Viking Economics

Published: January 13, 2026, 9:52 pm

I am speaking at a meeting with George Lakey in Norwich Quaker Meeting House tomorrow evening at 6pm. We are discussing George's book 'Viking Economics' and related issues. The best introduction I can give is to share the review I wrote of Viking Economics for the Times Higher Education last year:

I read this book between the death of the MP Jo Cox and the announcement of the European Union referendum results. This was not a good week. My spirit needed replenishment. George Lakey's book provided it.

Here, Lakey combines historical analysis, economic data and interview-based opinion to produce something that delivers much more than each of those could do in isolation. As a result, Viking Economics tells a story of economic change and the foundations on which it was built at a time when it is so obvious that such narratives are desperately needed in modern political discourse.

His quest to explain why Scandinavia has delivered a notably high quality of life when so many things (energy sources apart) appear stacked against the countries that make up the region is focused not on outcomes, although he documents them, but on causes. This is wise: most will be familiar with much of the data on incomes, taxation, happiness, child poverty and even productivity, where in each and every case the states that he describes as Scandinavian (Norway, Sweden, Denmark and Iceland) have outcomes that are consistently outstanding. It's the way Lakey explains that this is not by chance that I found so persuasive.

The story is not the same in all states: it cannot be. Norway was, for example, both Danish and Swedish territory before achieving its independence. Denmark and Norway suffered Nazi occupation; Sweden did not. Sweden and Denmark are in the EU, but Iceland and Norway are not. These factors, then, suggest that Lakey's search for some deeper explanation is appropriate.

That explanation is, he suggests, to be found in the work of the Nobel prizewinning Swedish economist Gunnar Myrdal. Lakey's argument is that Myrdal encouraged all these states to invest in the individual person as the primary resource for delivering *economic growth. This idea, and the actions that result from it, is, he believes, the pillar of the Nordic economic model. At its core this idea, he observes, rejects the classical view of work — that it is a struggle to win the means of existence — and puts in its place a positive framework of incentives for economic participation.*

The book explores this hypothesis in numerous ways, but at its heart a number of things stand out that, at a time when the economies of so many countries are so badly failing those who live in them, must be worthy of serious study.

The first is conceptual. As a result of these states having largely rejected the core assumptions of classical economics, profit is seen as a consequence of work and not as its goal. Banking is seen as a service and not as the focus of economic growth. Education is viewed as vital to personal growth, which just also happens to be the perfect countercyclical investment that secures long-term prosperity. And underpinning all this is an expectation that each person will work to contribute to the overall well-being of the society of which they are part: this is a perception of work as a participatory activity.

The result appears to be a Keynesian, social democratic nirvana where education, healthcare and pensions are free, the social safety net is still strong and cooperatives supply 40 per cent of housing in Norway.

The Keynesian argument may be true, but it has to be understood. What Lakey makes clear is that this is not a society where stimulus is created by digging holes and then filling them in again. Nor does it by default seek stimulus from investment in infrastructure. It is one in which countercyclical investment is in skills. And this is not some minor commitment: it is lifelong, and embraces not just the citizen but the immigrant as well.

The attitude towards migration in Norway was perhaps the most surprising and hope-filled revelation I encountered in this book, in a week when Ukip unveiled a profoundly racist poster to the British public. The migrant is welcome in Norway — but not (quite significantly) unconditionally. Those not enjoying freedom of movement have a year to learn Norwegian, but are given the means to do so, as well as the necessary financing. In return, they are then expected to develop a skill that Norway needs if they do not already have it: they are prepared for work, in other words. And then they have to do that work where they are directed to repay the favour granted. This is a contract. Once it is fulfilled, they can stay, which they are likely to want to do (as you would if you'd learned Norwegian).

I am sure that there are complexities and issues that Lakey skips over: I know Norway well enough, for example, to be aware that not all migrants have been welcomed with open arms. But the point is that the model has worked, within reason. Crucially, it offers something that is the same as the bargain available to the locally born population, which in Denmark they call "flexicurity". There is no guarantee in this system that a worker will have their existing job for life. In its place is an undertaking of support, so that if a person has to change their employment they will get the training and support needed to get a new job.*

Importantly, as Lakey suggests has happened in Norway, this model specifically embraces polarity. After a history of very difficult industrial relations, the country came to a settlement between unions and business in the 1930s that has, broadly, and with the Quisling era a disruption, survived to date. As a result, business is seen not as being in opposition to the social model but rather as a part of it. This is evidenced by the fact that the state quite positively encourages people to set up their own businesses. Among Lakey's more surprising statistics are those on entrepreneurship, where Scandinavian rates exceed those of the US. His explanation of this is, to me, and based on my experience as a one-time practising chartered accountant, very obviously correct: Scandinavians can afford the uncertainty of starting a business because the risk of ill health, old age, education for their children and even, to some degree, failure is accepted by society as part of the bargain made for the gains the business will deliver, which it will settle by way of tax paid and opportunity provided. No UK graduate now has the security to take risk in that way. No wonder the Scandinavians can win.

These states were also notable winners when it came to their dealings with their banks, whether because they had their failures early (in the case of Norway and Sweden) and were prepared as a result for the crisis that developed in 2008 or because they simply refused to accept that the recklessness of bankers was something that they had to pay for, as happened in the case of Iceland.

So can this model be replicated? Lakey is an optimist. By nature so am I. But if he is right, then the story he imparts has to be told, understood and acted upon. And in the Nordic tradition, that story is more like a saga than a soundbite. But if the UK's higher education sector cannot build a narrative around the power of investing in people as the basis of our future prosperity, then what is it for?

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Viking Economics: How the Scandinavians Got It Right — and How We Can, Too

By George Lakey
Melville House, 320pp, £19.99
ISBN 9781612195360
Published 14 July 2016