falling out of step with each other. One way to deal with this would be for the Federation and its member countries to adopt a common budgetary and fiscal framework. Even if this does not tie up expenditure and tax rates, the budget legislation and framework could stipulate how the process is supposed to work, and stipulate key data – e.g. targets for budget expenditure and public debt – that countries must meet.

The current crisis has highlighted the difficulty of trying to deal with the pressures on the eurozone using joint monetary policy alone. The United Nordic Federation would therefore have a collective fiscal policy. If the Nordic countries chose to be a separate currency area, this would be a significant advantage in comparison to the current euro co-operation. And even if the Federation were to join the eurozone, joint fiscal policy would make the Nordic countries better placed to face future financial crises than they are today.

Iceland's financial crisis is thought-provoking. Within the Federation, the initial crisis-management mechanisms would have already been in place at the start of the crisis. In fact, it is possible that the crisis could actually have been prevented had a joint Nordic financial services monitoring authority been in place.

How comprehensive federal fiscal policy would need to be is something that needs to be assessed at a later date. The greater the consensus between members on the shape of economic policy, the less need for the Federation to have centralised resources. Member states would adopt their own measures, but they would be co-ordinated with federal initiatives, and therefore their impact would be much greater.

Limits need to be imposed on the freedom of action of a federal state. The revenue sources upon which the Federation would be allowed to draw and the purposes for which it would be allowed to allocate funding would need to be determined by consensus among the member countries.
“Foreign and security policy, including trade and immigration, would be federal matters.”

The Federation would not be able to levy taxes or sanction transfer payments without an explicit mandate. However, from the outset, the Federation would need a mandate to manage serious crises – if necessary, in co-operation with other international agencies.

Certain measures to harmonise conditions in the Nordic countries would have a positive impact on fiscal policy. The Nordic Region is well placed to go much further than Europe in terms of developing compatible tax systems in the different countries. Co-ordinated tax legislation would improve the potential for co-ordinating fiscal policy measures, even though specific needs would vary and each country would determine the scope of the co-ordination.
BUSINESS

One of the important changes in recent decades has been the increasing integration of the Nordic economies. After World War II, the countries began to trade with each other to a much greater extent than before. The first electricity cable across the Sound between Sweden and Denmark was laid in 1915. Subsequently, the network of cables and overhead power lines led to the emergence of a Nordic market for electricity, which was co-ordinated by Nordel (founded 1963).

Many businesses have “united the Nordic Region” in a far more advanced way than politics has ever been able to achieve. Both Nordic and foreign companies have grouped activities throughout the Region, rather than on a country-by-country basis. A great deal has happened since World War II. For decades, Scandinavian Airlines was one of the only examples of regional organisation. Today, half of the financial and insurance sector operates on a pan-Nordic basis, the food industry has merged across borders, the forestry and power industries are becoming increasingly integrated, and even foreign companies are organising themselves at Nordic rather than national level. Big mergers are legion, and all the indications are that more will follow. A large proportion of Nordic investments are made in neighbouring countries, further integrating their economies.

The significance of this “unification” of Nordic business has been underestimated in the public debate. Nordic business leaders note the similarity in the reactions of customers in the different countries, and how quick and easy it is for employees to get on with each other. Successful Nordic mergers constitute practical examples of how to get behind what we have in common in order to reconcile differences. Mergers also mean that the important structures in everyday life become more and more Nordic – from electricity and telecommunications to much of our daily bread. When questions are asked about the future of the welfare system, the answers will most probably involve solutions in which the insurance companies play a leading role – and insurance is one of the sectors in which Nordic mergers have made the most progress.

The more integrated the Region becomes, the greater the benefits for business. The potential gains include not only a bigger domestic market and pool of labour but also the kind of institutional co-ordination that only political action can achieve. The Nordic agreement on the NMT standard for mobile telephony was a breakthrough that had a significant impact on the Nordic telecommunications sector, but the Federation would be able to pursue that sort of integration more systematically and thoroughly, instead of finding
ad hoc solutions on an issue-by-issue basis. Great Nordic input into the EU is also important for Nordic companies.

Krugman (2009) identifies the economic importance of knowledge spillovers between companies close to each other. The more interwoven the Nordic economies become, the more companies in the different countries become close neighbours and the greater the potential scale of this type of knowledge transfer.

From a political perspective, the expanded domestic market is a far more powerful instrument of business policy than national measures could ever be – not to mention cheaper than systems of allowances and deductions. The Nordic countries already rank high on various lists of the easiest places in the world to run a business, but as a federation they would be even more effective.

Relative to their size, the Nordic countries have a staggering number of multinational companies. From their point of view, national measures play a marginal role, but the ability to recruit qualified staff from neighbouring countries is an important factor. In a federation, the whole Region would, to a far greater extent than at present, become “home” to skilled job-seekers. The more that specialists regard the whole Region as their labour market, the greater the beneficial effect on the companies with the greatest need for their skills. The foundations are in place but information about the joint labour market could be disseminated more systematically and effectively by federal institutions.

Federation would also stimulate the business sector to remove its own barriers to mobility. International bank transfers currently cost SKR 100 or more in fees, yet only a handful of banks have introduced “commuter accounts” for those crossing the Öresund. In Copenhagen, visitors from other Nordic countries have to pay an extra fee when using their credit cards. Obstacles such as these persist even in the banking sector, which has made greater strides than most in terms of Nordic integration. The merged Danish and Swedish postal services have yet to establish a single rate for domestic postage, even though they proudly call themselves Posten Norden.

But we also anticipate more subtle effects. To a great extent, doing business is all about geography and contacts. The Nordic countries’ business sectors have long experience of different markets. Norway and Iceland look to the Atlantic, Denmark and Sweden to Germany, and Finland to Russia. In a federation, businesses in each country would be able to expand their
contacts with the outside world by taking advantage of other companies’ well-established networks. Tourism has increased in recent decades, but what would the Federation be able to achieve if it was promoting the entire Nordic Region as a destination?

By coming together, the Nordic Region would enhance its appeal to the outside world. Since the fall of the Berlin Wall, many in the Region have dreamed of developing Poland as a market, but why should the Poles care about some small countries on the other side of the Baltic Sea when they are so close to Germany? Hopes of partnership with Poland are more or less an illusion, fostered by companies in a fragmented Region. A federation would change that and improve the attractiveness of the Nordic Region. It would be more profitable for Poles and others to look north, if only to counter-balance the Germans and Russians. A united Nordic Region would make a bigger splash in the business world than the separate states have managed on an individual or collective basis.
THE LABOUR MARKET

The joint labour market is one of the most powerful arguments in favour of federation. Since its inception in the 1950s, the joint labour market has contributed to Nordic cohesion, and helped pave the way for federation. However, federation would take progress further still.

Commuting and migration between the Nordic countries help businesses to cope with bottlenecks, but it is just as important that they open up more opportunities for job-seekers. Even now, it is common for many young Swedes to spend an exciting and profitable couple of years working in Norway.

The direction of the flow of labour has fluctuated over the decades. In the 1950s and ’60s, Finnish migrants eased labour shortages in Swedish industry. Today, the big waves are from Värmland and Västra Götaland to Oslo, and from southern Sweden to Zealand (Nordic Commuting Map, 2009). The number of commuters between Nordic countries rose by 23% in 2006, from 36,000 to 44,000 people. Swedes accounted for 87% of this increase, while the rest were Danes and Finns commuting to Sweden. Cross-border commuting has risen by approx. 50% since records were first kept in 2001.

Much of the increase is due to the Øresund Bridge. In 2006, 13,500 people commuted across it in both directions. A total of almost 7,700 people commuted from Malmö to Zealand – 3% of the total population of Malmö. Nearly half of these commuters were born in Denmark. But the number could be far higher. During a seminar in the Danish parliament to mark the 10th anniversary of the bridge, Michael Stamming, CEO of the Øresund Committee, described the bridge toll as a “punitive tax on commuting”, and said that changes to the toll could increase the number of commuters to 100,000.

Relocation from one country to another is at least as important as regular commuting. In the 1960s, large numbers of people migrated from Finland to Sweden – and many of them stayed permanently. Today, many Swedes live in Oslo, and account for a significant proportion of the city’s workforce.

Under the Federation, it would be natural to move from passive adaptation and harmonisation to joint proactive measures designed to encourage relocation and commuting. National labour policies could make greater use of education, training courses and job vacancies in neighbouring countries.
To make it easier to exploit the advantages of federation, unions and employers strive to harmonise collective bargaining agreements across the Region. In this respect, the countries have much to learn from each other. The flexibility of Danish agreements could serve as a model for labour-market regulation, while Danish and Swedish trade unions could share their experience of individual salary agreements with their colleagues in Finland and Norway.

A wider labour market would not only benefit the people who live in the Region today – greater breadth, a wider range of career paths and reduced vulnerability to economic cycles should also make the Nordic Region more attractive to skilled immigrants. This would make it easier for the Nordic economy to absorb the kind of external input it needs in order to progress and develop. But it is not simply a matter of attracting new immigrants, it would also encourage Nordic citizens who have studied and worked abroad to return – just as many emigrants to America returned in the early 1900s and enriched their own national business communities.
RESEARCH AND HIGHER EDUCATION

Research and higher education are important sources of business renewal. The Nordic countries have made efforts to expand higher education, which now attracts a larger proportion of young people than, for example, in Germany. However, there remains the question of how these countries are supposed to succeed in internationally competitive research.

The Nordic countries are ranked low with regard to advanced research and higher education. As early as 1839, Grundtvig argued in favour of a joint Nordic university, and Wirtanen (1942) returned to the idea in his writings. A co-ordinated research policy could be one of the Federation's most important contributions to the development of the Region. The Federation should share this responsibility with the member countries. Cutting-edge research and researcher training should be a federal concern, while the individual countries should be in charge of tertiary education and work designed to meet regional policy objectives.

The Federation would need a high proportion of the countries' research resources at its disposal in order to realise the Region's potential in this sphere. In order to utilise all of the research universities' resources within each subject area, Nordic research policy should revolve around a joint research council, some joint research universities offering programmes at Master's level and above (Copenhagen/Lund, Oslo/Gothenburg, Stockholm/Uppsala, Sweden/Helsinki and Reykjavik/Faroe Islands/Greenland), and joint researcher training. The research universities and researcher training would enhance quality and promote mobility in the Region, but the joint research council should also provide funding for the universities to attract international research teams. Given such resources, the Federation would be able to exert considerable influence when EU research policy is being drawn up.

Nordic co-operation would also become more important at national level. Joint researcher training and universities would gradually influence the way in which teaching staff are recruited throughout higher education. Institutions and researchers in all of the countries should be able to apply for funding to all of the research councils in the Region.
CULTURE

Language will be one of the key factors in establishing the Federation. It is important for people in the Region to be able to communicate as freely as possible with each other. It is not essential that everyone speaks Scandinavian from the outset (newspapers report that the Sampo group has adopted Finnish and English as its corporate languages), but if the Federation were to be formed, the incentive to learn each other's languages—including Finnish and Icelandic—would be far greater. Federation would provide a boost to the Nordic languages as opportunities to use them increased.

If things continue as they are at present, the prognosis is bleak. Molde (1981) warned that “style shifts in modern languages—towards an increasingly casual, vernacular style in normal, serious texts—mean that average texts, e.g. in newspapers and modern fiction, and also the spoken language as used on radio and television, have become less comprehensible for people from neighbouring countries than similar texts used to be.”

It would be in the interests of both the Federation and its member countries to encourage and facilitate linguistic interaction. “It may also mean that we should encourage slang and vernacular borrowings between languages,” said Molde. “It is, moreover, something that may well happen of its own accord if Nordic contacts grow in various ways, such as through Nordic radio and satellite television.” As soon as the governments take the decision in principle to push for federation, forward-looking universities should take the lead and set up Nordic departments in which language and social studies would spark the interest of students and provide them with a reason to get involved in the new Federation.

The Nordic countries have strong national identities, and this is something that a federation neither could nor should challenge. On the contrary, the Federation should have a responsibility to protect and preserve the individual countries’ linguistic and cultural heritage. Maintaining distinct national identities would serve to enrich the Region’s intellectual and cultural life, so it would be in the Federation’s interests to familiarise its citizens with the distinctive characteristics and customs of the other countries. Rather than posing a threat to the national identities, Federation would make people more aware of their neighbours’ backgrounds and what makes them tick.

One way of fostering a sense of cultural community is via education. Education would probably continue to be an essentially national responsibility, but there is a strong case for co-ordination so that pupils and students at all stages are able to switch between the different countries’ school and university systems and transfer credits and qualifications between countries.
The next step would be for the Federation to encourage the co-ordination and joint planning of curricula and exam requirements. To properly integrate the labour market, it is important that due respect is paid to what goes on in the neighbouring countries so that people trained in one country are able to work in others.

However, culture is based on what people want. Compulsory school texts will never have the same impact as adult curiosity about the neighbouring countries’ literature, drama, art and music. The culture budgets of both the Federation and the member countries should be increased, and encouraging interaction made a priority. One obvious project would be to publish a Nordic “Book for Everyone” series – at Swedish paperback prices – that would make both the classics and titles nominated for the Nordic Council Literature Prize available to a wider public.

One of the obstacles on the path towards federation is the weakness of the whole notion of a joint Nordic public. Debates and discussions rarely cross borders. Unfortunately, the 1980s Nordsat project never got off the ground, principally because the countries instead prioritised to their own second television channels (TV2). In the era of cable TV, this mistake can be rectified. The Danish organisation Copydan is running a campaign for “neighbouring-country TV”, which offers households access to programmes from Norway, Sweden and Germany. Copydan provides Danish subtitles for some programmes, and runs advertisements for flagship shows in the Danish press. In a federation, business ideas such as this would not only be more profitable, but they would also help improve language comprehension and insight into conditions and cultures in the neighbouring countries. In April 2010, the question of a Nordic television channel was raised again. The time is ripe!
SOCIAL AFFAIRS

The fact that social spending in the Nordic countries is among the highest in the world is due, to some extent, to the social-security system. However, it also has to do with the fact that, unlike in so many other parts of the world, benefits are liable to taxation.

The Nordic countries also have large public sectors, with significant expenditure on education, health and social care. Not only has this has helped to bring women into the workforce, but it is also reasonable to regard spending on childcare, education and research as wise, long-term investments in the workforce of the future.

However, the snag is that the system of extensive public services is facing a funding crisis. Over the next couple of decades, the proportion of senior citizens is set to rise sharply. Fewer working people are going to have to support a greater number of dependents. Public revenues will no longer be sufficient to meet public-sector commitments. The Nordic countries must find new ways of providing and paying for welfare services.

Many of the Nordic social services are provided by local authorities. The advantage of this is that local and regional councils are better equipped than centralised national systems to adapt their services to citizens’ needs. Many different bodies are involved in provision – occasionally making use of private providers – and this variety helps to renew and adapt the system of social care. There is no reason for the Federation to change this model. It would be logical to retain responsibility for social services at national level, with local government continuing to play a crucial role in service delivery.

The Federation could still play an important role. For mobility between the countries to function effectively, it is important that those who move – both commuters and migrants – are able to relocate themselves and their families and receive broadly similar services.

The Federation would also have an important role to play in the development of services. Like their local councils, the countries would benefit from mutual exchanges of experience. Danish senior care and the Finnish school system are reputed to be better than in the other countries, and it would therefore be important to take on board their experiences in order to improve the quality of these services throughout the Region. Within the framework of the Federation, local authorities and other public institutions would be able to share experiences and experiment with a range of solutions.
The private sector would play an increasingly important role too. The Nordic welfare systems are heavily dependent on the tax base, so public finances will come under pressure as demographic trends lead to stagnation in the supply of labour. However, if productivity continues to rise at the current rate, the purchasing power of private households will double every three decades. This means that more people will be able to pay for services that they currently go without or for which they must wait in line for the public sector to provide. The Nordic insurance companies have already begun to develop this market. Their cross-border activities are a step ahead of the federation concept, but the interplay between the private and public sectors should become more effective within a federal framework.

The Federation would also be in a position to improve partnerships on tangible priorities, particularly in border areas. It should be easier for the Region to expand cross-border health care than it is for the EU, as the Nordic countries’ similar values and culture should facilitate joint projects across the whole range of social services.

Inevitably, discussion of such issues would increase rapidly even before the Federation becomes a reality, but it should also be possible to establish joint institutions specifically to promote this kind of outcome. In this context, the role of the Federation could be to set up institutions to evaluate national social services and publish comparative studies of institutions, encouraging the spread of information, experiences and examples of best practice.

As far as social insurance is concerned, the joint labour market would require greater harmonisation and portability. This applies not just to public-sector systems, but also to schemes linked to companies and/or regulated by collective bargaining agreements. Although these systems will probably remain a national responsibility, there will be a strong incentive to find parallel solutions as people become more mobile within the Federation.
INFRASTRUCTURE

Federations are bound together by their infrastructure – the first regular steamship line across the Öresund in 1828 formed the practical backdrop for the emergence of the student “Scandinavism” movement (Hemstad, 2008). Infrastructure and communications have been both means and ends towards cohesion ever since. During the financial crisis of 1878–1879, the need for cross-border rail links lay behind the Swedish government’s decision to subsidise the Bergslagen railway line.

At the first session of the Nordic Council in 1953, Allan Vougt proposed that a bridge should be built across the Öresund. It took almost 50 years, but the bridge was finally built. In its first ten years it has started to recoup some of the losses incurred as a result of the Treaty of Roskilde in 1658. The rapid increase in commuting across the Öresund has blurred borders in the south.

People and of businesses will be increasingly mobile in future. Danes settling in Scania in the south of Sweden and Danish businesses setting up in the Malmö suburb of Hyllie will find the transition smoother, for example. Within a generation or two, the effects of this increased mobility will make their mark on language – and East Denmark will be a reality again. The Nordic countries will have come a little closer, regardless of how much political progress has been made towards Federation.

Infrastructure needs to be a shared responsibility within the Federation. Most of the responsibility would remain in national hands, but one of the first tasks on the road to federation would be to initiate the joint planning of infrastructure. What would be the most effective way of linking the countries together? This is not just a question of physical infrastructure, but also of standards for telecommunications and other networks. The NMT standard was a shining example, which also bore commercial fruit.

Sometimes, the Nordic interest would mean choosing one option over others. In Sweden, it could mean that a Y-shaped link connecting Stockholm and Gothenburg/Oslo with Copenhagen would be more rational than a Stockholm–Gothenburg–Malmö triangle. The Y-link would make Jönköping a Nordic metropolis.

The most obvious potential lies in the Öresund Region. The economist Knut Wicksell once explained how to price infrastructure: If a facility is to be utilised as efficiently as possible, expenditure should only cover the variable costs, not the fixed investment. If bridge tolls are set low enough, revenue should multiply. This would be welcome and timely, but it does not address the capacity problem – the current bridge would have trouble coping with
100,000 commuters. Voices have been raised in favour of a fixed Helsingborg–Helsingør connection, perhaps a rail tunnel, which would make public transport more competitive and be better for the environment.

Joint infrastructure would be one of the Federation’s most important contributions to work on the environment and climate change. Federation would increase the need for communications between the Nordic countries, but it could also reduce demand for transport – the greater the reliance on neighbours, the less need to import goods and services from far away. It is important that transport is as efficient as possible.

This would entail significant investments in high-speed rail links between Denmark, Norway and Sweden, but from the Federation’s perspective, it will be at least as important to find economic and technological solutions that facilitate exchanges with Iceland and Finland. If market forces initially prove to be inadequate, the members of the Federation would have a collective interest in funding projects that link all five countries more closely together.

The Federation would have to draw up plans to reduce demand for physical transport. The Nordic countries are already at the forefront of telecommunications and information technology. Closer integration would encourage cross-border consultation in all types of enterprise in both the public and private sectors. To save time and the environment, the Federation should encourage tele- and video-conferencing. The public sector could take the lead and install appropriate facilities in all of its bodies and in local authorities. The same principles apply as to the expansion of the telephone network – i.e. the more connections that become available, the more usage will accelerate. Indeed, usage will expand far more rapidly than the number of connections, because virtual meetings become easier to arrange as the number of conference rooms increases.

Joint planning should not necessarily mean that the Federation pays for infrastructure projects. Experience may mean that we gradually gravitate in that direction, once we learn that what is good for an individual country is good for the whole Region, but at first it might be simpler for physical projects to be funded bi- or trilaterally by the directly affected countries. However, tele-and video-conferencing networks should be jointly funded from the outset, as they are explicitly aimed at knitting all five countries together. The task of establishing good communication links between Iceland, the autonomous territories in the west and the other Nordic countries may require special investment, and in this instance the Federation should be prepared to compensate for market failures.
LEGISLATION

The law has traditionally played a major role in Nordic co-operation. Joint legislation breaks down barriers between countries. The Nordic Region is in a position to move further in this direction than the EU in the foreseeable future. Meetings of Nordic lawyers have played a key role in inspiring joint projects. Lawyers began working together on joint legislative projects as far back as the 1870s. Hemstad (2008) argues that Scandinavian co-operation eased tensions between Sweden and Norway. Had the co-operation just been between Sweden and Norway, there would have been a risk that proposals would have been blocked by Norwegian fears of Swedish domination. With three players, the exchanges were more even-handed.

There is work to be done here. We are sometimes told that the Nordic countries have never adopted as much joint legislation as they are doing at the moment, but this is an illusion. What is actually being referred to is the ongoing process of incorporating EU directives into the five Nordic legal systems. Little joint work is being done apart from that.

There should be plenty to do, in part to repair that which has fallen apart over time. The marriage laws of the 1920s were a major step forward, so it was unfortunate that, despite calls for co-ordination from the Nordic Council, Sweden went ahead with its own reform of family law in the 1970s. The time is ripe to regain what was lost.

I am not a lawyer, and it is not for me to judge which other issues might be more urgent or feasible, but it is my understanding that the restoration of common company law would be an important task, not least to facilitate economic integration.

The most pressing problem is regulation of the financial markets. The issue is high on the global agenda, but whatever international framework emerges would greatly benefit from being recast in the form of joint Nordic legislation. In recent years, the banking and insurance sector has made the greatest progress in terms of Nordic mergers, so joint Nordic action in this area is particularly pressing. The legislation should be at Nordic level in order to make life easier for companies – so they would not have to deal with different national approaches to bonuses, for example – but above all else, in order to stabilise a critical component of the payment systems. A Nordic financial regulatory authority would be one of the Federation’s most important collective institutions.
One fascinating project would be to examine labour law. The Nordic labour market is only common in the sense that citizens are able to move freely across borders to take up employment in neighbouring countries. In practice, each country has its own labour laws and system of collective bargaining agreements. This makes it more difficult for companies to manage their cross-border activities, and represents a barrier to setting up operations in a neighbouring country. Harmonisation of labour law would represent a major step towards Nordic integration. If the unions and employers were able to use harmonisation as the basis for Nordic collective agreements, the labour market would be far more integrated than it is today. This would also allow the Federation to make a far stronger case for the agreement-based Nordic model in the international arena.

The old proposal for joint Nordic citizenship, which implies joint civil rights (Andersson, 1994), ought to be one of the Federation’s first priorities. In practice, Nordic citizens already enjoy extensive rights in all five states, both under Nordic agreements and conventions and under the EEA Agreement, but codification and completion of the Nordic citizenship project would be an integral part of establishing the Federation.
REACH FOR THE STARS...

History as a barrier

I have an ambivalent attitude to Nordic history. It has, of course, created the preconditions for what the Nordic Region could become, but in almost equal measure it is history that has obscured the opportunities that the future holds. We almost always view history in terms of its outcomes, so the five states seem more or less preordained. In fact, it could just as easily be argued that the opposite is the case: that six centuries of unfortunate incidents have hindered the unification that could otherwise have taken place, as happened in France, England, Spain, Great Britain, Italy or Germany.

If we could free ourselves from the history of nation-building and fragmentation, and just look at what we have today, the opportunities would emerge far more clearly. We are already halfway towards the United Nordic Federation. We have a strong sense of community in terms of culture, social practices and values; our economic community accounts for a quarter of our foreign trade, an increasing number of cross-border mergers and a great deal of migrant labour; and there is also a Scandinavian language community that is broad and open enough to respect and cope with the special nature of Finnish, Icelandic and the other languages.

At present, these assets are insufficiently exploited, precisely because they are spread over five different states. Institutional unification would provide a powerful boost to all of the informal processes – cultural, social, economic – that are already happening. The Federation would tackle market failures together, allocate resources in a manner that optimises the benefit to the whole Region, and facilitate continued integration through joint legislation and other measures.

The alternative to federation is "continued co-operation", but the risk is that it is too weak to hold the countries together even to the extent that it does today. Within the language debate, there are centrifugal forces that may prove stronger than the impulse to work together. The case for learning Scandinavian will be weakened in Iceland and Finland if the impact of globaisation is not offset by strong Nordic convergence, and there is also a tendency for the Scandinavian languages to drift apart and for mutual comprehension between neighbouring countries to diminish (Elert et al, 1981).
Any weakening of the sense of linguistic and cultural community would also lessen the economic benefits of thinking in Nordic terms, at least compared to the other paths that development might take. The difference between moving within the Region or to countries elsewhere would no longer be as great, which would detract from the importance of the joint Nordic labour market and domestic market.

Feasibility study
An appropriate first step would be to commission a feasibility study of the potential for federation. This approach would set the bar high, but without anticipating the final outcome. It would, however, force everyone involved to consider what would be required to make federation possible. Not only would this concentrate minds, but it should also mean that benefits would accrue even if the project flounders. If the study deemed the project unfeasible or called for it to be postponed, the analyses would no doubt still have highlighted a number of smaller projects that would provide mutual benefits for all of the participants.

Federation is a political issue, so the study would have to be directed by senior political figures with their roots firmly planted in the Region. The Nordic Council and the Nordic Council of Ministers form a natural institutional context. Debates would also have to take place in the national parliaments to test the idea, to influence their decision-making and to ensure that national measures would not inadvertently undermine preparations for the Federation.

The process of designing the Federation would raise a series of difficult questions. The feasibility study would therefore need to involve the best analysts, both academic and non-academic, from the Region and beyond. However, it will ultimately be the level of broad public support that determines whether progress is possible. For that reason, it would be sensible for the process to involve the business community, broadly based civic organisations and representatives of culture and education.

I envisage a feasibility study lasting a number of years, with a considerable number of seminars and reports along the way. It would be the biggest item on the Nordic agenda in modern times. The feasibility study would therefore generate parallel investigations and studies that would further enrich the debate. The Nordic Associations would play a significant role in this process.

The feasibility study would doubtless identify specific areas and measures that could be implemented without having to await the outcome of negotiations.
The importance of the specific issue in question would determine the degree of consideration required from leading politicians. Under these circumstances, striving for perfection should be a hindrance to progress. Work on sub-projects should commence as soon as possible, rather than waiting for the high-level negotiation process to begin. The tangible results that could be achieved along the way would serve only to improve the conditions for federation; and they would surely also be of benefit even if the Federation were not to succeed.

**Negotiations**

Should the feasibility study result in a proposal to proceed, the next phase would be a policy decision, followed by negotiations between the five states. Even at this juncture, it is realistic to expect the negotiations to take a number of years. It is also during this phase that the outside world would need to be informed of intentions and progress. All five states are members of international organisations, so their individual memberships would in theory simply be supplanted by the Federation's membership. However, in some contexts (EU, NATO, the eurozone), the countries have opted for different solutions, and these would have to be harmonised so that the Federation would be in a position to clarify its relationship with the rest of the world.

**The decision?**

A final decision on Federation is unlikely in less than 10–15 years. It would probably accelerate the process if the countries were to promote cross-border debate on the future of the Region. The very importance of the issues ought to ignite public interest in the issue. Without broad popular support, federation is simply not possible – but time is needed for the idea to take root.

I also assume that decisions by national governments would have to be repeatedly tested in general elections, perhaps also in referendums, which means that the process would take several years. Ultimately, the outcome would depend on whether enough people were prepared to work sufficiently hard to sort out all the intricate details – and whether voters would support the idea. It would require vast levels of political commitment and organisational effort, but it would bear exceptionally rich fruit.

**The future**

In the wake of my articles in Dagens Nyheter (Wetterberg 2009a, b), a journalist asked me if I thought I would live to see dawn of the Federation. I had to do my sums – but yes, if the statistics are trustworthy I have another 25–30 years left in me, and that should be enough. It is by no means
impossible that a United Nordic Federation will exist by 2040, even if the process were to run into a few snags along the way.

“To list all the benefits for the daily struggle of life which would probably arise from unity is far beyond my abilities,” wrote N.F.S. Grundtvig in his 1810 pamphlet on Nordic unity. It is still difficult, but the benefits are still there if we dare to take the step. The United Nordic Federation could be one of the regions of Europe with the brightest prospects.

The United Nordic Federation is a realistic utopia. It is a vision that awaits energetic political action, but it is capable of transcending borders – both geographic and political. The United Nordic Federation could be our greatest contribution to the globalisation process. Not only would it make globalisation more manageable for the people of the Region, but it would also allow the Nordic Region to assume its rightful role in international affairs.
APPENDIX: A HISTORY OF OBSTACLES

Early Middle Ages
It took a long time for the contours of the Nordic states to emerge. In the Iron Age, people seem to have lived in small groups led by a chieftain in times of war, but these "kingdoms" appear to have been small, and the extent of the chieftain's power is unclear.

In the 800s, Nordic "kings" start to appear in historical records. It was probably interaction with Christianity in England and on the Continent, as well as with the already more developed principalities, that stimulated the emergence of these early Nordic kingdoms. The Nordic kungr was rendered as rex in Latin, and they copied their foreign models. The Nordic countries were also drawn into international trade. Increasingly, trade between the Frankish and Byzantine empires took the northern route, across the Baltic Sea and along the great rivers of Russia.

It is over the next few centuries that historians begin to discern the origins of Denmark, Norway and Sweden, at least partially with the benefit of hindsight. At the time, it was far from a foregone conclusion that the Region would be divided up into those particular parts. In linguistic terms, the differences were small and fluid, more a matter of dialects than clearly distinct languages. The chieftains, supported by armed entourages and powerful families, banded together or sundered apart loosely assembled kingdoms, and what we now refer to as regions were joined together or pulled apart by the ebb and flow of fortune.

On the other hand, these kingdoms fluctuated in size and were in turn both larger and smaller than what we now call the Nordic Region. Medieval Denmark stretched far and wide, towards the Slavic areas in what is now northern Germany, and towards the eastern coasts of the Baltic Sea, but they were also occasionally threatened by dissolution and German expansionism. The Swedish kingdom later competed with the Danes for supremacy in the Baltic. A great power, Sweden extended its sphere of influence across the Baltic states and into the Holy Roman Empire, but fared less well once Russia overcame its own impotence.

The early centuries were a time of petty kings, regular border disputes and feuds of succession. Great lords found brides throughout the Nordic area and beyond - towards Kiev and among the Vend princes on the other side of the Baltic Sea. These are all also signs of the role played by the Nordic Region in international trade of the time.
The Vikings pillaged to the east and to the west, but the Region was ravaged too – by Estonians from the east and Vends from the south – and the German Empire interfered in Denmark. The losers in succession disputes took refuge with powerful neighbours, sometimes returning with their help. The Danes became involved in Swedish succession disputes, the Norwegian king Magnus took over the Danish crown, and Canute the Great wielded power both in the Nordic Region and in England. The first documented encounter between the three Nordic kingdoms took place in 1101, when the kings of Denmark, Norway and Sweden met in Kungahälla (then in Norway, but now in western Sweden).

High Middle Ages

The church played an important role not only in establishing kingdoms, but also in dividing them and consolidating their intrinsic character. In 1104, just a few years after the meeting in Kungahälla, Lund was made the archdiocese for the Nordic Region, enabling it to gradually break free from Hamburg’s domination. The church functioned as an early Nordic Union for much of that century, until new archdioceses were established in Nidaros and Uppsala. The Archbishop of Lund may have remained their primate for some time, but they assumed increasing responsibility for managing their own internal affairs. Weibull (1949) argues that “the separatist aspirations of Norway and Sweden enjoyed the support of the Holy See”.

Men of the cloth helped kings to organise their realms. Monarchs started to mint coins, establishing a monopoly that served as an important source of revenue, and built up royal estates as both military strongholds and tax-collection centres. Clerics helped them to codify and transcribe laws.

The boundaries between secular and ecclesiastical lords were often blurred. The archbishops of Lund were regularly appointed from among Denmark’s leading families. First in line was Asser, who held out when King Niels had his son Magnus swear allegiance to the German King Lothar and Lund was put under Hamburg’s control. Absalon helped the Valdemars establish their rule, founded the city of Copenhagen and led major military campaigns against the Vends. Andreas Sunesen systematised the laws in Scania and contributed to the development of the legal system across the entire Region. It was mere coincidence that Finland converted to a Christianity as a result of Swedish rather than Danish influence – the Danish crusaders ended up in Estonia, but could well have pushed on further.
It was probably the establishment of the three archepiscopal sees that consolidated the contours of the kingdoms. The relationship between the Danish monarchy and the archbishop of Lund was tense at times, but nevertheless helped to define the kingdom. The interaction between the Church and the Norwegian king led to Norway being the first to become a hereditary kingdom, as early as 1260. In Sweden, Birger Jarl and his descendants consolidated royal power, often with one of the royal brothers appointed as bishop of Linköping and the king’s chancellor. The Swedish kingdom stretched out over the Baltic Sea, with south-west Finland included in its core area.

Members of the royal families continued to intermarry, giving rise not only to inheritance claims, but also to alliances in succession disputes. Erik, son of King Magnus Ladulås of Sweden, married the Norwegian princess Ingeborg, ended up embroiled in violent conflict with his brother King Birger, and began building up his own dominion in western Scandinavia. After Erik was murdered at Nyköpingshus by his royal brother, his widow aligned himself with the Danish lord Knut Porse, and the western dominion spread throughout Halland, Västergötland and Bohuslän, transcending all borders.

Ingeborg’s son Magnus Eriksson was elected King of Sweden after his mother and her men rebelled against Birger, but he also inherited his grandfather’s Norwegian kingdom. During a period of Danish weakness, Magnus assumed control of Scania, which had been pledged to the Counts of Holstein. This personal union was not intended to be permanent. Magnus intended to give his sons a kingdom each, but the experiments carried out both by him and by his mother showed that greater union need not be out of the question. In France, for example, a kingdom was being assembled out of formerly separate regions and principalities.

The Kalmar Union

In the mid-14th century, the Dukes of Mecklenburg began to marry into the Nordic royal families, and in doing so acquired hereditary claims to the three thrones. The Swedish nobles rallied repeatedly against Magnus Eriksson, and finally turned to the dukes Albrecht the Elder and the Younger of Mecklenburg, the latter of whom was crowned king. In Denmark, Waldemar Atterdag reunited the kingdom, but after his death the Mecklenburgs claimed his kingdom for an even younger Albrecht. They also had designs on Norway.

The crown of Denmark and Norway passed to Olof, grandchild of Magnus and Valdemar – who, as heir of the Folkungar, also had a claim to Albrecht’s Swedish throne. In the mid-14th century, the Black Death and the agricultural
crisis weakened all of the countries. Many farms were laid waste, and a large proportion of the population was wiped out, including priests and nobles.

After Olof’s sudden death, his mother, Margaret, took over. The Scanian assembly hailed her as “all-powerful lady and rightful mistress” of Sweden, a proclamation repeated throughout Denmark and Norway. The Swedish nobles were in conflict with Albrecht. Margaret aligned herself with Pomerania, defeated the Mecklenburgs and imprisoned King Albrecht and his son Eric in Lindholm Castle in Scania.

Margaret’s skilled, ruthless political manoeuvres enabled her to consolidate her position and limit the power of the nobles. She reached agreement with the Holy See and was able to appoint loyal bishops throughout the Nordic countries; she destroyed the castles of some nobles in Denmark and banned the building of new ones by anyone other than the Crown; she limited the numbers of young nobles who had to do feudal service in the Norwegian queen’s entourage; and in her wake, some senior nobles began to acquire property in different parts of the union she had created.

Margaret probably had greater ambitions. At a grand ceremony in Kalmar in 1397, her grand-nephew Bogislav (who now took the name Erik) of Pomerania was proclaimed her heir apparent. There are signs that she tried to transplant institutions from one country to another – for example, she attempted to extend the hereditary terminology of the Norwegian crown to the Danish and Swedish kingdoms, and introduced the Swedish “gengärd” royal hospitality tax to Norway.

But perhaps she had gone too far, too fast. The backlash came during Erik’s reign, as opposition Swedish nobles and “bergsmän” (a catageory of free farmers) went their own ways, and the king found himself at odds with powerful groups in Denmark. He was overthrown and replaced by his relative Kristoffer of Bavaria.

In all of the countries powerful forces wished to preserve the union. Hans Laxmand, Archbishop of Lund, represented the church and the powerful Scanian nobility, who had started to feel the heat from the wars on their borders. But other groups resisted, sometimes to safeguard the interests of their own kingdom, sometimes to wrest new concessions from a weak king in need of their support. During the 15th century, English influence began to spread in Iceland. It was only from the 16th century onwards that Iceland was tied more closely to Copenhagen and Danish interests.

Although the union persisted until 1523 (and formally far longer), the king of the whole union was only recognised simultaneously in all of the kingdoms for
brief periods – but it could easily have been otherwise. Both King Hans and his son Hans Christian II were acclaimed in all three kingdoms at around the same time as Spain was uniting under Ferdinand and Isabella. The strong position of the Council of State and the cross-border property interests of the nobility could have paved the way for a “noble republic” of the kind that held Poland-Lithuania together.

It was not to be. After the fall of Christian II, the Nordic Region was divided into Denmark-Norway (with the duchies in the south and the north-Atlantic islands in the west) and the Swedish kingdom (comprising Sweden proper and Finland to the east). The new kings, Frederick I and Gustav I, collaborated against the threat from the deposed Christian and his allies on the continent. However, their decision to introduce the Reformation caused concern among the general populace.

It was unclear who would succeed Frederick after his death. Counterving currents flourished during the 1534–1536 civil war (known as “the Feud of the Counts”). When the peasants revolted, Copenhagen and Malmö sought the support of the Hanseatic League and probably sought status as free Hanseatic cities. Count Christoffer of Oldenburg sought to unite the opposition in the cause of Christian II, but Gustav I intervened on behalf of Frederick’s son Christian III. Lübeck’s radical city government was overthrown and the Hanseatic League withdrew. The peasants’ revolt was suppressed, the big cities were crushed and the position of Protestantism was consolidated. The Reformation aided nation-building in both kingdoms. Although Sweden’s King Gustav was dissatisfied with the compensation he received for his intervention, the relationship between Denmark and Sweden was nonetheless confirmed in the Brömsebro League of 1541.

**Multiple wars**

The period of calm that followed the Feud of the Counts was not to last. Irritation grew between the neighbours. Sweden wanted to advance to the Arctic Ocean, Denmark claimed hegemony in the Baltic, and the Swedish city planned for the mouth of the Göta River clashed with Denmark’s interest in collecting Öresund tolls. From the 1560s onwards, the neighbours clashed in one war after another.

Denmark was initially dominant, its economy of the time based on the Öresund tolls, Norwegian exports of timber and fish, and the profitable trade in live cattle to the growing cities of northern Germany and the Netherlands. In 1571 and 1613, Sweden was forced to pay huge ransoms for the return of Älvsborg.
The picture changed in the 1620s. With Axel Oxenstierna as Chancellor, Sweden became the most effective centralised state in Europe, and Gustavus Adolphus built up a powerful army. Sweden expanded through successful military expeditions against Russia and Poland, began to threaten Danish dominance in the Baltic, and entered into Germany's Thirty Years' War when Christian IV of Denmark's back was to the wall. Swedish troops invaded Holstein and Jutland from Germany in 1643, while another army invaded Scania from Småland. Charles X repeated the manoeuvre 15 years later, and Denmark ceded the province of Scania as part of the Roskilde Treaty of 1658.

Barely six months later, as a pretext for resuming the war, Charles X claimed that Denmark had not complied with the terms of the Treaty. According to the French envoy Terlon, Charles had spoken of leaving Norway to his seneschal Per Brahe, dividing Denmark into four parts, razing Copenhagen and transferring its privileges and fleet to Malmö (Weibull, 1949). It would be the last time that anyone tried to seize power throughout the Region by force. The Danish capital withstood the siege, and the great powers were not prepared to accept Charles' actions. After his death, they mediated peace terms that were broadly the same as those settled at Roskilde. However, Sweden was forced to cede Trondhein county and Bornholm.

The great powers remained vigilant throughout the subsequent wars. In the 1670s, Denmark tried to retake Scania, but despite a Swedish defeat in Germany and setbacks in naval warfare, France stepped in to preserve the status quo in the peace negotiations. The great Nordic War was devastating for Sweden, but once again the great powers forced Denmark to make do with shared control of the Øresund. Scania remained in Swedish hands. The issue of access to the Baltic was crucial – none of the neighbouring countries liked the idea of one country controlling both shores. A divided Region was in the interest of the surrounding powers – and, throughout the century, Britain was consolidating its position.

The conflicts eased following the death of Charles XII at Fredrikshald. In the 1740s, the Danish Crown Prince Frederik (V) was proposed as heir to the Swedish throne. However, after Sweden's disastrous war with Russia, Czarina Elizabeth forced Sweden to accept prince-bishop Adolf Frederick of Lübeck as its future king. As the men of Dalarna marched on Stockholm to press Frederick's claim, the Swedish government feared a Danish attack, but Russian troops in Södermanland and Östergötland protected Stockholm for over a year.

During the 18th century, the balance of power between the Nordic countries evened out. The populations of Norway and Finland grew faster than those of
Denmark and Sweden, and in the 19th century their economies began to grow faster than their Swedish and Danish counterparts too (Rian, 1997). As the economies grew, so did demands for greater acceptance of regional interests. Norway demanded its own university, while the Finnish members of the Swedish Parliament were generally more conservative in relation to foreign policy than the members from Sweden proper. During Sweden’s war with Russia, certain Finnish circles began to dabble with plans for independence, while some groups in Norway oriented themselves towards Sweden.

The Napoleonic Wars brought about great changes in the Nordic political environment. Russia defeated Sweden and conquered Finland, which became a grand duchy with a large measure of autonomy. As alliances regrouped, Sweden entered the war on the side of Russia and Britain, and was awarded Norway after the conflict. Although it was little more than a personal union between the countries, Norway did get the most modern constitution in the Region, as well as a legislative assembly. For both Norway and Finland, the changes greatly increased their ability to influence their own development, although Finland had to pay more attention to Moscow than Norway did to Stockholm.

**Scandinavism: Nationalism in Nordic clothing**

The end of the Napoleonic Wars heralded a long period of peace in the Nordic countries. With peace came questions about what united the countries and what set them apart. Throughout Europe, the 19th century was a period of rampant nationalism. Depending on the circumstances, it was a time of nation-building or splitting, of unification or division.

Nationalism also emerged in the Nordic countries. The Danish and Swedish kingdoms had been conglomerates of peoples and regions, but nationalism now determined the identities of states and their citizens.

However, state-level nationalism was not the only trend. The Nordic countries experienced a kind of dual nationalism – the countries were so close to each other that Scandinavia appeared to be an overarching option. The first precursors of Scandinavism appeared at the end of the 18th century, and Nordic romanticism blossomed in the first couple of decades of the 19th. A strong cultural movement arose among students and educated circles in general (Holmberg (1946) refers to “academic Scandinavism”).

In the early days, the sense of cultural community was dominant. Writers inspired each other and researched early Norse myths and sagas. The movement later developed in a number of different directions. Initially, many liberals took up Scandinavism in opposition to absolute monarchy in Denmark?
and Karl XIV Johan’s authoritarian rule in Sweden. Norway’s liberal constitution was seen as an example for the other countries.

The Schleswig-Holstein conflict hurled Scandinavism into the realms of power politics. In 1848, Sweden-Norway sent troops to Funen to be on standby if Prussia intervened. Scandinavism took on dynastic overtones – the Danish succession was unclear, and there was speculation that Oscar I or his son Charles could become king of Denmark. Once again, the major powers determined the outcome: Britain and Russia forced Prussia and Denmark to respect the status quo.

Scandinavism contained an aggressive, revanchist streak. With tensions between the great powers on the rise in the 1850s, some circles in Sweden began to harbour hopes of recovering Finland by going to war on the Western side. However, when the theatre of war turned out to be Crimea, rather than the Baltic Sea, the Swedish king was unable to mobilise in time. A few years later, conflict once again broke out over the duchies. The Scandinavists advocated rallying to the Danish side, and Charles XV made some half-pledges, but the Swedish-Norwegian Council of State refused. Finance Minister Gripenstedt warned of the economic consequences of intervention, and the majority sided with him. The king’s pledges came to nothing. The security-policy side of Scandinavism was dead.

**Culture replaces violence: Peaceful co-operation**

An important shift in mood had taken place. The harmony-seeking liberals of the 19th century renounced the violence and conquests of the past. It was time for civilisation to be promoted by progressive research and by all kinds of communication, from railways to the media and education. Even common postage rates had an important role to play (Nilsson, 2004).

In this atmosphere, new forms of co-operation emerged. The Scandinavist students of the 1840s were now in state service, and their meetings were replaced by gatherings of lawyers, economists, statisticians, scientists and other academics. Hemstad (2008) identified over 200 different series of meetings between 1839 – when the natural scientists were first in line – and 1929.

Co-operation ebbed and flowed. Political Scandinavism suffered a severe blow in 1864, but re-emerged towards the end of the century when Russification in Finland and the treatment of the Danes in southern Jutland aroused strong feelings in other Nordic countries. However, its Indian summer in the 1890s was replaced by what Hemstad referred to as a ”Nordic Winter”, as disputes arising from the dissolution of the Swedish-Norwegian union in 1905 led to bitter feelings and distrust between the two countries.
But Scandinavism – which began to be called Nordism around 1900 – soon moved beyond emotion and lofty speeches. Co-operation had increasingly practical consequences, from research collaboration to the postal union and cross-border rail links.

A postal union between Denmark, Norway and Sweden had previously been established in 1869, but the most spectacular collaborative outcome was the Scandinavian Currency Union. In December 1865, France had established the Latin Monetary Union, which also incorporated Belgium, the Netherlands, Switzerland and Italy. This was widely regarded as a step towards an international currency union, with the French 10-franc coin as the universal currency. In Sweden, A.O. Wallenberg persuaded the government to mint a Swedish (£) 10-franc gold coin called the Caroline.

However, the plans came to naught when the French were defeated in the Franco-Prussian war of 1870–1871. As an alternative, a proposal was put forward for a Scandinavian currency union based on the gold standard. On 18 December 1872, the Danish, Norwegian and Swedish governments concluded a currency convention in Stockholm. In the spring of 1873, Sweden and Denmark agreed a common currency system, which Norway joined in 1875. Finland also chose the gold standard as the basis for its own currency but deference to Russia meant that the Scandinavian Currency Union was never implemented. Finland instead joined the Latin Monetary Union.

The Scandinavian Currency Union was far from being an economic union – customs duties between the countries persisted. And in Sweden in particular, strong protectionist sentiments emerged from the 1880s onwards. The union reached its height in 1885, when it was agreed that the various central banks could redeem each other’s debt instruments at par, without charge, in order to facilitate business transactions between the countries. Co-operation went even further when lower transaction thresholds were introduced in 1895 and common legislation on cheques in 1897. However, no more than a week after the dissolution of the union between Sweden and Norway in 1905, the Swedish central bank withdrew co-operation on interest-free credit.

The currency union continued into World War I, but once the gold standard was abandoned, the currencies began to evolve in different directions. The three member countries reintroduced the gold standard in 1928, and agreed to try again. Sweden dragged its feet while Denmark and Norway restored the union in February 1931, but the international financial crisis in autumn of that year put paid to co-operation (Henriksen et al. 1994; Wetterberg, 2009). The meetings of Nordic lawyers gave rise to wide-ranging co-operation on legislative matters (Seip, 1994). As early as 1861, Sweden and Denmark
reached agreement on the enforcement and service of judgements in civil cases, but the Norwegian parliament vetoed participation in 1865. On 7 May 1880, the three countries’ legislatures simultaneously adopted joint legislation on bills of exchange – the first joint Scandinavian law. The 1880s and 1890s brought joint legislation on maritime law, trademarks and cheques. The governments set up Nordic commissions on civil and family law, both of which produced a set of joint laws. Thanks to this co-operation, the joint Nordic marriage law was more advanced than elsewhere, and represented an important step towards the emancipation of women (Carlsson Wetterberg et al., 2006).

In the economic field, customs duties were still a barrier to trade between the countries, but business expansion in the 19th century included a significant inter-Nordic element. Early on, Norwegian interests became involved in the Swedish forestry industry, Danish bankers were involved in the formation of Scandinavian Credit AB in Sweden, and the Wallenberg brothers helped found Norsk Hydro.

Progress was slower in the political arena. By the 1890s, efforts had already been made to establish a Nordic division of the Inter-Parliamentary Union, but the initiative fell victim to the tensions between Sweden and Norway and the division was not set up until 1907.

**World Wars**

The two World Wars significantly affected the development of modern co-operation. A meeting of the three kings in Malmö in December 1914 marked a thaw after the period of friction that followed the dissolution of the Norwegian-Swedish Union. The kings attended with their foreign ministers, which signified the starting point for ministerial meetings in more and more sectors. The Nordic countries had issued a joint declaration of neutrality in 1912, a position reaffirmed at the outbreak of hostilities.

Co-operation on security was extended to the economic sphere. When blockades led to supply concerns, the Nordic countries worked together to solve the problem.

The most important consequences of World War I, however, were the independence of Finland and the start of the process that would lead to Iceland's liberation. The Russian Revolution meant that Finland was able to declare its independence on 6 December 1917. On 1 December 1918, Iceland became an independent monarchy under the Danish crown. Some joint regulations on civil rights and foreign service were maintained, but the union treaty could be terminated after 25 years. Scandinavia therefore
became Nordism, particularly as Finland began to move closer to the other countries in the 1920s. For Finland, the whole 20th century was characterised by its efforts to gain and consolidate its independence, from its break with Russia and the civil war, through the drama of World War II (Meinander, 2009) and the Friendship, Co-operation and Mutual Assistance Pact with the USSR, right up to membership of the EU and EMU.

Some of those who had participated in the co-operation on wartime supply problems went on to play an active role in the Nordic Associations that were formed from 1919 onwards (Andersson, 1994), but in general there was a lull in inter-governmental co-operation in the 1920s. In fact, there was friction between Norway and Sweden about Svalbard, and between Norway and Denmark about Greenland.

It was only with the onset of the global economic crisis of the 1930s that co-operation intensified again. The Nordic countries began to investigate the possibility of phasing out tariffs between them in order to counter protectionist trends in world trade. The Nordic trade union movements and Social Democratic parties formed a co-operation committee (SAMAK), which would exert great influence on co-operation when several of the parties found themselves in power. The Nordic countries coped with the crisis relatively well, and the violent extremes – fascism and communism – failed to establish footholds in their national politics.

World War II put a stop to most of the ongoing co-operation, but the pressures of war gave a powerful new impulse to Nordism. Occupation, blockades and acts of war made it difficult for the countries to hold talks, but strong Nordist currents emerged in several countries. Òrnes and Wirtanen’s books were also published in Danish, and on 1 March 1943 the two authors took part in a debate on unifying the Nordic Region at a student meeting in Lund. Leading politicians and intellectuals at the meeting discussed the possibility of a Nordic Federation.

The Nordio Council

It was not to be. World War II cast a long shadow, particularly in the area of foreign and security policy, and this significantly limited what the Nordic countries were able to achieve. The limits were made all too clear during 1948–49 discussions on a Nordic defence union. The countries’ wartime choices had left their mark. Norway and Denmark preferred peacetime co-operation with the Western powers in order to secure assistance if war were to break out again; Sweden wanted to maintain its policy of neutrality; and Finland was influenced by its relationship with the Soviet Union. The negotiations came to nothing (Wahlbäck, 2000).
However, in many other areas co-operation was much more intense than previously. The measure that had the greatest impact on everyday life was the passport union, which allowed people to travel freely between the Nordic countries.

The most significant economic development was the establishment in 1954 of a joint labour market, which allowed citizens of any Nordic country to seek and accept employment in any of the other countries. The labour market dragged other areas of co-operation along in its wake, including closer cooperation on social insurance, which had already begun in the interwar period and culminated in a convention on social security in 1955. Opening up of the labour market brought more and better opportunities for citizens, while the economies benefited as labour flowed to wherever it was needed most. At first, Finnish migration helped to ease the generation imbalance in the booming Swedish economy. Today, Swedes commute to Denmark and Norway.

However, progress was also hindered by economic self-interest. Norway and Finland delayed the joint labour market because they feared losing workers who were needed for post-war reconstruction. Denmark wanted to increase agricultural yields, and Sweden and Norway wanted to protect their farmers. There was also a fear that Swedish industry would become overly dominant.

However, this reluctance led people to seek other areas of progress. Cooperation was given a more institutionalised framework. Following the failure of the defence union, politicians took the initiative to establish the inter-parliamentary Nordic Council, which has met and exchanged ideas and proposals since 1953. The collapse of the 1969–70 negotiations on economic union was followed in 1971 by the Helsinki Treaty, which set up the intergovernmental Nordic Council of Ministers. In November 1975, the Nordic Council agreed to found the Nordic Investment Bank.

Within these frameworks, wide-ranging partnerships have developed in most sectors – although foreign and security policy was excluded for a long time, with the exception of support for Iceland in the 1976 Cod War.

Intergovernmental co-operation gains much of its strength from the many informal and non-governmental networks that have been developed in education, culture, associations and the business community, and between people, organisations and businesses – networks that are often linked to the Nordic Associations.
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Gunnar Wetterberg, born in 1953 in Malmö, Sweden, was originally a historian. Following his appointment to the Department of Foreign Affairs in 1975, he served both in Hanoi and Geneva, and was Swedish representative to various UN and OECD agencies. He has served as chief secretary of the Expert Group for Public Economics (ESO), and both assistant under-secretary and head of the Ministry of Finance’s structural unit with responsibility for Long-Term Projections in 1992 and 1995 respectively. Between 1994 and 1999, he was director of the Swedish Association of Local Authorities. He was then appointed head of social policy in the Swedish Confederation of Professional Associations (SACO). He has written biographies of Axel Oxenstierna and Arvid Horn and a history of Riksbanken, the Swedish central bank, as well as socio-economic analyses of Swedish, ‘workline’ policies and the importance of demography. In 2009, he was awarded an honorary doctorate in humanities by Lund University. In 2010, he was elected to the Royal Swedish Academy of Sciences, Class X (in humanities and for an outstanding contribution to science).
The United Nordic Federation

Gunnar Wetterberg

The United Nordic Federation

The Nordic Region 2030: The five Nordic countries have formed a federal political entity – the United Nordic Federation.

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